

national
australia
bank



Annual Report 2022

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

This 2022 Annual Report (Report) is lodged with the Australian Securities and Investments Commission and ASX Limited. National Australia Bank Limited (NAB) is publicly listed in Australia. The Report contains information prepared on the basis of the *Banking Act 1959* (Cth), *Corporations Act 2001* (Cth), 4th edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Accounting Standards and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. It also provides information on the Group's activities and performance in 2022, showing how the Group is creating value through its strategy, operating environment, governance and financial and non-financial activities. NAB also produces a Climate Report which can be viewed online.

To view this Report online, visit www.nab.com.au/annualreports. Alternatively, to arrange for a copy to be sent to you free of charge, call the shareholder information line on 1300 367 647 from within Australia or +61 3 9415 4299 from outside Australia. Nothing in the Report is, or should be taken as, an offer of securities in NAB for issue or sale, or an invitation to apply for the purchase of such securities. All figures in the Report are in Australian dollars unless otherwise stated.

2022 Reporting Suite

Acknowledgement of Country

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

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

2022 Annual Report



NAB's 2022 Annual Report provides information on the Group's activities and performance during 2022. It outlines how NAB is creating value through its strategy, operating environment, governance, financial and non-financial activities. This Report combines content from three previously separate reports: Annual Financial Report, Annual Review and Corporate Governance Statement.

The Annual Report draws on aspects of the International Integrated Reporting Framework. It is supported by the additional documents outlined below.

Report Structure

Pages 11 to 49 contain the Group's business, strategy, operating environment and performance. These pages outline performance relevant to customers, colleagues, climate change and environment, data security and technology, and communities. Stakeholder feedback was considered in the shaping of this section (see *What matters most* on page 23 for more information).

Pages 56 to 80 contain NAB's 2022 Corporate Governance Statement, which discloses how the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th edition' have been complied with.

Pages 95 to 144 contain key components of the Report of the Directors.

Pages 108 to 142 contain the Remuneration Report.

Pages 147 to 244 contain the Financial Report.

Assurance

The Remuneration Report on pages 108 to 142 and Financial Report on pages 147 to 244 have been audited by EY. The assurance statement for the Financial Report and Remuneration Report is on pages 245 to 252.

EY provides limited assurance over 25 key non-financial sustainability metrics and performance disclosures and a further seven metrics relating to NAB's Reconciliation Action Plan as outlined in EY's limited assurance statement on pages 50 to 55.

KPMG provides assurance over selected environmental measures disclosed across NAB's reporting suite. KPMG's assurance statements are available on NAB's website at nab.com.au/about-us/social-impact/shareholders/performance-and-reporting.

Additional documents



2022 Full Year Results Investor Presentation
Information designed for analysts and institutional investors which accompanies the Group's Full Year Results Presentation.

Management Discussion and Analysis
Management discussion and analysis of the Group's results for the year ended 30 September 2022.

2022 Climate Report
Provides stakeholders with information on the Group's approach to climate change and how it manages associated risks and opportunities. The report uses the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

2022 Pillar 3 Report
Describes the Group's approach to risk management and provides details about risk exposures, capital adequacy and liquidity.

2022 Sustainability Data Pack
Provides further detail on the Group's ESG performance, in addition to the material themes covered in the Annual Report and the Climate Report.

Additional information

Certain definitions

The Group's financial year ends on 30 September. The financial year ended 30 September 2022 is referred to as 2022 and other financial years are referred to in a corresponding manner. Reference in this document to the year ended September 2022 are references to the twelve months ended 30 September 2022. Reference in this document to the environmental reporting year are references to the twelve months ended 30 June 2022.

The abbreviations \$m and \$bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively.

Key terms used in this report are contained in the *Glossary*.

Forward looking statements

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

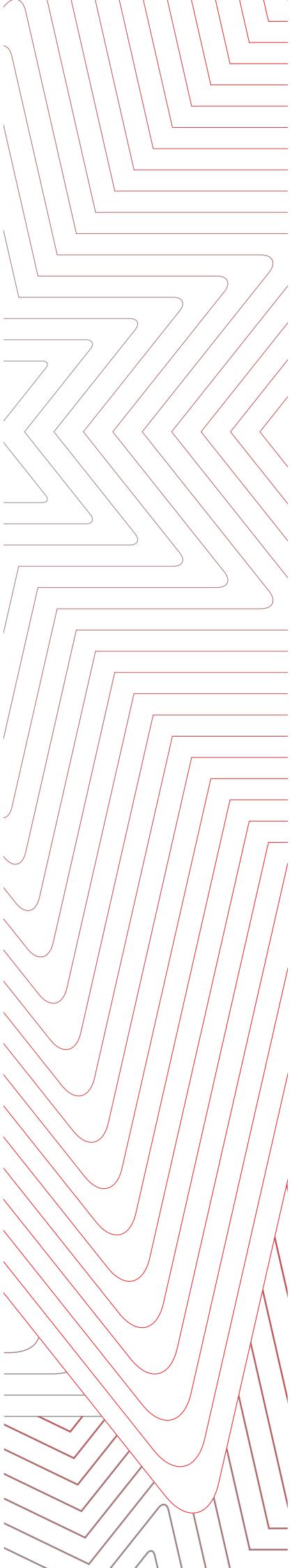
There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the Russia-Ukraine conflict and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further detail is contained on page 84 under *Disclosure on Risk factors*.

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Our business in 2022



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**Our business
in 2022**

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management

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the Directors

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Additional
information

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2022 at a glance

► Key financial performance measures

Statutory net profit

\$6.89bn

8.3% increase from 2021

Dividend per share (for the full year)

\$1.51

\$0.24 higher than 2021

Common Equity Tier 1 capital ratio

11.51%

149 bp decrease from 2021

Cash return on equity⁽¹⁾

11.7%

100 bp increase from 2021

Cash earnings⁽¹⁾

\$7.10bn

8.3% increase from 2021

Diluted Cash EPS (cents)⁽¹⁾

211.7

10.8% increase from 2021

► Other key performance measures

**Net Promoter Score (NPS)
- Consumer⁽²⁾⁽³⁾**

0

#1 among major Australian banks

NPS - Business⁽²⁾⁽⁵⁾

-5

#2 among major Australian banks

Finance to drive positive social impact

\$70.8bn

Cumulative environmental financing (met target of \$70bn by 2025)⁽⁷⁾

Colleague engagement score⁽⁹⁾

76

2 points below top quartile target score of 78

NPS - High Net Worth and Mass Affluent⁽²⁾⁽⁴⁾

-5

Equal #1 among major Australian banks

Relationship Strength Index - Corporate⁽⁶⁾

#1

Among major Australian banks

\$3.61bn

Cumulative affordable and specialist housing financing (met target of \$2bn by 2023)⁽⁸⁾

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in *Note 2 Segment Information* of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

(2) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. NPS results are shown as a six month rolling average to September 2022. Prior year numbers have been restated and not been assured by EY.

(3) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to September 2022. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(4) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to September 2022. Includes consumers with personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(5) Sourced from DBM Consultants Business Atlas, results are shown as a six month rolling average to September 2022. Business NPS is now based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to \$100k turnover), Small (\$100k-\$5m turnover), Medium (\$5m-\$50m turnover), Large (\$50m+). Ranking based on absolute scores, not statistically significant differences.

(6) Peter Lee Associates - Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against all banks included in survey.

(7) Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to NAB's 2022 Sustainability Data Pack for a further breakdown of this number and reference to how progress towards NAB's environmental finance target is calculated.

(8) Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. This includes loans made under the First Home Guarantee, as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme) for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2022 and 2021 portion of the cumulative progress figure has been assured by EY.

(9) 2022 Heartbeat Survey conducted by Glint, score based on August 2022 survey. Includes Australia and New Zealand colleagues, excludes external contractors, consultants and temporary colleagues.

Chair's message

Focus on strength and capability

NAB has continued its journey this year to be a stronger bank. We have a more focused and capable business. This has enabled NAB to grow safely while supporting customers impacted by economic challenges and natural disasters.

Continuity and strength in our leadership and strategy has underpinned stability. We have also made the business better. NAB's products and processes are simpler, benefitting customers and our people. There remains more to do.

Investment in NAB's digital, data and analytics capability is helping us approve loans faster and provide more reliable digital banking services. Strong technology platforms protect customers against the escalating threat of cyber-attacks and fraud. However, we are alert to the need for continued vigilance.

As we have improved the bank, we have kept the lessons of the Financial Services Royal Commission and NAB's self-assessment front of mind in maintaining a steadfast focus on culture and risk management. Many of the issues identified are now behind us, but they constantly remind us to get the basics right.

Earlier this year we entered into an Enforceable Undertaking with our anti-money laundering regulator, AUSTRAC. This follows an enforcement investigation undertaken by AUSTRAC in relation to NAB's compliance with Australia's anti-money laundering and counter-terrorism financing laws.

We are building better capability and improving controls in financial crime risk and are on track to deliver the actions agreed with AUSTRAC.

Building a better bank

NAB is making excellent progress on our strategy and the Board is encouraged to see the operational results that this is delivering.

This is reflected in improved earnings with all businesses contributing to underlying profit growth, and significant and sustainable momentum across the Group. Our most recent colleague engagement score is 76, compared with 77 in July 2021, and is close to the latest top quartile score of 78.

Taking all this into account, the Board has determined dividends for the year of 151 cents per share, returning \$4.8bn in total to shareholders.

Total shareholder return was 8.6 per cent in the 12 months to September 2022, against an average negative return of 12.9 per cent for NAB's major bank peers.

Remuneration outcomes determined by the Board for financial year 2022 reflect an assessment of performance against all targets in NAB's 2022 plan, including financial performance, customer outcomes, colleague engagement and safe growth. NAB's performance against peers has also been reflected in overall remuneration outcomes.

Future readiness

In view of the challenges of recent years, we are cautious as to what lies ahead. Economies globally are facing new trials and uncertainty remains. Actions taken by foreign leaders often have an impact on Australia and New Zealand.

NAB's leadership has the experience and strategy to manage the challenges that we face. While we are alert to the issues that rising interest rates, inflation and geopolitical risks may bring, we have demonstrated our ability to manage through this and look after our customers.

The Australian economy is resilient and we are in a strong position to take on any challenges that arise. Identifying long-



term shifts in NAB's broader operating environment and acting appropriately is critical to protecting and building value for shareholders and helping our communities prosper.

Climate change is one of – if not *the* – most significant long-term challenges and opportunities of our time.

The Federal Government's legislated 2030 and 2050 emissions reduction targets and associated changes provide welcome certainty and send a strong investment signal to businesses and the world.

At NAB, we're taking action to address the issue through what we can control: finance. Our goal is to align our lending portfolio to net zero emissions by 2050. This year we have set 2030 decarbonisation targets for the intensive priority sectors of power generation, oil and gas, thermal coal mining and cement production.

NAB will support its customers through the transition and help fund the investments required.

Another major opportunity in the year ahead is the prospect of a national referendum on the Constitutional recognition of Indigenous Australians. As a bank, we thrive when we operate in cohesive, well-functioning communities. Recognition is an important step forward and why NAB is supporting the proposed Voice to Federal Parliament.

Board renewal

Ensuring your Board is well appointed to carry the bank forward is a constant focus.

Kathryn Fagg, Doug McKay and I will stand for re-election at the Annual General Meeting with the full support of the Board and we are anticipating appointments in 2023 that will enhance the diverse skills and experience of directors.

On behalf of the Board, thank you for your ongoing support. To the team at NAB, thank you for your hard work to serve customers well and help our communities prosper. We're not there yet, but we are getting closer to being the bank we want to be.

A handwritten signature in black ink, appearing to read "Philip Chronican".

Philip Chronican, Chair

CEO's message

Well positioned for what is ahead

I've said many times that there's nowhere I'd rather be living than in Australia or New Zealand. They are the best two countries in the world right now for so many reasons.

In Australia, we have very low unemployment and strong business conditions. We have seen an encouraging rise in short-term visitors from overseas. It's great to see the country open again.

This helps Australia and New Zealand deal with headwinds resulting from rising interest rates, elevated inflation and conflicts overseas.

Many households haven't experienced conditions like these for decades. We are ready to support those who need help, however we believe that the majority of our customers are financially well positioned to manage.

In Australia, the majority of our mortgage customers are ahead on their repayments. This is in part due to many of our customers taking the opportunity to pay down more of their loan while we had historic low interest rates. Our business customers have shown real resilience through many COVID lockdowns and consequent supply chain issues and generally remain in a strong position.

We are well placed to look to the challenges and opportunities ahead with confidence and optimism for both our business and customers.

A good, focused performance

We made good progress this year in making our bank stronger, safer and simpler, while remaining firmly focused on our customers and colleagues.

Our recent Full Year Results reflect this work.

A clear focus on executing our strategy has seen us make good progress towards our objectives. This is demonstrated by improved earnings and shareholder returns.

Business and Private Bank performed strongly with small and medium business lending growth of 13 per cent and market share gains. The addition of more than 300 customer facing bankers supported this.

In Personal Banking, we continued to become a simpler and more digital bank. Australian home lending grew 7.1 per cent while unconditional approval times reduced 48 per cent in our retail channel. The completion of the acquisition of Citigroup's Australian consumer business has also contributed to our growth.

Performance across our other businesses in financial year 2022 was pleasing.

Corporate & Institutional Bank's strategy of disciplined growth and leveraging transactional banking delivered improved returns and customer outcomes.

New Zealand Banking achieved small and medium business lending growth ahead of system and disciplined home lending growth in a difficult market.

Simplifying our business and delivering more seamless experiences for customers has supported customer net promoter scores (NPS) which rank first or second of major banks across key segments. While this is pleasing, we have more to do to achieve our objective of being number one of major banks with positive NPS.



Investing in the future of the communities we serve

Through our NAB Ready Together program, we provided \$4.87 million in support to customers, charities and communities affected by natural disasters including floods in New South Wales and Queensland, and more recently in Victoria.

We continued to invest in our colleagues. More than 8000 have now completed the Career Qualified in Banking program. We've trained more colleagues in the Melbourne Business School's climate program, developed our leaders through the Distinctive Leadership program and provided training to more than 4,800 colleagues through the NAB Cloud Guild.

More of our colleagues are being trained in digital, data and technology skills. Like most businesses in Australia we have struggled to find enough people with these skills that are critical to execute our strategy. That's why we also now operate an innovation centre in Vietnam with another being built in India to help supplement capability in Australia. We welcome these colleagues into the NAB Group.

This year we also welcomed more than 800 colleagues after finalising the purchase of Citigroup's Australian consumer business. We are now Australia's second largest provider of credit cards as we invest in our unsecured lending business.

We have been working towards a new enterprise agreement that is simple, modern and rewards colleagues fairly while supporting their flexibility, career and wellbeing.

Heading into next year and beyond, we have much more to do.

In particular, we are building better digital experiences for customers as the use of cash and cheques continues to decline. This year over-the-counter transactions were down a further 18 per cent while the use of cheques fell by 24 per cent.

We are devoting more money and resources to combat cyber-attacks, fraud and scams. Our customers and our bank are constantly under attack and we must all be vigilant to this global threat.

CEO's message (cont.)

Financing a low carbon economy

The transition to carbon neutrality presents enormous opportunities and we support the Australian Government's plan to achieve net zero by 2050.

Our customers increasingly want to address climate change and improve their businesses at the same time. We will support them by providing the financial backing they need.

We continue to work closely with our largest emitting customers to help them implement carbon reduction plans and provide sustainability linked loans where appropriate.

As we look toward 2023, we remain firmly focused on our twin peaks: our customers and our colleagues.

Thank you to my colleagues for all their hard work this year and to our customers for banking with NAB. We look forward to continuing to serve you.



Ross McEwan CBE,
Group Chief Executive Officer

Creating value

This section outlines how the Group seeks to create value through its strategy, summarises the Group's sustainability approach and provides an update on performance across key themes.

- The Group's businesses (page 11)
- Strategy (page 12)
- What we will be known for (pages 13 to 16)
- Operating environment (pages 17 to 18)
- Creating value (page 19)
- Sustainability approach (pages 20 to 24)
- Customers (pages 25 to 29)
- Colleagues (pages 30 to 37)
- Climate and environment (pages 38 to 41)
- Data security and technology (pages 42 to 43)
- Helping our communities prosper (pages 44 to 49)
- Human rights (pages 46 to 47)
- Environmental, Social and Governance (ESG) risk management (pages 48 to 49)

The Group provides supplementary sustainability-related disclosures in its standalone 2022 Climate Report and 2022 Sustainability Data Pack, available at:
nab.com.au/annualreports

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The Group's businesses

The Group is here to serve customers well and help our communities prosper. There are more than 35,000⁽¹⁾ colleagues at the Group, serving more than ten million customers⁽²⁾ who rely on the Group to deliver secure, easy and reliable banking services.

Customers and colleagues are at the heart of the Group. Customer-facing units reflect the needs of customers and opportunities for safe growth. The Group's four customer-facing units are enabled by the Strategy and Innovation; Technology and Enterprise Operations; Digital, Data and Analytics; Finance; Risk; Commercial Services, Chief Operating Office and People and Culture business units.

Business & Private Banking

Clear market leadership

NAB maintained its position as Australia's largest business bank this year. While the business continues to experience significant competition from peers and smaller niche players, NAB achieved market share growth⁽³⁾ and capitalised on the high credit growth environment. NAB continues to work on deepening relationships with business customers and added more than 300 customer-facing roles. During 2022 business customers responded to the opportunities of Australia's COVID-19 reopening, supply chain challenges, weather impacts and the changing inflationary environment and the Business and Private Bank's relationship-driven model enabled direct customer engagement and support as needed through these dynamic shifts in context. To support colleagues NAB delivered more efficient processes including acceleration of its digital and data analytics agenda to anticipate and better meet customer needs. The Group is also investing in a range of propositions that provide attractive customer value such as enhancing the Group's High Net Worth (HNW) offering, uplifting the Merchant offering and optimising the commercial broker channel. By investing in digital capabilities and simplifying processes and policies, the Group aims to continue to enable its bankers to create a positive customer experience.

Personal Banking

Simple and digital

NAB's simple and digital strategy continues to be its path towards its goal of becoming the best personal bank in Australia. Given the challenging operating environment from rising interest rates and cost of living, NAB's personal customers may require increased levels of assistance. NAB's priority is to proactively engage customers and support their financial well-being, to provide certainty with simpler home loan solutions, and to keep improving everyday banking experiences through instant decisioning, personalisation and rewards and insights.

As the proportion of customers choosing to deal with brokers is growing, the Group's ambition is to be the brokers' banker of choice by focusing on delivering speed and certainty to an expanded set of broker customers, supported by investments in relationship managers and the Advantedge White Label proposition.

NAB is simplifying and digitising experiences, with a strong focus on improving and expanding a suite of self-serve features across digital channels. The ongoing digitisation

of routine tasks will enable colleagues to focus on more meaningful work, so they can add value and support customers in moments that matter to them.

Corporate & Institutional Banking

Disciplined growth

In the face of a rapidly changing external environment, NAB has maintained its position as Australia's leading Corporate and Institutional Bank in terms of Net Promoter Score (NPS) and Relationship Strength Index (RSI) by supporting customers and investing in banker capabilities and simplification. NAB is training bankers to support customers' climate transition plans, creating a network of more than 100 sustainability champions and improving banker capabilities, so that NAB bankers remain trusted advisors to customers. NAB continues to improve client and colleague experiences by modernising and digitising the business, and improving lending and onboarding processes. NAB is investing in solutions such as asset distribution capabilities, sustainable finance propositions including carbon trading, and real time payments and transaction banking solutions. NAB is driving disciplined growth via key strategic segments such as infrastructure, investors and sustainability. The Group has simplified its distribution footprint in Asia. In Europe, NAB has set up a subsidiary in Paris for sustainable access to the European Union.

Bank of New Zealand (BNZ)

Continuing to grow

BNZ serves 1.2 million customers across New Zealand with its personal and business banking services, through a network of customer centres, digital channels and assisted channels. BNZ is helping New Zealanders and businesses navigate continued economic uncertainty, and is focused on making it easier and simpler for customers by creating digital-first propositions that are supported by exceptional bankers.

Acquisitions

In June 2022, NAB completed the acquisition of the Citigroup's Australian consumer business (Citi consumer business). The acquisition brings scale, customers, and deep expertise, particularly in unsecured lending, to support NAB's strategic growth ambition for Personal Banking. The scale provided helps to support investment in new technology to deliver market-leading digital capabilities and product innovation.

In April 2022, the Group completed the acquisition of 100% of the issued share capital of Lantern Claims Pty Limited which operates the digital health claiming technology business LanternPay. The acquisition is part of the Group's strategy to digitise banking for Australians. The transaction is expected to enhance the HICAPS healthcare payment process for Australians, saving time, simplifying administration and increasing payment options when visiting a healthcare provider.

(1) Number of full-time equivalent colleagues as at 30 September 2022, excluding discontinued operations.

(2) The increase in customer numbers between 2021 and 2022 is primarily driven by the acquisition of Citi consumer business.

(3) Reference to market share growth includes RBA SME business lending and APRA Business Deposits (excluding Financial Institutions).

Strategy

Strategic ambition

This is the third year implementing the Group's strategy, with consistent delivery driving performance.

The Group is clear on its strategy. This is translating to strong growth in home and business lending, as well as deposits.

The Group has significantly strengthened its portfolio. This includes the completed acquisition of the Citi consumer business and LanternPay, as well as progressing the integration of 86 400 (acquired in 2021) into ubank. The Group's balance sheet remains strong as a result of prudent capital management.

Customers and colleagues are the twin peaks of NAB's strategy.

NAB's goal is to be ranked number one in NPS⁽¹⁾ among the major Australian banks with an NPS result in positive territory. At 30 September 2022, NAB was:

- **Consumer:** Ranked first in NPS of the major Australian banks⁽¹⁾⁽²⁾.
- **Corporate and Institutional:** Ranked first in Relationship Strength Index⁽³⁾.
- **Business:** Ranked second in NPS of the major Australian banks⁽¹⁾⁽⁴⁾.
- **High Net Worth and Mass Affluent:** Ranked equal first in NPS of the major Australian banks⁽¹⁾⁽⁵⁾.

While there has been some improvement, there is still more to be done across the business to consistently deliver excellence for customers and improve these outcomes.

Colleague engagement remained stable, reflecting the approach the Group has taken to support colleagues and enable them to best support customers.

For the year ended 30 September 2022, diluted cash earnings⁽⁶⁾ per share amounted to 211.7 cents, with cash return on equity⁽⁶⁾ of 11.7%. The bank has determined dividends for the year of 151 cents per share, an increase of 18.9%.

Disciplined execution, doing the basics well and supporting the needs of customers and colleagues across the Group's core businesses in Business & Private, Personal and Corporate & Institutional Banking and New Zealand Banking will be critical in maintaining this momentum.

Delivering the agreed plan for the Australian Transaction Reports and Analysis Centre (AUSTRAC) Enforceable Undertaking (EU) is a key execution priority. The Group will continue to actively manage its remediation of all known financial crime compliance issues and engage proactively with all relevant regulators.

Strengthening the Group's digital and data capabilities are critical components in the delivery of the Group's strategy and its ability to win in the market. Discipline on end-to-end costs will provide the foundations to enable growth and strategy execution.

Our strategic ambition



Why we are here

To serve customers well and help our communities prosper

Who we are here for



Colleagues

Trusted professionals that are proud to be a part of NAB



Customers

Choose NAB because we serve them well every day

What we will be known for

Relationship-led

Relationships are our strength

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

Easy

Simple to deal with

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

Safe

Responsible & secure business

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

Long-term

A sustainable approach

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

Where we will grow

Business & Private
Clear market leadership

Corporate & Institutional
Disciplined growth

Personal
Simple & digital

BNZ
Personal & SME

ubank
Customer acquisition

How we work



Excellence
for customers



Grow
together



Be
respectful



Own it

Measures for success



Engagement



NPS growth



Cash EPS growth



Return on Equity

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

(2) DBM Consumer Atlas, results are shown as a six month rolling average to September 2022. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Prior year figure has been restated. Ranking based on absolute scores, not statistically significant differences.

(3) Peter Lee Associates – Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against all banks included in survey.

(4) DBM Business Atlas, results are shown as a six month rolling average to September 2022. Business NPS is based on an applied equal weighting of 25% of each of the following sub-segments: Micro defined as all businesses with a turnover \$0 - <\$0.1m, Small defined as all businesses with turnover \$0.1m - <\$5m, Medium defined as all businesses with a turnover of \$5m - \$50m and Large defined as all businesses with turnover \$50m+. Ranking based on absolute scores, not statistically significant differences.

(5) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to September 2022. Includes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(6) 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 is set out in Note 2 Segment information of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

What we will be known for

Relationship-led

Relationships are our strength. The Group strives to deliver the best banking experience for customers, wherever and whenever, supporting them in an increasingly challenging environment.

Developing exceptional bankers

The Group is raising the bar of professionalism in the banking industry. More than 8,000 colleagues have achieved the Professional Banking Fundamentals qualification through the Career Qualified in Banking (CQIB) program, accredited by Financial Services Institute of Australasia (FINSIA). In an Australian industry first, NAB intends to enrol all permanent colleagues into this formal accreditation by 2026. NAB is fostering consistent and high-quality leadership for its colleagues by requiring every people leader to complete the Distinctive Leadership program (DLP). To date, 69% of leaders across the Group have completed the DLP.

NAB is giving its corporate and agribusiness bankers the knowledge they need to support customers through the climate transition. Through a partnership with the University of Melbourne Business School, 75 Corporate and Institutional and 50 Agribusiness colleagues have completed climate banking training since the training commenced in 2021. NAB has since tailored this training to be delivered at scale to more than 300 agribusiness colleagues by the end of 2022. In 2022, NAB created a Sustainability Champions network of more than 100 corporate and institutional bankers. This network is undertaking a formal accreditation process with FINSIA Chartered Banker Institute Green and Sustainable Finance credentials.

Since the creation of the Home Lending Executive role, NAB is continuing to provide opportunities for high performing bankers in the Australian retail network to develop and further progress their careers. This year, NAB appointed 60 Home Lending Executives to bring the total to 160 Home Lending Executives across Australia.

BNZ received a number of awards in 2022, recognising its work on inclusion and developing its people. It was awarded Human Resources Director's Employer of Choice award⁽¹⁾, noting its approach to celebrating, supporting and empowering colleagues, and was named the number one company in New Zealand for career growth in the 2022 LinkedIn Top Companies list, recognising BNZ's investment in people's careers.

Providing customer value

As NAB continues to make simple tasks digital, colleagues can provide more relationship-led support to customers in moments that matter. This focused effort to serve customers well is reflected by NAB's performance, including maintaining the highest consumer NPS⁽²⁾ among major Australian banks, while BNZ has maintained first position in consumer NPS in New Zealand's top five trading banks⁽³⁾.

In the Corporate and Institutional Bank, NAB maintains the strongest advocacy in the market, ranking first in RSI⁽⁴⁾, Overall Satisfaction with Products and Services⁽⁵⁾, and NPS. NAB is ranked first in the RSI for Transaction Banking and has recorded the highest RSI score of any bank in the history

Relationships that are built on market-leading expertise, data and insights.

of the research for Transaction Banking, creating a 61 point leadership gap over major Australian competitors.

Offering a truly personalised customer experience

The Group is strengthening its data and analytics capabilities to give customers more personalised experiences.

NAB's focus is to give customers more tailored reward offers and savings, offer easier ways to set-up digital wallets and leverage a range of partnerships to help customers reach their financial goals through personalised recommendations and insights. The Citi consumer business will give NAB access to a diverse range of retail and white label partners (including Coles, Qantas and Kogan), giving NAB the opportunity to innovate and create new offerings that add value for customers

In Small Business, NAB has implemented a 'Named Banker' model for customers with more complex needs so they can speak with their own banker when it matters most.

NAB is evolving its HNW offering with a "Team of four" operating model, which brings together the capability and expertise of Business Bankers, Private Bankers, Investment Specialists and Wealth Advisers to help support the complex needs of HNW customers.

(1) For companies with more than 200 colleagues

(2) DBM Consultants, Consumer Atlas (Sep 2022) - 6 month rolling data. Data weighted to the Australian population. Based on all consumers, 18+, excluding those in HNW or MA segments.

(3) Camorra Retail Market Monitor 1 October 2021 – 30 September 2022; 2) Kantar Business Finance Monitor 1 October 2021 – 30 September 2022. The Consumer NPS score reflects the total Consumer market.

(4) Peter Lee Associates - Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against all banks included in survey.

(5) Peter Lee Associates - Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against the four major domestic banks.

Easy

Customers expect better banking experiences, so the Group is making banking easier and faster.

Simple products and a seamless experience

The Group is making its products simpler to understand and easier to use. NAB's ambition is to be digital-first, supported by bankers when it matters. This includes continuing to build self-service capability and working towards a seamless experience for customers.

In 2022, NAB launched the Tailored Home Loan - a new, simpler home lending proposition. NAB's StraightUp card, a no-interest credit card launched in 2020, remains a compelling alternative to traditional credit cards. Since 2010, NAB has offered a classic banking account (i.e. the consumer transaction account) with no account monthly service fee, simplifying fees for customers. NAB is continuing to innovate for speed on credit decisions and giving customers instant access to accounts and cards in their digital wallet.

NAB has been investing extensively in deposits, payments and trade finance capability. NAB is upgrading its fast account-to-account payments engine which will help customers pay, manage and receive money more efficiently. NAB has also removed fees in consumer international payments to improve the customer experience. NAB launched NAB Easy Tap, an app which enables Android phones to be used as simple, low-cost and contactless payments terminals.

Corporate and Institutional Banking has created clearer and simpler lending processes through digitisation and automation. This is making it easier to bring new customers into the bank, reducing risk of human error and achieving a faster turnaround for customers.

ubank continues to enhance its digital capabilities, including simplified payments and payment scheduling, as well as notifications to help customers stay on track with their savings goals.

BNZ continues to enhance its digital-first offerings for customers, including enhanced self-serve for personal customers across lending and everyday banking, and innovative solutions for business customers, such as BNZ Pay which enables retailers to take contactless payments via Android phones.

A simpler, more seamless and digitally enabled bank that gets things done faster.

Faster and decisive banking

Customers value faster banking, which is why NAB has developed a simpler home loan process. This focuses on customer data pre-population, a preference for automatic verification and automated credit assessments. This has led to a significant improvement in the experience of customers and colleagues. For 2022, NAB reduced 'time to yes' for home loan customers to around two and a half days. More than a third of Simple Home Loans were processed and achieved 'time to yes' in under an hour.

NAB is making customer banking experiences faster and more seamless by digitising more everyday banking experiences, including instant credit decisions for unsecured lending, extended eligibility to apply for products digitally and expanded digital wallet capabilities.

Safe

A responsible and secure business is essential to protect our customers and colleagues.

Driving safe growth

The Group remains well capitalised. Common Equity Tier 1 (CET1) capital ratio remains strong at 11.51% on an Australian Prudential Regulation Authority (APRA) basis (and 16.89% on an internationally comparable basis). The leverage ratio was 5.06% (under the current methodology). Capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook, with the objective of maintaining balance sheet strength. From 1 January 2023, the Group's CET1 target range will move to 11.00–11.50% to align with the new calculation methodology under APRA's revised capital framework.

On-market capital buy-backs commenced in mid-August 2021 and the Group has bought back and cancelled \$4.4 billion of ordinary shares through to 30 September 2022. The Group's CET1 ratio as at 30 September 2022 pro forma for the remaining \$0.6 billion of announced buy-backs and the estimated impact of the revised capital framework is approximately 11.8%⁽¹⁾.

Leading resilient technology and operations

The Group's strategy is to develop leading resilient technology and operations so that customers and colleagues can depend on the reliability of its systems and applications every day. The Group continues its multiyear initiative to reduce service interruption to customers and colleagues through improved resilience, operational rigour, insourcing and cloud migration. Insourcing technology management from third party vendors has enabled greater service ownership and transparency. It allows for better identification of service vulnerabilities and increased operational control of systems, as well as improved visibility through Global Operations Centre monitoring.

To further enhance the reliability of NAB technology, migration of critical services to public cloud service providers has been a priority with 70% of services already migrated to cloud. The work NAB is doing to build technology resilience has seen a continuous improvement in reducing critical and high technology incidents, which have decreased by 66% since 2019⁽²⁾. Each incident is examined, with focus groups established for problem management and to make changes as required.

Labour shortages are being felt by businesses across the country. Getting the right people, with the right technological skills remains a challenge. NAB has delivered more than 4,800 industry recognised cloud certifications, and is working with universities to boost the talent pipeline, taking on more than 500 technology interns in 2022. To help address vacancies, support growth and continue insourcing, the Group is also tapping into global talent pools. This year, the Group took full ownership of the NAB Innovation Centre Vietnam (first established with a partner in 2019) and set up the NAB Innovation Centre India. Colleagues in these centres include software developers, engineers, user experience designers, cyber experts, operations specialists and data analysts all working to drive better outcomes for customers.

Refer to the *Colleagues* section on pages 30 to 37 for further detail on how NAB is working to attract, develop and retain talented colleagues.

Protecting customers and colleagues through financial and operational resilience.

Pre-empting risk and strengthening resilience

Managing risk proactively is critical to being a safe and secure bank. NAB has integrated Third Party Risk Management and Business Continuity Management modules into its core Governance, Risk and Compliance system. This streamlines and automates the management of both supplier and business continuity risk management processes for colleagues and third parties.

Refer to the *Risk management* section on pages 81 to 94 for further detail on NAB's Risk Management Framework.

(1) Impact of APRA's revised capital framework may be subject to change based on the Group's implementation of the revised standards.

(2) Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems. NAB have reduced critical and high impact technology incidents by 66% between 2019 and 2022 (from 67 to 23).

Long-term

Protecting the long-term interests of customers, colleagues, and communities.

Driving commercial responses to society's biggest challenges

As a founding signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB) and the first major Australian bank to join the UNEP FI Collective Commitment to Climate Action, NAB's ambition is to drive commercial responses to society's biggest challenges. NAB's priority areas, where it is well placed to have a positive impact, are:

- Climate action (page 38 and in the Group's 2022 Climate Report).
- Affordable and specialist housing (page 29).
- Indigenous business (page 28).

Addressing big challenges requires business investment, which is why NAB is driving commercial responses and building partnerships to help tackle them.

Maintaining resilient and sustainable business practices

To respond to society's challenges and create long-term value, NAB needs to get the basics right, and maintain resilient and sustainable business practices. NAB engages directly with stakeholders and participates in external assessments to understand views of NAB's broad ESG performance. Key focus areas within this strategic pillar include:

- Colleagues and culture.
- Inclusive banking.
- Supply chain management.
- ESG risk management.
- Human rights, including modern slavery.

Information on how these areas are managed is outlined in *What matters most* section of this report on page 23.

NAB's 2022 Sustainability Data Pack⁽¹⁾ contains further detail on performance in these areas.

Acting now for the long-term.

Innovating for the future

In an era of heightened disruption across the industry, NAB is proactively scanning the environment for opportunities to innovate. This is happening in NAB's core businesses and extending to more innovative products and models with partners. NAB is an active Accredited Data Recipient under the Consumer Data Right and has been working on innovative customer use cases which show the value of using open banking to serve customers well.

In 2022 the Group's in-house venture capital fund, NAB Ventures, made investments in DataMesh (merchants and payments), Safestack (security), Geora (blockchain for agtech), Amberdata (digital assets data and insights), Trovata (treasury management), Archistar (data platform for property), Thriday (business financial management) and a follow-on investment in existing portfolio company Slyp. NAB Ventures also divested its investments in Activepipe and Digital Shadows.

(1) Available at nab.com.au/annualreports.

Operating environment

Global business environment

Global economic growth appears to have slowed considerably in calendar year 2022, reflecting fading gains associated with the removal of COVID-19 restrictions, rapidly tightening monetary policy, the impact of the Russian invasion of Ukraine and the combination of China's zero-COVID-19 public health policies and property sector downturn.

Weaker economic conditions are expected to continue into 2023 and 2024. Global growth is expected to remain below its long-term average during this period.

Global inflation remains elevated, reducing disposable income for consumers. Persistent high inflation reflects a broad range of factors, including the impact of fiscal stimulus in a range of countries, disruptions to global supply chains, shortages of key inputs, commodities and labour in various locations and the impact of the Russia-Ukraine conflict.

Persistently high inflation, and fears that inflation expectations could rise above levels consistent with inflation targets, led global central banks to rapidly lift policy rates in 2022. Markets expect further rate rises from the major central banks. Rapidly changing expectations of future central bank actions, as well as for the global economic outlook, have contributed to higher than normal volatility in various financial markets.

A broad range of risks continue to present uncertainty around the global outlook. Should inflation persist as economic activity slows, central banks may lift rates to the point where a severe downturn becomes likely. The Russia-Ukraine conflict continues - with negative impacts on supplies of energy, grains and fertilisers. While measures of supply chain pressures are easing, there is a risk of further disruptions from China's zero-COVID-19 public health policies. Tensions between the United States and China could also increase.

Australian economy

The Australian economy continued its strong recovery from the economic impacts of COVID-19 in 2022. This is despite adverse weather events and supply constraints in parts of the economy, including the labour market. With inflation high, the Reserve Bank of Australia (RBA) has been raising interest rates.

Gross Domestic Product (GDP) in the June quarter 2022 was 5.5% above its December quarter 2019 (pre-COVID-19) level, including solid growth in the June quarter 2022 (0.9% on the previous quarter). Over the same period:

- Household consumption was 5.5% higher, including robust growth in the June quarter 2022.
- Business investment (excluding asset transfers) was 4.1% higher, with moderate growth in the June quarter.
- Residential investment was 2.3% higher, but fell in the June quarter, partly due to supply constraints and wet weather.

While the recovery from the 2020 COVID-19 downturn was very uneven across states and industries there has generally been a narrowing in the differentials. The gross value added of all industries, other than mining, is now above its pre-COVID-19 level, in part due to recent strong growth in transport, hospitality and recreational services as spending patterns continue to normalise, helped by the re-opening of borders.

Aggregate household income held up during the periods of COVID-19 related restrictions, assisted by government payments. Household disposable income, in the June quarter 2022, was 13.3% above its pre-COVID-19 level, and 7.0% higher after adjusting for inflation. Households also accumulated savings at a higher level and the savings rate, while declining recently, remains higher than it was pre-COVID-19. Business

operating profits have increased strongly - up 54% between the December quarter 2019 and June quarter 2022, or 25% excluding the mining sector, but performance by industry is very mixed.

As the boost to growth from the removal of COVID-19 restrictions eases, together with weak global growth, high inflation and interest rate increases weighing on activity, GDP growth is expected to be below trend over calendar year 2023 and 2024.

The agriculture sector benefited from record high prices in 2022, although towards the end of the year prices came off and input costs have been elevated. The 2021-22 winter crop was a record high. While another strong national crop was expected for 2022-23, this was prior to recent heavy rainfall in parts of the country which will have a negative impact.

The labour market is very tight and wage growth is showing signs of strengthening:

- The unemployment rate was 3.5% in September, around its lowest level since the mid-1970s.
- The wage price index (excluding bonuses) increased by 2.6% between the June quarter 2021 and the June quarter 2022, up from its pre-COVID-19 annual growth rate of a bit over 2%.

The housing market has weakened, with building approvals down and, more recently, dwelling prices falling:

- Between April and September 2022, the eight capital city CoreLogic Hedonic Home Value Index fell by 5.5%, but it remains 17.8% above its January 2020 level. Prices outside the capital cities have also fallen.
- The number of dwelling approvals in 2022 was well down on the number in 2021, but there is still a large pipeline of work.

Annual total system credit growth has strengthened. Between September 2021 and September 2022 it grew by 9.4%, compared to a 5.2% increase over the 12 months to September 2021:

- Housing credit growth strengthened to 7.3%, although the monthly growth rate has eased in recent months, and business credit growth accelerated to 14.7% year on year.
- Other personal credit rose marginally (0.1% over the 12 months to September 2022).

Monetary policy has been tightening. In April 2022 the cash rate target was 0.1% and the RBA started lifting the target in May 2022, by November it had increased to 2.85%. The RBA is signalling that there will be further increases. The RBA ended its bond purchase program in February 2022.

New Zealand economy

After a strong initial recovery from the COVID-19 recession in 2020, growth in the New Zealand economy has slowed, in part because of further COVID-19 disruptions and general supply constraints. With inflation high, the Reserve Bank of New Zealand (RBNZ) has raised interest rates.

While June quarter 2022 GDP was only 0.4% higher than a year ago, growth on the previous quarter was 1.7% as the economy recovered from the effects of a surge in COVID-19 infections in the March quarter 2022. After New Zealand's COVID-19-management transitioned off the Alert level system in December 2021, the replacement "traffic light" system ran through to September 2022.

GDP in the June quarter 2022 was 4.8% above its pre-COVID-19 level:

- Government consumption, in particular, was well above its pre-COVID-19 level. Household consumption saw solid growth over this period, while business and dwelling investment growth was more modest.

Operating environment (cont.)

- The recovery remains uneven by industry, with several sectors still below their pre-COVID-19 level.

Annual CPI inflation, in the September quarter 2022, was 7.2%, around its highest level since the 1980s.

Wage growth has also accelerated, consistent with a tight labour market. Between the September 2021 and September 2022 quarters:

- Employment grew by 1.2%.
- The unemployment rate was unchanged at 3.3%, very low by historical standards.
- Annual growth in the labour cost index (labour cost index adjusted, all sectors) increased from 2.4% to 3.7%.

Population growth remains well below its pre-COVID-19 levels, due to net outwards migration. The population grew by 0.2% between the June quarter 2021 and the June quarter 2022.

While the international border was largely opened in mid-April 2022, it wasn't fully opened until late July 2022.

While commodity export prices in world price terms, including for dairy, fell between March 2022 and September 2022, they were similar to their September 2021 level and remained high by historical standards.

Between October 2021 and October 2022, the RBNZ increased the Official Cash Rate from 0.25% to 3.50%. The RBNZ is expected to further increase the Official Cash Rate.

As a result of tighter monetary policy and a slowing global economy, a correction in the economy is expected, including the likelihood of negative quarters of GDP growth during 2023. This is expected to lead to an increase in the unemployment rate.

The housing market has weakened. The REINZ House Price Index in September 2022 was 12.6% below its recent (November 2021) peak, although still 28.0% above its January 2020 level.

System credit grew by 5.6% over the year to September 2022. Housing credit grew 5.7% - well down from its September 2021 annual growth rate of 11.6% - agriculture (-0.4%) fell, while other business credit grew (8.9%) as did personal consumer credit (1.1%).

Outlook

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

Creating value

The Group creates value for customers, colleagues and communities in a variety of ways through a variety of resources.

The Group's key resources		
Customer relationships Customers choose NAB because NAB serves them well	Colleagues Trusted professionals who are proud to be a part of NAB	Finance Access to capital through deposits and funding markets
Risk management and balance sheet Strong foundations, and risk management capabilities	Technology and data capabilities Safe, resilient technology coupled with the use of ethical data	Community relationships Partnerships and stakeholder engagement



The Group's business activities		
The Group delivers its strategy (page 12) and creates value for stakeholders through the following business activities:		
<ul style="list-style-type: none"> Holding deposits for customers. Providing transaction banking services. Lending money to retail, business and institutional customers. Helping customers mitigate and manage risk. Providing commercial responses to society's challenges. Providing payments services and supporting customers with trade and capital flows. 	<ul style="list-style-type: none"> Helping customers invest through online brokerage. Providing advisory services. Investing in a capable, qualified and inclusive workforce. Helping NAB's customers, colleagues and their communities withstand and recover from natural disasters. 	



The value the Group creates		
Supporting customers		
• \$104 billion in new home lending. ⁽¹⁾	• \$567 billion in deposits managed for retail and business customers.	• \$122 billion in new business lending.

The Group's economic value distributed		
 Suppliers	Payments made for the provision of utilities, goods and services.	\$5.4bn
 Community investment	Community partnerships, donations, grants, in-kind support and volunteering ⁽²⁾	\$45.7m
 Shareholders	Dividend payments to more than 595,000 registered shareholders.	\$4.5bn
 Colleagues	Colleague salaries, superannuation contributions and incentives.	\$4.8bn
 Governments	Payments made to governments in the form of the Bank Levy (\$347 million paid) plus \$2.2 billion in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	\$2.5bn
Total economic value distributed		\$17.2bn

(1) Excludes 86 400 platform and the Citi consumer business.

(2) For a detailed breakdown of the categories included within the Group's community investment, see the 'Community' tab in the 2022 Sustainability Data Pack.

Sustainability approach

Sustainability in the Group's strategy

The future depends on acting now for the long-term.

The Group is connected across all areas of the Australian and New Zealand economies. The Group employs more than 35,000 colleagues⁽¹⁾ and has more than 10 million customers. With an issue as big as sustainability, that kind of scale and connectivity is important for driving change. The Group is determined to create positive long-term outcomes for all

stakeholders, which is why sustainability has been embedded into its strategy.

The Group has prioritised the areas where it can have the biggest positive impact, as outlined under 'Commercial responses to society's biggest challenges' below. To address growing interest in NAB's approach to managing climate-related risks and opportunities, NAB has published a standalone Climate Report⁽²⁾ in 2022.

▶ How NAB drives a long term focus



Commercial responses to society's biggest challenges

Embedding sustainability means doing good through the way we do business. Using our core skills and resources and focusing our activity in three areas.



Resilient and sustainable business practices

Getting the basics right and managing our environmental, social and governance (ESG) risks and opportunities responsibly.



Innovating for the future

Driving investment in new, emerging and disruptive technologies, and partnering with customers, industry and government on critical initiatives.

Our priorities:

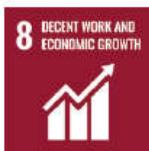
- Climate action
- Affordable and specialist housing
- Indigenous business

Our priorities:

- Colleagues and culture
- Inclusive banking
- ESG risk management
- Supply chain management
- Human rights

Our priorities:

- Our future core business and market-leading data analytics
- Partnerships that matter



Aligned to six key United Nations Sustainable Development Goals where we can make the biggest impact.

(1) Number of full-time equivalent colleagues as at 30 September 2022, excluding discontinued operations.
(2) Available at nab.com.au/annualreports.

Sustainability approach (cont.)

Sustainability governance and performance

The interconnected challenges and opportunities of sustainability require a whole of Group response. Sustainability is embedded in the Group's governance structure, as outlined below.

The Board retains ultimate accountability for the oversight of sustainability-related risks and opportunities and receives regular updates on sustainability performance.

Further detail on the Board and board committee activities in 2022 is available in the *Corporate Governance Statement* section of this report.

NAB's Sustainability Council aligns work across the Group on its sustainability priority areas of climate change, affordable and specialist housing and Indigenous business. The Council is chaired by the Chief Operating Officer and includes Executive Leadership Group members from key business areas.

This year, NAB announced the creation of a Chief Climate Officer role. This reflects the increasing requirements in all parts of the economy, and all parts of the Group, to support the transition to a low emissions future. The position will report to the Group Executive, Strategy and Innovation.

Board and Board Committees

Accountable for the oversight of sustainability-related (including climate) matters.

Executive Leadership Team and Management Committees

Oversee financial and sustainability-related (including climate) risks and the Group's environmental compliance and performance. This includes oversight of ESG-related risk appetite and credit policy settings and limits, sustainability-related funding issuances, sustainability-related reporting, and monitoring progress towards targets.

Sustainability-related management groups and councils

Comprised of representatives from across NAB's businesses to align and drive progress in NAB's priority sustainability areas.⁽¹⁾

Sustainability
Council

Climate Leadership
Group

Affordable Housing
Council

Indigenous Advisory
Group⁽²⁾

⁽¹⁾ NAB's major subsidiary, BNZ, also has sustainability-related (including climate) management groups and councils. Details on BNZ's approach to relevant governance matters will be available in its climate and sustainability reporting.

⁽²⁾ NAB's Indigenous Advisory Group is comprised of representatives from the Board, Executive Leadership Team and Aboriginal and Torres Strait Islander leaders from outside NAB.

Stakeholder engagement

Effective stakeholder engagement allows NAB to understand what is expected of it, identify issues and discover opportunities to improve.

NAB's approach to stakeholder engagement, including processes for consultation on sustainability topics, is set out in its Social Impact Policy and informed by the AA1000 Stakeholder Engagement Standard. NAB aims to be respectful, responsive, open and authentic when engaging with all stakeholders.

Engagement topics:

NAB values the opportunity to hear constructive feedback on issues that matter to the community. Key engagement discussions this year have included:

- Climate change and NAB's position on lending to fossil fuels.
- Preparedness for (and response to) natural disasters.
- Response to the impacts of COVID-19.
- Public policy issues including climate change, housing policy, energy and environment policy, biodiversity, cyber security and privacy, financial health and vulnerability and sustainable finance.
- Continued engagement with the Fintel Alliance on industry projects such as the human impacts of modern slavery.

Stakeholders	Engagement activities
Customers	Market research, including customer satisfaction and experience surveys and focus groups, as well as engagement with the Group Executive Leadership Team (ELT).
Colleagues	Heartbeat surveys, intranet articles and social media, confidential alert lines and interactive events with the ELT.
Shareholders, investors and analysts	Annual General Meeting (AGM), investor presentations and analyst briefings, survey participation, direct engagement with the ELT, Investor Relations and Social Impact teams.
Suppliers	Ongoing relationship management, surveys (as part of due diligence processes and annual engagement activities) and industry forums.
Industry bodies and associations	Ongoing relationship management, participation in consultation and advocacy processes.
Regulators and government	Regular meetings and briefings, participation in consultation processes and inquiries, focus groups and workshops.
Non-government organisations (NGOs) and community partners	Research, surveys and interviews, not-for-profit customers and social enterprise support, meetings, conferences, events and workshops, employee volunteering (skilled, general and remote), workplace giving, donations and fundraising, grants and sponsorship, ethical and impact investing.

Industry associations and sustainability

Engagement with industry associations forms an important part of the Group's strategy, helping to identify emerging issues, advocate for changes in policy and contribute to risk management. NAB works with industry associations to drive progress on sustainability topics within and across industries.

In 2022, this included:

- Working with the Australian Banking Association (ABA) to support a joint submission that represented the voice of 20 peak professional, industry and investor bodies on the International Sustainability Standards Board's (ISSB) two proposed International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. NAB also worked with the ABA on its submission to the Australian Accounting Standards Board on the ISSB's draft sustainability standards. Both submissions supported the need for clear, transparent, comprehensive and comparable disclosure of sustainability-related information, including action on climate risk.
- NAB's work to support the ABA development of the banking industry's climate roadmap, which details how the banking sector is supporting the Paris Agreement target of net zero emissions by 2050. The banking industry roadmap will span four focus areas: financing tools, risk management, climate disclosure, and operational emissions.
- NAB's work with UNEP FI as a PRB Working Group member on the improvement of the Portfolio Impact Analysis Tool. This tool is used by financial institutions to analyse their lending portfolio and understand the areas of most significant positive and negative impact. NAB also engages with UNEP FI via their TCFD program as a member of the Working Group.

Industry association memberships

Many of the issues that impact the Group's ability to serve customers well cannot be addressed by any one company. The Group's industry association memberships provide benefit to customers.

NAB's key memberships and payments for 2022 were:

- Australian Banking Association (ABA): \$2,288,683
- Business Council of Australia (BCA): \$90,000
- New Zealand Bankers' Association: NZ\$600,566
- BusinessNZ: NZ\$30,000

Quick link

[nab.com.au/about-us/social-impact/
shareholders/stakeholder-engagement](http://nab.com.au/about-us/social-impact/shareholders/stakeholder-engagement)

What matters most

Performance across identified ESG themes is critical to the Group and its stakeholders.

ESG materiality process

NAB's annual ESG materiality assessment is designed to identify and prioritise the ESG areas of most relevance to NAB's stakeholders, NAB's performance and where it can potentially have the biggest impacts. The outcomes guide reporting and decision-making, ensuring NAB is addressing the ESG topics that matter most.

NAB's materiality process draws on external frameworks and resources, such as the Global Reporting Initiative and UNEP FI Impact Radar. NAB carries out desktop analysis to challenge and refine the identified ESG topics. This includes a review of ESG frameworks, ratings and voluntary standards such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC) as well as the Dow Jones Sustainability Index and MSCI ESG index.

These results are reviewed against strategic priorities and market position. This helps prioritise the issues that matter.

The materiality process involves the following four stages:

1 Identification

2 Prioritisation

3 Validation

4 Disclosure and review



2022 ESG material themes



Governance, conduct and culture

Being transparent, making ethical decisions and embedding accountability throughout the Group.



Managing climate change

Taking decisive action on climate change and environmental sustainability. Climate action is everyone's job.



Supporting customers

NAB is here to serve customers well and help its communities. NAB is becoming a simpler, digital bank that gets things done for customers.



Colleague capability and wellbeing

The Group's more than 35,000 colleagues are central to its business. NAB is focused on supporting wellbeing, building capability and an inclusive culture to be proud of.



Data security, technology and innovation

Maintaining resilient, reliable and secure systems oriented to customer outcomes and experience.

2022 ESG materiality outcomes

While NAB's material themes remain unchanged from 2021, the prevalence of some sub-topics and measures reported have shifted. In 2022, key changes included:

- Emerging attention on managing cost of living pressures, including the impact of higher inflation and interest rate rises.
- Increasing recovery in activity following COVID-19.
- Acceleration of expectations on climate action opportunity and risk management.
- Increasing regulatory attention across management and disclosure of sustainability-related topics.
- Attracting, developing and retaining talent, in a challenging labour market.

PRB self-assessment

As a founding signatory of the PRB, NAB seeks to align its business activities to have a positive impact on society. For detail on NAB's progress against the PRB see its year three self-assessment on nab.com.au.⁽¹⁾

In 2021, BNZ signed up as a subsidiary member of the Group to the PRB. In line with the PRB requirements, BNZ will publish its inaugural self-assessment at the end of calendar year 2022.

Sub-topics

- Code of Conduct (pages 77 to 78)
 - Clear accountability (page 77)
 - Royal Commission response (page 72)
 - Culture and How We Work (page 76)
 - Financing the transition to a low carbon economy
 - Sustainable finance
 - Biodiversity and natural capital
 - Operational environmental performance
- Summarised information can be found on pages 38 to 41. See the Group's 2022 Climate Report for more detail.
- Customer advocacy (pages 12 to 16)
 - Complaint management/remediation (page 47)
 - Customers experiencing vulnerability (page 26)
 - Financial hardship (page 27)
 - Affordable housing (page 29)
 - Indigenous business (page 28)
 - Capability, including leadership (pages 31 to 32)
 - Talent attraction and retention (pages 31 to 32)
 - Inclusion and diversity (pages 33 to 35)
 - Health, safety and wellbeing (page 36)
 - Employee/Industrial relations (page 37)
 - Data privacy and security (pages 42 to 43)
 - Innovation and digitisation (pages 15 and 42)
 - Stability (pages 15 and 42)

(1) See NAB's self-assessment at nab.com.au/about-us/social-impact/shareholders/performance-and-reporting.

Sustainability approach (cont.)

Sustainability scorecard

The targets and key measures below show the Group's progress in meeting goals aligned to the long-term pillar of the Group strategy.

They are informed by the UNEP FI Principles for Responsible Banking pathway to a stronger future – for people and the planet. These targets have been set with consideration of the United Nations Sustainable Development Goals (SDGs).

Table 1: 2022 Sustainability scorecard

Targets and measures	SDG	2022	2021
Driving commercial responses to society's biggest challenges			
Target to provide \$70 billion in environmental financing by 2025 (cumulative progress shown) ⁽¹⁾	7, 9, 13, 15	\$70.8bn	\$56.3bn
Target to provide \$2 billion in affordable and specialist housing financing by 2023 (cumulative progress shown) ⁽²⁾	9, 11	\$3.6bn	\$1.8bn
Goal to align the Group's lending portfolio to net zero emissions by 2050	7, 13	Targets published for 4 sectors ⁽³⁾	Emissions baseline estimate progressed
Target to work with 100 of the Group's largest greenhouse gas emitting customers to support them as they develop or improve their low carbon transition plans by 2023	7, 13	86	34
Resilient and sustainable business practices			
Target to achieve and maintain inclusion in the Dow Jones Sustainability World Index ⁽⁴⁾		At the 96th percentile globally (of companies so far scored)	At the 98th percentile globally
Target to source 100% of Group electricity consumption from renewable energy sources by 2025	7, 13	72.4%	31.4%
Science-based target to achieve a 51% reduction in greenhouse gas (GHG) emissions by 2025 against a 2015 baseline ⁽⁵⁾	7, 13	74% reduction	55% reduction
Target to achieve at each salary level, 40-60% of either gender represented (including Board and Group subsidiary boards) by 2025 ⁽⁶⁾	5	3 of 9 levels	3 of 9 levels
Objective to achieve gender pay equity <10% by 2025 ⁽⁷⁾	5, 9	16.9%	16.6%
Target to spend \$10 million annually with diverse suppliers ⁽⁸⁾ by 2025	8, 9	\$4.2m	\$4.6m

(1) Represented as cumulative flow of new environmental finance since 1 October 2015. Refer to the 2022 Climate Report for a further breakdown of this number and reference to how the environmental financing target is calculated.

(2) Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing and this includes loans made under the First Home Guarantee, as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme) for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2022 and 2021 portion of the cumulative progress figure has been assured by EY.

(3) NAB has set interim 2030 sector decarbonisation targets for its lending portfolio in four of its most emissions-intensive sectors: power generation, oil and gas, thermal coal mining and cement production. See NAB's 2022 Climate Report for detail on targets, available at nab.com.au/annualreports.

(4) NAB has set a target to maintain its inclusion in the Dow Jones Sustainability World and Australia Indexes, representing the top 10% of all companies assessed in the banking sector. 2022 results reflect NAB's performance percentile relative to companies in the banking sector who have been scored. Not all companies have been scored at the time of publishing, as 2022 scores are being released over a number of months. The 2022 results are based on scores available as at October 2022.

(5) This target has a baseline of 2015 and covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard. The target has been prepared in accordance with the Sectoral Decarbonisation Approach 'Services Buildings' methodology published by the Science Based Target initiative and uses the Science-Based Target Setting Tool, v1.1. In 2023, the baseline will be recalculated to reflect organisational changes (including emissions following the acquisition of Citi consumer business, and expansion of operations in Europe, Vietnam and India, and excluding emissions from MLC Wealth operations). It will also align with a 1.5°C scenario and implement the latest version of the Science-Based Target Setting Tool.

(6) Representation for employee levels calculated using population of permanent full-time and part-time colleagues. Actuals and targets are stated as at 30 September for each respective year, progress is detailed in the *Inclusion and diversity* section (see page 33).

(7) Measures represented for this objective are calculated at an organisational level, the Workplace Gender Equality Agency's (WGEA) analysis indicates that when comparing the base salary of all women to men within the Australian-based workforce of NAB, the gender pay gap calculated by WGEA for 2021-2022 is 16.9% and for 2020-2021 is 16.6%. Includes permanent, fixed term, and casual colleagues.

(8) 'Diverse suppliers' describes NAB's purchases made with Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises. This figure incorporates both NAB's tier 1 (direct spend with businesses), tier 2 (NAB-specific spend via a select group of tier 1 suppliers) and tier 3 (NAB-specific spend via a select group of tier 2 suppliers) procurement spend with diverse suppliers. In 2022, 0.15% of diverse supplier spend relates to tier 3 suppliers.

Quick link

View NAB's 2022 Sustainability Data Pack at
nab.com.au/annualreports

Customers

Why it matters

The Group's success depends on the success of its customers. NAB continues to build a secure, easy and relationship-led banking experience while supporting customers through wide-ranging challenges including the impact of natural disasters, recovery from COVID-19 and a challenging economic environment.

Maintaining access to banking services, providing expert guidance, hardship relief and continuing to lend responsibly are critical to Australia and New Zealand's stability and recovery. NAB knows that access to inclusive financial services is critical to achieving the SDGs, particularly for people at risk of financial exclusion and vulnerability.

What NAB is doing

NAB is providing accessible products and helping individuals and businesses get through hardship and vulnerability. While many customers have built up savings, the challenges posed by the current economic environment are a new experience for many. NAB's message to any customer who might be concerned is that NAB is here to help.

Supporting customers includes driving positive social outcomes. NAB is focused on driving positive impact through affordable and specialist housing funding and supporting Indigenous business development.

Inclusive banking

Supporting low-income customers

A significant number of Australians and New Zealanders experience difficulties accessing financial services⁽¹⁾. NAB works to address this issue, and support customers through inclusive banking practices.

For over 19 years NAB has partnered with Good Shepherd to support no and low-interest loans for people at risk of financial exclusion. These products, operated on a not-for-profit basis, can support individuals who may be excluded because of lower income or financial capability levels, or poor credit histories.

In 2022, the Group provided support to help build financial inclusion across Australia and New Zealand in the following ways:

- Wrote 31,804 microfinance loans in Australia totalling \$46.7 million, including support for 8,044 Indigenous Australian customers.⁽²⁾
- Expanded eligible loan purposes and increased income eligibility to better meet community needs.
- Supported 4,895 customers in 2022 to purchase a vehicle through the extended No Interest Loans for Vehicles pilot, providing up to \$5,000 to help purchase a vehicle.
- BNZ has delivered NZD \$17.8 million against its target to deliver NZD \$50 million in no and low interest loans and advances by 2025. Through Good Loans and Habitat for Humanity, BNZ has provided around NZD \$14.4 million to those who need it since its inception in 2014. Since March 2021, PayNow has delivered NZD \$3.4 million to people who needed an urgent advance on earned wages, acting as an alternative to predatory payday loans.⁽²⁾

Helping customers bank digitally and safely

NAB is investing significantly in making banking safe and easy for customers and helping customers adapt to technology. Improving customers' confidence in, and awareness of, online banking is critical. This year NAB has:

- Launched an education program on all the safe and simple ways that customers can manage their banking through the NAB app and internet banking.
- Invested in training with #digi conversations, a gamified learning program offered to Personal Bank colleagues on how to better serve customers with their online banking.
- Held 'Walk Out Working' sessions with customers who visited a branch to ensure they are set up digitally the first time, as well as educating customers on online banking security and fraud protection.
- NAB started actively blocking payments that feature offensive words and phrases on internet banking in November 2020. Building on this, NAB introduced automatic blocking of abusive and threatening transaction descriptions in the NAB app on iOS and Android in 2022.
- Refreshed Help Guides for customers to manage their banking in the NAB app or internet banking with step-by-step instructions and images. Annual visits to Help Guides have increased 20% since the refresh.
- Made it easier to dispute transactions online by allowing customers to lodge disputes on card transactions in internet banking and the NAB app at any time. Since launching, 74% of disputes are now lodged online.

These initiatives are designed to help customers become more comfortable with digital banking solutions, confident that their data is secure. For more information on NAB's approach to data security, privacy and management, see page 42.

BNZ is a founding member of the Digital Boost Alliance, a collaboration between business and government. BNZ has made pledges as part of the Alliance program to encourage digital transformation. These pledges align with BNZ's responsibility to its colleagues, customers and the community. The activities range from basic actions such as having accessible websites through to caring for some of its more vulnerable customers.

Accessibility

NAB's Accessibility Action Plan 2021 – 2022 is a roadmap for improved disability inclusion and accessibility for customers, colleagues and community members with disability. 2022 highlights include:

- Continuing to improve the access features in NAB's commercial buildings, including hearing loops in event spaces and meeting rooms to support the access requirements of the community who use them.
- NAB's complaints policy has improved accessible options by adding flexibility to assist customers with disability to raise complaints or provide feedback.
- Holding an Accessibility Roundtable to engage with disability organisations on what a good customer experience is for customers with disability.

The 2023 – 2024 Accessibility Action Plan will build on progress and in doing so, support the Group's ambition to be an employer of choice for people with disability.

(1) 28 Marjolin, A., Muir, K., and Ramia, I. (2017) Financial Resilience and Access to Financial Products and Services – Part 2, Centre for Social Impact (CSI) at UNSW Sydney, for National Australia Bank.

(2) For breakdown of products included, see NAB's 2022 Sustainability Data Pack available at nab.com.au/annualreports. Number and dollar value of microfinance loans written by NAB and BNZ are assured by EY. NAB microfinance dollar value figures provided in AUD.

Supporting customers experiencing vulnerability

NAB is delivering against the three key areas of its Framework for Customers Experiencing Vulnerability (2021–2023)⁽¹⁾.

Identifying financial vulnerability earlier and taking action

Vulnerability is where personal circumstances expose a person to increased susceptibility to damage, harm or loss. In 2022, NAB did the following to assist customers experiencing financial vulnerability:

- Provided early outreach to customers identified through modelling to detect early signs of financial difficulty, sending more than 17,000 messages this year.
- Continued to embed consideration of vulnerability and financial safety in product design. NAB's new instalment product NAB Now, Pay Later includes a credit check, has no late fees, no interest or account fees and customers who are unable to pay will be prevented from increasing the amount outstanding.
- Released inclusive banking and vulnerability training to improve identification, support and referral for customers. More than 10,500 colleagues across NAB's frontline teams have completed the training.
- The Customer Support Hub works with customers who are left financially vulnerable after being scammed, including by referring them to support services. Sometimes, support means first helping customers understand that they are in a scam, including providing support for bankers who need to have these difficult conversations with customers.

Reducing financial abuse in all its forms

Financial abuse is when one person exerts power and control over another person's finances. It can be perpetrated in many ways, and happens between family members, friends, carers and third parties. In 2022, NAB implemented the following to reduce financial abuse:

- Blocked more than 100,000 transactions that contained abusive or threatening language and issued warnings to customers who continued to attempt to send messages.
- Conducted colleague training to improve identification of red flags, customer support and referral to internal and external services.
- Introduced an Acceptable Electronic Banking Use policy that supports the warning and exit of customers who threaten, harass or abuse others using NAB banking platforms.

Preparing and responding to natural disasters and pandemics

When natural disasters hit, NAB and the NAB Foundation provide support to customers and communities. In 2022, NAB supported customers with:

- Payment moratoriums or reduced payment arrangements.
- Fee waivers and restructure of debt.
- Grants for personal and business customers of up to \$1,000 after loss or evacuation of property, lost business income and stock.
- Grants up to \$2,000 for colleagues who experienced damage to their homes, while they continue to support their local customers during floods.
- Donations to community organisations, volunteering and fundraising assistance.

NAB is investing in new ways to support customers and improve outcomes for those experiencing financial vulnerability.

In 2022, NAB activated its disaster relief package three times due to flooding in Queensland and New South Wales. NAB responded to more than 15,000 calls through the Customer Care line, with call volumes increasing an average of 105% during a disaster. More than \$3.5 million in grants were paid to personal and business customers and colleagues.

For further detail on NAB's flagship community initiative to help customers, colleagues and their communities withstand and recover from natural disasters, see *NAB Ready Together* on page 45.

NAB's Customer Support Hub

NAB's Customer Support Hub provides targeted support services and responses for customers experiencing particular forms of vulnerability.

In 2022, a total of 4,757 customers were supported, with the three major vulnerabilities being:

- 1,199 customers impacted by family and domestic violence.
- 865 customers impacted by financial difficulty.
- 798 customers impacted by scams.

Quick link

nab.com.au/customersupport

(1) Available at nab.com.au/content/dam/nabrd/documents/guides/corporate/customer-vulnerability-framework-21-23.pdf

Financial hardship assistance

NAB works with customers to get them back on their feet and increase their financial resilience. The NAB Assist team is the main point of contact for personal and small business customers experiencing financial difficulty. This team tailors assistance to each customer's circumstances. The support may be financial or non-financial, such as referrals to external counselling services.

Hardship assistance offering

Where customers fall into financial hardship, NAB has a program in place to support them in getting back on their feet.

Supporting customers in changing economic conditions

In 2022, the primary reason for customers requiring financial hardship assistance has changed. The total number of customers that NAB provided with financial hardship assistance has decreased during 2022, as economic recovery following COVID-19 continued, however customers reporting expenses or underemployment as their reason for hardship has risen.

Supporting customers through interest rate changes is a priority. Interest rates have been very low for a long time. Increasing rates will be a new experience for many customers. NAB's message to any customer who may be concerned is that NAB bankers and the NAB Assist team are on hand to provide advice, support and options for helping them through this challenging period.

NAB has been proactively encouraging customers to get in touch with its NAB Assist team. Through NAB Assist, customers can be offered complimentary financial counselling, psychological support, employment search assistance and financial support through reduced repayments and repayment pauses.

Hardship assistance provided in 2022

- 12,947 customers were provided with financial hardship assistance in 2022, down from 22,927 in 2021.⁽¹⁾
- Of customers who fell behind in repayments, 97% were back on track with repayments within 90 days of receiving assistance.⁽¹⁾⁽²⁾
- Targeted support is provided for a smaller number of cases where hardship is extended over a long time-period.

Investing in systems and partnerships

NAB has continued to invest in new ways to support customers and improve outcomes for those experiencing financial difficulty.

- Since launching self-serve capabilities for customers experiencing financial difficulty through internet banking and the NAB app in 2021, NAB has invested in developing self-service portals to give customers more options.
- NAB developed and launched an Online Hardship Form which allows customers to apply without calling the contact centre and, if eligible, receive automatic approval. This form supports increased customer demand when NAB announces a disaster relief package.
- NAB continues to partner with social services providers to give vulnerable customers counselling services, through Uniting CareRing and Benestar.
- There is ongoing promotion and expansion of the interpreting service 'Language Loop', supporting customers when English is not their primary language.
- NAB continues to work with third party representatives such as Way Forward or financial counsellors to support customers experiencing financial difficulty.

(1) In 2022, NAB adjusted its methodology to exclude secondary account holders from the number of customer accounts assisted experiencing financial hardship. In 2022, NAB also expanded the number of products included in financial hardship and cure rate figures. These now include both business and consumer products, as opposed to consumer only. The 2021 figure has been restated. Only the 2022 figures are assured by EY. Advantedge products are not included.

(2) Assistance includes hardship and non-hardship assistance.

Helping Indigenous businesses prosper

As Australia's largest business bank, NAB is well placed to drive growth in Indigenous business and employment opportunities that can help Indigenous Australians prosper.

NAB was the first Australian corporate business to achieve 'Elevate' Reconciliation Action Plan (RAP) status. NAB is developing an interim RAP while it finalises the application for its next three-year RAP. This will align with the ambitions ultimately set out in NAB's Indigenous Affairs Strategy 2022-2025.

NAB launched its Indigenous business strategy this year and is investing in a new team of bankers specialising in support for Indigenous businesses in each state. The team support Indigenous businesses by:

- Providing industry, government policy, Indigenous culture and credit opportunity insights to the NAB banking team.
- Connecting NAB's customers to external business advisors and financial capital providers from government and Indigenous NGOs.

Working together with Indigenous Australians, NAB:

- Hosted Indigenous business roundtables, hearing directly from Indigenous business customers. The first roundtable was in 2021, with three additional meetings in 2022.
- Sponsored Supply Nation's 'Connect' conference and spent \$4.1 million⁽¹⁾ with Indigenous businesses through NAB's supply chain in 2022.
- Hosted colleague forums to increase cultural awareness of Indigenous Australian issues.
- Conducted research to better understand NAB's market share of Indigenous business customers.

Supporting reconciliation

For NAB, a reconciled Australia is one where all Australians understand and acknowledge shared history, where there is equality and unity, respect and trust and the social and economic gap between Indigenous Australians and other Australians is closed.

NAB formally supported the 'From the Heart' campaign in 2022, which is leading the call to the Australian public to come together and vote to change the Constitution to establish a Voice to Parliament.

NAB will continue to explore ways to educate colleagues and customers on what constitutional recognition involves. This has included activation of an internal education campaign to help colleagues understand why Indigenous Australians are calling for the Voice to Parliament through constitutional reform, and the impact that it will have.

In 2022, NAB unveiled the "Walking Together" star to illustrate recognition of Indigenous Australians contribution to culture, and NAB's ambition to support their financial inclusion and economic aspirations. The idea came from NAB Indigenous colleague Kieran Cain-Hall, a Kamilaroi Aboriginal man, and was created by Indigenous designer Marcus Lee.



NAB Indigenous star by Indigenous designer, Marcus Lee.

BNZ's Maori strategy

BNZ's objective is to serve Māori well and help Māori communities prosper and create a more inclusive economy. BNZ's Māori strategy aims to build a strong wharenu (large house) and this is built on three pou (pillars). If BNZ build its pou correctly and with strength, BNZ will earn the right to be the bank for Māori.

Pou Tahi – Raising competency in Māori, cultural practice, te reo, Māori leadership and recruitment.

Pou Rua – Enable solutions for Māori through business solutions, sustainability-linked loans, lending and financial literacy.

Pou Toru – Influence the market for Māori business to prosper through iwi and public sector relationships.

⁽¹⁾ Purchases made with Indigenous-owned enterprises. Spend excludes GST.

Affordable and specialist housing

Australia is facing a serious shortage of social and affordable housing. As the cost of living continues to increase, the need for affordable housing has come into sharper focus. NAB recognises its responsibility to help Australians into suitable housing, and is determined to play a leadership role in providing greater supply of safe and affordable homes.

In 2019 NAB announced its target to provide \$2 billion in financing for affordable and specialist housing by 2023. In 2022, NAB surpassed this target by reaching a cumulative total of \$3.6 billion in financed facilities.⁽¹⁾ NAB is currently working on its future ambition in recognition of the significant need in this area.

The spectrum of affordable housing spans accommodation provided by state and territory governments and community housing providers through to mixed housing and commercial build-to-rent projects. NAB is working on the areas of the housing spectrum where it can help best.

First home buyers

In 2022, NAB helped 4,096 borrowers on the lower end of the income spectrum access home ownership through the First Home Guarantee (FHG), as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme). The First Home Guarantee plays a key role in making home ownership more accessible for Australians. NAB's affordable and specialist housing target includes cumulative data from a subset of loans provided via the FHG, for loans where applicants had a total taxable income under the national median, and for properties with a price under the national median.

During 2022, the Australian Federal Government (Australian Government) announced its Help to Buy scheme to deliver shared equity access to income earners under a specified threshold. This scheme is in development stages. NAB is actively contributing views and knowledge on its design.

Specialist Disability Accommodation (SDA)

NAB plays an important role in addressing the immediate societal need for new SDA places. NAB has financed several dedicated facilities during 2022, supporting the development of new, high quality SDA homes for approximately 247 Australians.⁽²⁾ NAB is a sponsor of the Specialist Disability Alliance, the peak body for SDA.

Social, affordable and community housing

In 2022, NAB furthered support for state and territory government initiatives to build new social and affordable housing, helping more than 300 people into homes. NAB has financed the emerging affordable seniors accommodation asset class, supporting housing for over 900 dwellings for seniors.

NAB continues to build partnerships across state and territory governments, the community housing sector, and private investors to respond to Australia's social and affordable housing needs. There is increasing evidence of superannuation funds and institutional investors partnering with community housing providers and state and territory governments to build scalable models to deliver social and affordable housing. The Australian Government announced the creation of a \$10 billion Housing Australia Future Fund to deliver 30,000 social and affordable homes. Private sector financing, such as financing provided by banks, can play a key role in supporting these initiatives.

BNZ is supporting New Zealanders into warm, dry and resilient homes

Helping more New Zealanders to buy their first home

Working with Kāinga Ora, BNZ is helping more New Zealanders into their first home via the First Home Partner shared ownership initiative.

As part of the initiative, Kāinga Ora takes an equity share in ownership of a new home, typically contributing equity up to a maximum of 25% or NZD \$200,000, while BNZ will provide customers the rest of the financing of the purchase price.

Improving the liveability of homes

Partnering with Habitat for Humanity, BNZ are supporting homeowners who need to make urgent repairs to improve the live-ability of their homes and would otherwise lack access to the necessary funds to carry these out.

The programme slowed down due to COVID-19 lockdowns but has gathered pace in 2022, helping 96 families to access over NZD \$800,000 of no interest lending for home repairs.

(1) Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing and this includes loans made under the First Home Guarantee and the Family Home Guarantee, as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme) for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2022 and 2021 portion of the cumulative progress figure has been assured by EY.

(2) Estimates assume 1 person per estimated bedrooms.

Colleagues

Colleague strategy

Colleagues and customers are the twin peaks of the Group's strategy

The Group's workforce is made up of more than 35,000 colleagues globally. About 96% of the Group's workforce are in Australia and New Zealand, while others work in London, New York, Paris and parts of Asia. The Group has continued to deliver its Colleague Strategy (see Figure 1) with the goal of having trusted professionals who are proud to be a part of the Group.

The Group has:

- Progressed implementation of a consistent leadership program for all leaders (page 31).
- Increased professionalism in its workforce through various levels of banking accreditation (page 31).
- Updated its Performance and Reward Framework (See the *Remuneration Report* on pages 108 to 142).
- Progressed against its Inclusion and Diversity Framework (page 33).
- Commenced negotiations on a refreshed Enterprise Bargaining Agreement (page 37).

Listening to and acting on colleague feedback is key so the Group has quarterly colleague engagement surveys (Heartbeat surveys) in addition to ongoing communication and discussion.

Workforce composition

The Group's workforce increased 7.6% on a net basis in 2022, primarily through its acquisition of the Citi consumer business, ownership of NAB Innovation Centre Vietnam, in-sourcing of key capabilities and investment in strategic priorities.

In 2022, the Group has observed higher levels of colleague turnover following two years of subdued levels due to COVID-19. NAB considers that higher levels of attrition are also driven by a tight labour market. This reinforces the importance of NAB executing its colleague strategy effectively.

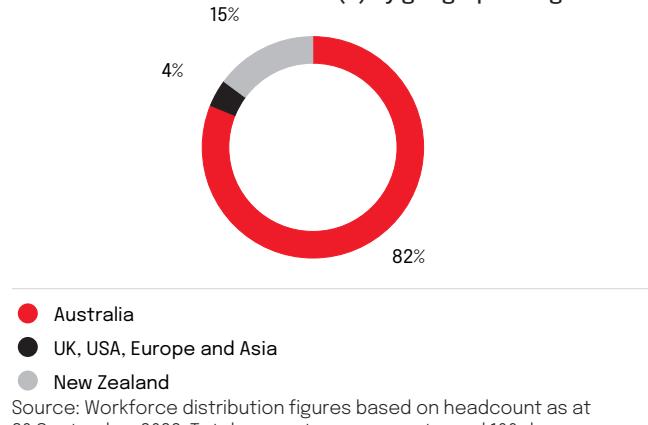
Table 2:

Workforce by contract type and gender 2022 (%)

	Female	Male
Permanent term full-time	29.2	34.5
Permanent term part-time	7.0	1.2
Fixed term full-time	0.8	0.9
Fixed term part-time	0.2	0.1
Casual	0.7	0.2
External/temporary employee/contractors	8.9	15.4

Source: Workforce distribution based on headcount as at 30 September 2022. Due to rounding, figures may not sum to 100%.

Chart 1: Workforce distribution (%) by geographic region



Source: Workforce distribution figures based on headcount as at 30 September 2022. Total percentages may not equal 100 due to rounding.

Chart 2: Group total colleague turnover

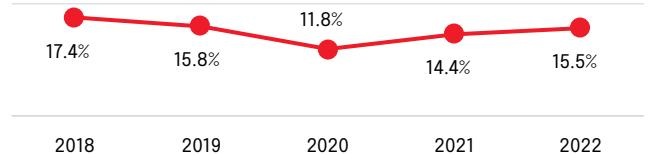
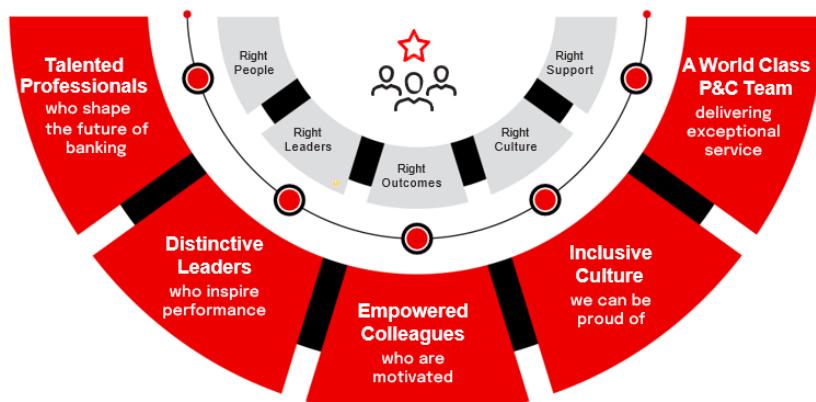


Figure 1: Colleague strategy

Trusted professionals who are proud to be a part of NAB



Leadership and capability

NAB seeks to develop leaders who are clear, capable and motivated. These leaders drive positive change and connect colleagues to 'Why We are Here'.

Investing in colleagues' skills and capability improves customer experience and overall performance. Support to develop and improve is connected with improved colleague engagement⁽¹⁾.

The Group maintained its emphasis on professionalism and leadership in 2022, driving momentum in the following areas.

Career Qualified in Banking

The Group has invested \$23 million in its CQIB program throughout 2021 and 2022. CQIB demonstrates the Group's emphasis on colleague development, industry professionalism and serving customers well as it strives to have Australia's most qualified bankers.

The main program delivered by CQIB is the Professional Banking Fundamentals (PBF) qualification. The program is made up of self-paced online learning and is supported through a dedicated faculty of distinguished experts across the organisation. Delivered in partnership with FINSIA, NAB aims to enrol all permanent colleagues in the program by 2026.

Progress against this goal has increased in 2022:

- More than 8,000 colleagues (24%) have successfully graduated from the qualification, increasing from more than 2,000 in the first year of the program in 2021.
- An additional 6,300 colleagues are enrolled in the program, with more than 14,000 enrolled, since the program commenced in November 2020.
- NAB's leaders are role modelling expectations, with 90% of NAB's top 100 leaders having completed the program.

Distinctive Leadership

Leadership is a central driver of performance, motivation and retention. It is critical to the Group's ability to attract, develop and retain talented individuals and achieve the Group's goals.

The Group is investing in leaders through the DLP. Since late 2020, the DLP has provided a consistent approach to how the Group's leaders manage and coach colleagues. Following the first year of the DLP, the Group has gained momentum in program delivery and outcomes. This includes enhancing the workshop delivery approach in 2022 for greater emphasis on customers and colleagues. To date, 69% of leaders across the Group have completed the DLP.

Implementation will build leadership capability that will help the Group become a better bank and helps realise its target culture with key leadership practices and habits. Based on quarterly Heartbeat surveys, leaders that have completed the DLP on average perform better on:

- Continuous improvement (+9).
- Clarity of responsibility (+4).
- Simplicity (+10).

Progressive roll-out of the DLP will occur for leaders who join NAB, and those who are promoted into leadership positions.

Attracting talent and building skills

NAB recognises the critical role that upskilling and reskilling plays in attracting key talent who will shape the future of banking, and in developing colleagues to support current and future strategic imperatives.

Talented professionals who shape the future of banking.

In addition to NAB's signature programs of CQIB and the DLP, NAB encourages all colleagues to participate in 'Welcome to NAB', the Group-wide induction program that familiarises new starters with NAB's How We Work values, how their role contributes to NAB's vision (to serve customers well and help our communities prosper) and providing oversight of the many opportunities for colleagues to develop and grow their careers at NAB. To further support colleagues in building confidence and competence in their roles, technical learning pathways, accreditations and core regulatory training is provided across each business and enabling unit.

For colleagues to further drive their own personal and professional development and career goals, NAB recently launched the Enterprise Learning Curriculum Map, which provides a range of digital, self-directed and instructor-led offerings that all colleagues can access. To enable this, the Group has invested in several digital learning platforms, including LinkedIn Learning, Coursera and Udemy, allowing colleagues to access learning at no cost to themselves. Furthermore, in key skill areas across Cloud Engineering, Digital, and Data, NAB's Cloud and Data Guilds build specialist capabilities and industry recognised accreditations, supported by learning platforms such as O'Reilly's, the A Cloud Guru and Pluralsight. Content and programs can be easily accessed by relevant colleagues and are linked to their professional development, helping to drive competence and engagement.

Employer of Choice Awards

NAB was recognised across multiple external rankings as a Top Graduate and Intern Employer in 2022. The most notable was GradAustralia's Top 100 Employer list where NAB ranked third overall and first in the banking and finance industry based on both the popularity and quality of NAB's graduate program. The companies who made the Top 100 Employer list were selected from a pool of more than 800 nominees. Other recognition included:

- #3 on the 2022 LinkedIn Top Companies in Australia to grow your career
- #3 on GradAustralia's Top 100 Grad Employers (#1 for banking and finance Industry)
- #9 on GradConnection's Top Graduate Employers
- Included in the Australian Association of Graduate Employers Top Intern Programs.

In 2022, BNZ was recognised for its work on inclusion and developing its people. BNZ was awarded the Human Resources Director's Best Workplace Diversity and Inclusion programme for the work undertaken to further build on its inclusive culture, bi-culturalism, gender balance and embed its Diversity and Inclusion Council.

(1) Based on responses in NAB's February 2022 Heartbeat survey question "What would you like your People Leader to do more of to help you be your best?".

Engagement

Listening to and acting on colleague feedback is a Group priority. The Group's quarterly Heartbeat surveys are an opportunity for colleagues to share what is working well and should continue, and what needs to be improved.

Information from the Heartbeat survey helps leaders develop and communicate targeted actions to address the needs of their teams. Leaders are shown team strengths and areas for development.

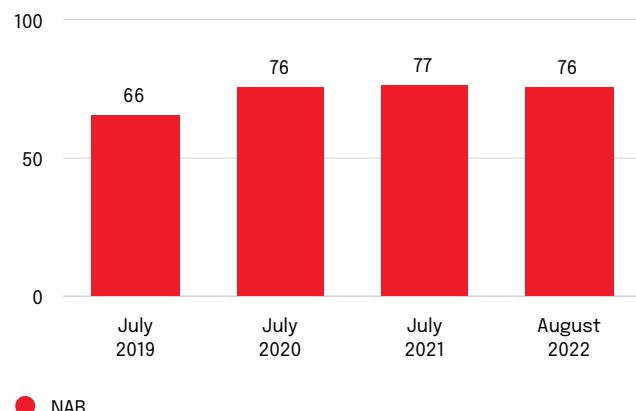
The Group's most recent Heartbeat survey, in August 2022, had a response rate of 84%.⁽¹⁾ This is consistent with the highest participation rate to date. A strong response rate demonstrates colleagues' willingness to contribute and provide feedback.

The August 2022 Heartbeat survey showed an engagement score of 76 across the Group, down one point on the comparable Heartbeat survey in 2021 and 2 below the score for top quartile performance of 78. This score has been stable across three quarters (Q4, Q3 and Q2) indicating that colleagues are consistently engaged and there is room for improvement. Key strengths identified by colleagues include:

- Recommending People Leader (88).
- Having a supportive team (88).
- People Leaders valuing different perspectives (88).
- How my work contributes to the strategy (84).

Colleagues identified the need for NAB to become a simpler place to work, permanently solving problems and following through with plans. The Group CEO, Group Executives and their leadership teams are addressing this feedback through focused culture, risk and engagement action planning.

Chart 3: Colleague engagement over time



● NAB

Source: Scores calculated from the Heartbeat survey conducted by Glint. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of EY assurance. Population excludes external contractors, consultants and temporary colleagues.

Addressing engagement survey cynicism

During 2022, claims made by an ex-NAB colleague were reported regarding inauthentic responses to the Heartbeat survey to influence scores that could contribute to performance assessment. The Group takes this seriously. The Group CEO and the Group Executives have communicated to colleagues to emphasise the integrity of Heartbeat and its important function as a genuine measure of employee experience.

The Heartbeat survey is provided by a global partner which ensures anonymity and integrity for colleagues.

The importance of culture to NAB's success is reflected by its inclusion in NAB's Group Performance Indicator framework (GPI). Culture contributes 15% of the GPI. For 2023, the way the engagement score contributes to the GPI will be revised. The new approach takes the average employee engagement score across multiple Heartbeat surveys taken throughout the year and moves away from using a point in time measure. This approach encourages People Leaders to sustain, and improve on, the current momentum of strong colleague engagement.

NAB recently completed a number of remuneration framework changes that help to address the Heartbeat survey cynicism. These changes focus on standardising variable reward opportunity and the removal of variable reward for front line colleagues. Further detail is outlined in '1.3 Colleague remuneration framework' on page 112 and 'Responsible remuneration' on page 71.

(1) Includes Australia and New Zealand colleagues, population excludes external contractors, consultants and temporary colleagues.

Inclusion and diversity

Inclusion and diversity (I&D) drives better outcomes for customers, colleagues and the community. When colleagues feel valued and supported to contribute, it encourages performance, innovation and better risk management.

The Board endorsed a refreshed I&D Strategy Framework in late 2021. This framework recognises the need to be proactive in considering I&D Strategy Framework in processes, policies and practices.

The three pillars of the I&D Strategy Framework are:

- **Inclusive leadership:** Leaders are visible in their work towards inclusion and actively build diversity in teams. They role model How We Work in their everyday actions and ensure that systems are inclusive and accessible to all.
- **Inclusive workplace:** A culture that actively promotes and leverages team diversity, flexibility and wellbeing. An environment where all colleagues feel empowered to contribute to their full potential.
- **Customer inclusion:** Colleagues who take pride in understanding the needs of NAB's customers, ensuring that they can access the information, services and products they need with ease.

The I&D Strategy Framework adopts an intersectional approach to address common needs, therefore improving the experiences for everyone.

In the first year of the refreshed I&D Strategy Framework, the Group has:

- Formalised an I&D Council – a team of cross-divisional representatives to ensure all matters of inclusion are consistently and equally considered.
- Implemented a new I&D governance structure to create greater accountability through senior sponsorship across NAB's Employee Resource Groups.
- Improved I&D data collection and tracking to hold NAB to account.
- Expanded regular and consistent communications to promote consistent inclusion messages across NAB.
- Promoted an accessible and inclusive workplace through the enhancement of visible signage for parents' rooms, multi-faith rooms and gender-neutral bathrooms.

Leader-led, colleague-enabled approach

The Group's I&D Policy includes a requirement for the Board to set measurable objectives for achieving inclusion and diversity which, together with progress on the framework, is assessed and reported on at least annually. The I&D Policy can be found on the Corporate Governance section of nab.com.au.

The ELT continues to have direct accountability for the execution of the framework. All leaders at NAB have I&D key performance indicators included in their annual performance plan. This means that progressing an inclusive culture directly influences performance pay.

Leaders are empowered to build diverse, high performing teams that innovate, challenge each other, grow together and make better decisions. The Board and the ELT's ambition is for a workforce that is reflective of the broader community and attracts and retains the best talent.

Gender equality

The Group has a target to achieve 40-60% gender representation at every level of the business and a gender pay gap below 10% by 2025. In 2022, movement towards its gender representation target improved or remained stable across all levels except Executive Management (salary group 7), which declined by 2%.

NAB's 2021-2022 gender pay gap is 16.9%.⁽¹⁾ This year, there was a slight increase in NAB's gender pay gap, increasing 0.3% compared to 2020-2021.

Overall, the Board and ELT would like faster progress. The Group's measurable objectives are detailed on page 35.

With heightened expectation for every team to implement strategies to support female representation, important initiatives have been created. This includes the 1500 Degrees Program, developed by NAB's Private Wealth team. The 1500 Degrees Program (referencing the melting point of glass) is a nine-month program designed to build and accelerate a diverse pipeline through learning, networks, sponsorship and development to prepare women for more senior roles.

The Group CEO has re-signed the Statement of Support for the United Nations (UN) Women's Empowerment Principles. NAB is a member of Women in Banking and Finance (WIBF), a non-profit organisation, which provides mentoring, education programs and professional development events tailored to women. This year, NAB supported the growth of talented women through WIBF's Mentoring for Success, Great Leaders Are Made and Voice of Leadership programs.

NAB ranked third in the financial sector for the Asia-Pacific region, and 28th globally (across all sectors) in Equileap's 2021 Gender Equality Global Report published 16 June 2022.

Cultural inclusion

NAB's 2021 amendment to its Cultural and Religious Leave policy provides colleagues up to three working days of paid cultural and religious leave to celebrate important events and traditions without the need to provide evidence. It has been well received with more than 4,000 leave days used by more than 2,500 colleagues throughout 2022. NAB maintains Gold sponsorship of the Asian Leadership Project's national conference and supports a number of colleagues to participate in the Asian Leadership Project's National Group Mentoring Program.

Indigenous inclusion

NAB continues to support employment pathways for Indigenous Australians. In the past twelve months, there was a decrease in the number of Indigenous summer interns and Indigenous trainees provided (8 and 21 respectively), as NAB shifts its focus to attract and retain more Indigenous Australian talent at more senior levels. NAB is creating a new Indigenous Employee Resource Group, to increase support provided to Indigenous colleagues, and is seeking to onboard specialist Indigenous agencies to its recruitment panel in 2023.

In 2022, NAB offered in person and virtual skilled volunteering through the Jawun program, featuring six-week secondments to support social and economic projects in remote Indigenous communities.

This year NAB promoted the use of improved Cultural and Religious Leave as part of NAIDOC Week activities.

⁽¹⁾ Gender pay gap confirmed by Workplace Gender Equality Agency (WGEA) for the corresponding year at an organisational level. Analysis indicates our gender pay gap when comparing the base salary of all women to men within the Australian-based workforce of NAB for the reporting period 1st April - 31st March. Includes permanent, fixed term, and casual colleagues.

Colleagues (cont.)

LGBTQIA+ inclusion

The NAB Pride Employee Resource Group has accomplished much this year, including celebrating their 10-year anniversary as a group.

NAB was again awarded Gold in the Australian Workplace Equality Index (AWEI). This is the fourth consecutive year as Gold, meaning NAB is now eligible for Platinum status. NAB colleague Kim Lee was awarded for the 2022 OUT Role Model award.

NAB supports the LGBTQIA+ community through ongoing sponsorship of the Midsumma Festival. This year NAB renewed the partnership for five years.

Accessibility

NAB is a signatory to the Valuable 500, a global movement putting disability inclusion on the business leadership agenda. Through involvement in this global network NAB is building capability and striving for best practice in disability inclusion.

NAB has its Group Accessibility Action Plan 2021 – 2022⁽¹⁾, and is developing a plan for 2023 – 2024. This will focus on innovation to improve the experiences of customers, colleagues and communities.

NAB partners with the Australian Network on Disability by participating in their programs and initiatives. NAB is connecting with skilled and talented university students with disability through the Stepping Into internship program.

A number of colleagues are mentors to jobseekers with disability through the Positive Action Towards Career Engagement (PACE) mentoring program. NAB participates bi-annually in the Australian Network on Disability Access and Inclusion Index benchmarking tool to assess NAB's progress in disability inclusion and accessibility.

Achieving access and inclusion for colleagues with disability is important to NAB. The NABILITY Employee Resource Group, a voluntary group of colleagues with disability, carers of people with disability and allies, have driven progress in various areas. This includes promoting a barrier free recruitment process and encouraging an accessible and welcoming workplace.

Supporting colleagues who are carers

NAB offers 12 weeks of paid primary carer leave, for all genders, and up to 40 weeks of unpaid primary carer leave during which colleagues continue to accumulate superannuation and long service leave. Primary carers returning from paid parental leave also receive a return-to-work payment.

This year, the return-to-work rate⁽²⁾ after parental leave was 92.5%, an increase on 2021 (83.8%). NAB monitors this rate and supports colleagues to return to work when ready.

Further flexibility and well-being support includes access to MyCoach, NAB's employee assistance program, as well

as assistance and advice with family, personal or wellbeing issues through the Health and Wellbeing portal.

Flexible working

Most colleagues (where roles allow) remain working between the office and other locations. Based on feedback in the Heartbeat surveys, this hybrid work pattern is preferred and will continue to be supported. It has inclusion benefits for those managing multiple responsibilities outside work, while allowing NAB to attract and retain the best talent. Other flexible working arrangements colleagues can adopt include variable start/finish times, part-time hours and job-sharing opportunities.

Anti-harassment and discrimination

The Group has zero-tolerance for sexual harassment. NAB continues to make progress on the implementation of its Sexual Harassment Action Plan. This was developed in response to an independent assessment conducted by KPMG in 2020 into NAB's approach to preventing and responding to sexual harassment.

The Sexual Harassment Action Plan is largely complete, and action has moved to a dedicated quarterly forum attended by representatives from the I&D, employee relations services, health, safety and wellbeing, employee conduct, and whistleblower teams. The focus of the forum is to identify trends and issues and proactively address risk indicators of sexual harassment and other forms of unlawful discrimination and bullying.

The Group takes a complainant-sensitive approach to complaint handling and has supported colleagues through a number of actions to address any instances of unlawful discrimination and bullying, including sexual harassment. There has been more frequent and targeted communication, enhanced conduct and risk awareness training for all colleagues, and support for People Leaders managing concerns about harassment and discrimination.

NAB's discrimination and harassment guidelines can be viewed on nab.com.au.

Diversity in supply chain

Including diverse suppliers (businesses owned by women, Indigenous Australians, people with disability, and social enterprises) into NAB's supply chain helps increase their exposure to corporate sourcing, while creating employment and training opportunities, sustainable growth and social and financial inclusion. NAB aims to source \$10 million of goods and services annually from diverse suppliers, by 2025. In 2022, NAB spent \$4.2million⁽³⁾ with diverse suppliers.

(1) Available at nab.com.au/about-us/social-impact/our-people/workplace-accessibility.

(2) Measures the % of colleagues who have returned to work and remained a colleague for 30 days (in relevant reporting year) after taking extended leave which commenced with primary carer leave.

(3) 'Diverse suppliers' describes NAB's purchases made with Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises. This figure incorporates both NAB's tier 1 (direct spend with businesses), tier 2 (NAB-specific spend via a select group of tier 1 suppliers) and tier 3 (NAB-specific spend via a select group of tier 2 suppliers) procurement spend with diverse suppliers. In 2022, 0.15% of diverse supplier spend relates to tier 3 suppliers.

Table 3: Progress against NAB's 2021–2025 measurable objectives

Measurable objective	2021	2022	2025 target
1. Diverse leadership teams and talent pipelines:			
At each salary level 40–60% of either gender represented. ⁽¹⁾			
NAB Board (non-executive directors) 40–60% of either gender represented.			
NAB Group subsidiary boards 40–60% of either gender represented.			
Representation of women			
NAB Board (non-executive directors)	38%	38%	40–60%
NAB Group subsidiary boards	49%	49%	40–60%
Executive Management (Salary level 7)	33%	31%	40–60%
Executive Management (Salary level 6)	35%	36%	40–60%
Senior Management (Salary level 5)	36%	36%	40–60%
Management (Salary level 4)	38%	39%	40–60%
Non-management (Salary level 3)	45%	46%	40–60%
Non-management (Salary level 2)	56%	57%	40–60%
Non-management (Salary level 1)	71%	70%	40–60%
Total organisation	50%	50%	40–60%
2. Fair remuneration - seek to reward people fairly and support the objective of gender pay equity <10% by 2025			
Gender pay equity	16.6% ⁽²⁾	16.9% ⁽²⁾	<10%
3. Inclusive workforce culture⁽³⁾			
Women (Difference vs men) ⁽⁴⁾	-2 (81 vs 83)	-1 (81 vs 82)	0
People with disability (Difference vs people without disability) ⁽⁵⁾	-4 (79 vs 83)	-5 (78 vs 83)	0
Ethnic minority (Difference vs non-ethnic minority) ⁽⁶⁾⁽⁷⁾	-1 (82 vs 83)	0 (83 vs 83)	0
LGBTQI+ (Difference vs non-LGBTQI+) ⁽⁸⁾	-3 (80 vs 83)	-2 (81 vs 83)	0
Carers (Difference vs non-carers) ⁽⁹⁾	-1 (83 vs 84)	-1 (82 vs 83)	0

(1) Based on the percentage of women in each salary level, calculated using population of permanent full-time and part-time employees.

(2) Confirmed by Workplace Gender Equality Agency (WGEA) for the corresponding year at an organisational level. Analysis indicates our gender pay gap when comparing the base salary of all women to men within the Australian-based workforce of NAB for the reporting period 1st April - 31st March. Includes permanent, fixed term, and casual colleagues.

(3) The 'inclusive workforce culture' scores are based off responses to the Group's Heartbeat survey conducted in August 2022 (2022 score), and July 2021 (2021 score). The methodology was revised in 2022 to measure the differences on an Inclusion Score, based on a combined response to three questions: 1. 'I feel comfortable being myself at work'. 2. 'I am treated with respect and dignity' and 3. 'Regardless of background, everyone at our company has an equal opportunity to succeed'. Previously, this objective measured the differences between percentage of favourable responses to the question 'How happy are you working at NAB?'. The 2021 score has been restated to reflect the difference in Inclusion Score and has not been assured by EY. The table represents the scores for specific diverse groups, with comparisons to the related majority group within the workforce. The measurable objective remains consistent, with a target of no gap between diverse and non-diverse colleagues by 2025.

(4) Response calculated using the gender identity attribute in the Heartbeat survey.

(5) Colleagues who selected that they identify as a person with disability in the Heartbeat survey.

(6) Ethnic categories have been updated. In 2022, colleagues who selected any option other than Australian, New Zealand, English, Irish, Welsh, Scottish, South African and North American to the cultural/ethnic background question in the Heartbeat survey have been grouped as 'ethnic minority'.

(7) In 2021, colleagues who selected any option other than Australian, New Zealand, Anglo European, or Other European in either of the two cultural background questions in the Heartbeat survey have been grouped as 'ethnic minority'.

(8) Categories were expanded in 2022 to include asexual and homosexual, pansexual and non-binary or other gender. Other categories include lesbian, gay, bisexual, transgender/gender diverse, intersex and queer.

(9) Colleagues who selected they spend time providing unpaid care, help, or assistance for family members or others with or without disability (including children, adults or older adults) in the Heartbeat survey.

Health, safety and wellbeing

The Group recognises the importance of ensuring a workplace where colleagues can thrive physically and mentally. That allows colleagues to serve customers well and help our communities prosper.

Ongoing COVID-19 support

The Group has continued to respond to the impact of COVID-19 throughout the year, ensuring that the appropriate protocols are in place to minimise transmission in workplaces in line with government requirements.

The Group supports colleagues to get vaccinated for COVID-19, providing paid time off work to get their vaccinations and their children's. Colleagues were provided with a further 10 days of paid pandemic leave for 2022, to use should they test positive to COVID-19, be required to isolate or care for others.

Increased levels of transmission of COVID-19 during 2022 have contributed to an increase in absenteeism⁽¹⁾ from 6.8 days per FTE in 2021 to 9.2 in 2022.

Wellbeing program

The Group has improved its wellbeing program, encompassing tools and resources to improve physical and mental health. Counselling services are offered through the Employee Assistance Program and are available to colleagues, their families and NAB customers.

NAB's wellbeing program has been adapted to support the transition to hybrid working. This has included wellbeing webinars to help colleagues adapt to hybrid practices, utilisation of purpose-built wellbeing spaces in NAB buildings, and opportunities to foster in-person collaboration and social wellbeing.

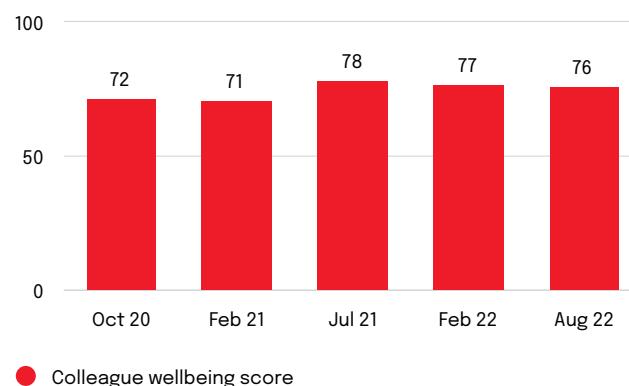
In addition, NAB has supported colleagues and customers in managing the impacts of natural disasters through counselling, leave options and emergency grants. See page 45 for details on NAB's flagship community initiative, NAB Ready Together, which helps customers, colleagues and their communities withstand and recover from natural disasters.

As part of the Group's ongoing management of health, safety and wellbeing risks, it has:

- Strengthened the approach to identifying and managing psychosocial risks.
- Supported colleagues with their recovery and safe return to work following work or non-work-related injury or illness using allied health partners and an early intervention approach.
- Assisted colleagues who have experienced domestic and family violence, ensuring that they have access to leave and specialist support services.

The Group will continue to build this momentum, offer a workplace that supports physical and mental health and strengthen its approach to psychological health and safety risk management.

Chart 4: Colleague wellbeing over time



Source: NAB's Heartbeat survey, conducted by Glint. Colleague wellbeing score is a weighted average score of responses to the question 'Our company takes a genuine interest in employees' wellbeing?'.

(1) Absenteeism rate represents the total number of unscheduled absence days during the period divided by the average number of full time equivalent colleagues (Australian workforce only, excluding casual colleagues). Current year results may be revised as additional absences are recorded in our system.

Getting it right for colleagues

The Group seeks to provide colleagues with clear and consistent conditions to work in. Where this has not occurred, the Group has prioritised and invested in making it right. This is critical to achieve its aspiration to have colleagues who are trusted professionals proud to be a part of the Group.

Enterprise bargaining

The Enterprise Agreement sets out the conditions of employment for NAB colleagues who work in Australia. In August 2022, NAB commenced bargaining for a new modern Enterprise Agreement. In early November 2022, following bargaining with the Financial Sector Union and individual bargaining representatives, NAB announced that it would be taking its proposed new Enterprise Agreement to a colleague vote in late November 2022.

NAB is striving to introduce an Enterprise Agreement that modernises, simplifies, and places greater value on colleague wellbeing and fosters an inclusive and supportive workplace. The proposed new Enterprise Agreement would also update NAB's terms and conditions of employment to better reflect the ambition in the Group's business and colleague strategies and the evolving workforce requirements of a financial services company.

Payroll remediation

Within Australia, NAB has progressed its payroll review. The review is a comprehensive examination of NAB's compliance with obligations to colleagues relating to remuneration and other entitlements under the *Fair Work Act 2009* (Cth), *NAB Enterprise Agreement 2016* (and relevant predecessor industrial instruments), *National Australia Bank Group Award 2002*, and applicable superannuation and tax laws. Where NAB has not met obligations, it has and will continue to:

- Pay back (including interest) current and former colleagues.
- Fix the underlying issues.
- Disclose the issue to the Fair Work Ombudsman.

Obligations relating to remuneration and other entitlements are complex and NAB has undertaken the review with support from external advisors. NAB is reviewing obligations dated from 1 October 2012. This year, as a result of this program NAB has:

- Progressed the investigation and remediation of complex issues, with more than 17,500 payments to current and former colleagues in 2022. NAB anticipates remediation of remaining identified issues will be completed by end of December 2022.
- Continued to invest in the enterprise service and query management platform to support a fully digital experience resulting in timely access to information and payments that may be owed.
- Through NAB's dedicated call centre for current and former colleagues, a total of 88,968 contacts have been made to 30 September 2022, including 32,991 contacts made in 2022.
- Invested in the capability of NAB colleagues who have accountabilities for all aspects of renumeration including obligation management, payroll and technology.
- Improved data analytics capability for accurate payroll data analysis.

Climate change and environment

Addressing climate change

Climate change is a significant risk to the planet and a major challenge for society to address. At the same time, considerable opportunities are emerging as the low carbon transition occurs. NAB is supporting customers as they decarbonise, build their climate resilience and help achieve the goals of the Paris Agreement.

The Group's climate ambition is to act as a catalyst for climate action, supporting emissions reduction and aligning with pathways to net zero by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

The approach is underpinned by core beliefs:

- Climate transition can create growth for the economy.
- Management of climate transition is core to the Group's business, not an adjacency.
- The Group will be relationship-led, supported by strong enabling capabilities.
- External targets will be science-based and aligned with NAB's climate strategy.

This section of the report provides a summary of activities and performance in 2022, with detailed disclosures available in the Group's 2022 Climate Report, available at nab.com.au/annualreports.

NAB's strategic climate priorities

Grow by supporting our customers to decarbonise and to build resilience

- Supporting customers with their transition plans.
- Providing measurements, insights and advice to customers to help them understand their climate transition needs and opportunities to reduce their emissions.
- Funding customer transitions.
- Financing emission reduction activities and renewable energy growth.
- Financing farms and homes to enable customers to increase resilience to physical climate risks including severe weather events.
- Financing and investing in new industries contributing to the sustainable energy supply chain.
- Connecting customers to carbon capital markets and sustainable investments.

Governance

The Board retains oversight of ESG-related matters including climate change. The Group's approach to sustainability governance is described in *Sustainability in the Group's strategy* on page 20. The Group's overall approach to governance is described in the *Corporate Governance Statement* section, from page 56.

Key activities completed in 2022:

- Climate-related appetite and tolerances included in the Group Risk Appetite Statement (RAS).
- Climate strategy update.
- NAB's Climate Vulnerability Assessment.
- Financed emissions estimate and interim sector decarbonisation targets set for four sectors.
- TCFD aligned disclosures for 2022 and greenhouse and energy-related regulatory returns.

Strategy

In 2022, the Group refined its climate strategy. It aligns to the Group's strategic ambition to serve customers well and help our communities prosper. With an over-arching goal of net-zero emissions by 2050, the Group is working to support its customers as they decarbonise and build climate resilience, while creating prosperity for customers, colleagues and communities. The Group's strategic ambition is outlined on page 12.

Investing in climate capabilities

- Investing in colleagues.
- Investing in data and technology.
- Investing in risk management.
- Investing in partnerships, research and development and advocacy.

Reducing financed emissions

- Member of the Net Zero Banking Alliance.
- Setting sector decarbonisation targets, prioritising emissions-intensive sectors, where there is sufficient data availability and quality.
- Investing in colleagues, processes and technology to support emissions monitoring and achieving targets.

Reducing operational emissions

- Target to source 100% renewable energy by 2025.
- Maintaining carbon neutrality for emissions yet to be reduced.

Risk management

ESG risks, including climate-related risks, are identified, measured, monitored, reported and overseen in accordance with the Group's Risk Management Framework (as described in the Group's Risk Management Strategy).

In 2022, the Group has continued to build on its climate risk capabilities and processes. The Group:

- Completed the Climate Vulnerability Assessment, an APRA-led initiative to assess the potential financial exposure of major financial institutions, the financial system and economy to the physical and transition risks of climate change.
- Provided an updated climate risk training module in a mandatory program for all colleagues.

The Group's approach to climate change, including climate-related risk management, is detailed in its 2022 Climate Report at nab.com.au/annualreports.

Metrics and targets

The Group continues to drive progress in key measures to reduce its operational and financed emissions. In December 2021, NAB became a signatory to the NZBA, and has set interim 2030 sectoral decarbonisation targets for its lending portfolio in four of its most emissions-intensive sectors: power generation, oil and gas, thermal coal mining and cement production ('sector targets'). In setting these sector targets, NAB has been informed by the UNEP FI Guidelines for Target Setting for Banks. Detailed information about NAB's sector targets is included in NAB's 2022 Climate Report.

This section provides a high-level overview of relevant targets, and regulatory reporting. NAB's detailed metrics and targets relating to operational and financed emissions are disclosed in its 2022 Climate Report, available at nab.com.au/annualreports.

BNZ has separately joined the NZBA and is in the process of sectoral target development, in line with the time frames set out by NZBA.

The Group's 2022 Climate Report

The Group has publicly reported on climate-related performance since 2003. Over the past two decades, the Group has been maturing its management of climate-related risks and opportunities.

The Group has been carbon neutral in its operations since 2010⁽¹⁾, aligned its climate-related reporting to the recommendations of the TCFD since October 2017 and joined the NZBA in December 2021.

Recognising the increasing level of demand for detailed disclosures on climate-related matters, this year the Group has prepared a separate Climate Report.

The Climate Report details the Group's approach to climate change covering: governance, strategy, risk management and metrics and targets. The Climate Report also includes previously separately published methodological information.

You can view the Group's 2022 Climate Report at nab.com.au/annualreports

Table 4: Summary of climate targets

Refer to 2022 Climate Report for additional detail on climate targets

	2022	2021
Supporting customers to decarbonise and build resilience		
Target to provide \$70 billion in environmental financing by 2025 since 1 October 2015. ⁽¹⁾	\$70.8bn	\$56.3bn
Reducing financed emissions		
Goal to align lending portfolio to net zero emissions by 2050.	Targets published for 4 sectors	Emissions baseline estimate progressed
Reducing operational emissions		
Science-based target ⁽³⁾ to achieve a 51% reduction in greenhouse gas (GHG) emissions by 2025 against a 2015 baseline ⁽⁴⁾ .	74% reduction	55% reduction
Target to source 100% of Group electricity consumption from renewable energy sources by 2025.	72%	31%

(1) Represented as total cumulative new flow of environmental finance since 1 October 2015. Refer to the Group's 2022 Climate Report for reference to how the environmental financing target progress is calculated.

(2) Cumulative total of transition maturity assessments completed since 1 October 2020.

(3) This target has a baseline of 2015 and covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard. The target has been prepared in accordance with the Sectoral Decarbonisation Approach 'Services Buildings' methodology published by the Science Based Target initiative and uses the Science-Based Target Setting Tool, v1.1. In 2023, the baseline will be recalculated to reflect organisational changes (including emissions following the acquisition of Citi consumer business, and expansion of operations in Europe, Vietnam and India, and excluding emissions from MLC Wealth operations). It will also align with a 1.5°C scenario and implement the latest version of the Science-Based Target Setting Tool.

(4) The GHG emissions reductions in environmental year 2021 and 2022 have been greater than expected partly due to the ongoing impacts of COVID-19, including reduced building occupancy and restricted travel. It is expected that some of these emissions reductions will not be permanent as the Group continues to adjust to a hybrid way of working and business-related travel resumes.

(1) Certified carbon neutral since 1 July 2010. NAB has a forward purchasing approach and forward purchased and retired offsets for the environmental reporting year (1 July 2010 to 30 June 2011) to be carbon neutral for 2011 and meet certification obligations, under the Australian Government's Carbon Neutral Program, now administered by Climate Active.

Operational GHG emissions and relevant environmental regulatory reporting

During the 2022 environmental reporting year, the Group's total GHG emissions (Scope 1, 2 and 3⁽¹⁾) were 77,581 tCO₂-e (2021: 111,979⁽²⁾ tCO₂-e), after accounting for use of certified renewable energy. In order to maintain carbon neutrality, the Group retired 77,581 offsets. These offsets are a mix of Verified Carbon Units, Gold Standard and Australian Carbon Credit Units. They are generated from projects which include savannah burning and renewable energy projects. NAB has purchased offsets only from domestic sources since 2020. Prior to 2020, offsets were purchased domestically and internationally and NAB retains a bank of these offset purchases. NAB's Australian operations are certified carbon neutral by Climate Active. In New Zealand, BNZ is Toitū carbon neutral certified to cover its operations in 2022, while JBWere NZ is currently in the application process for Toitū carbon neutral certification to cover its operations in 2022.

National Greenhouse and Energy Reporting Act disclosures

The Group's operations are subject to the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). This is part of Australia's legislative response to climate change. The NGER Act requires the Group to report on the period from 1 July to 30 June (the environmental reporting year), therefore, all of the Group's energy and GHG emissions reporting is aligned to this reporting period.

The Group's Australian vehicle fleet and building-related net energy use reported under the NGER Act for the 2022 environmental reporting year was 334,194 gigajoules (GJ) (2021: 407,670 GJ), which is approximately 84% of the Group's measured total net energy use. The associated total GHG emissions from fuel combustion (Scope 1) and from electricity use (Scope 2) were 71,035 tCO₂-e (2021: 79,651 tCO₂-e).

Streamlined Energy and Carbon Reporting

The Group is voluntarily reporting data required for the Streamlined Energy and Carbon Reporting (SECR) requirements which are implemented through the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018* (United Kingdom) in the Group's 2022 Climate Report. The Group's United Kingdom-based (London Branch) energy use⁽³⁾ reported, and aligned to the SECR for the 2022 environmental reporting year was 506,076 kWh (2021: 419,667 kWh). The associated total gross GHG emissions from fuel combustion (Scope 1) and from electricity use⁽⁴⁾ (Scope 2) were 97 tCO₂-e (2021: 87 tCO₂-e). This equates to 198 kWh and 0.04 tCO₂-e per metre squared of property space occupied by the Group's London Branch. Further London Branch and Group energy and GHG emissions data is provided in the Group's 2022 Climate Report (refer to page 37).

Operational energy efficiency

The Group continues to implement an energy efficiency program, including energy efficiency opportunity assessments and sustainable building design. This helps to produce GHG emissions savings and contributes to the Group's carbon neutral status and delivery of the Group's climate change strategy and targets. From 1 July 2006 to 30 June 2022, the Group identified a total of 1,325 energy efficiency and renewable energy opportunities in Australia alone. Three activity types of energy efficiency opportunities have been completed or commenced in environmental reporting year 2022. These additional opportunities are estimated to save an additional 7,498 GJ of energy, reduce 1,798 tCO₂-e of GHG emissions and a cost saving of \$442,779 per annum. Fewer energy saving initiatives were implemented in this environmental reporting year due to re-focusing activities towards bringing new major commercial buildings online and as a result of COVID-19 related property shutdowns. A summary of 2022 energy efficiency initiatives is provided in the 2022 *Sustainability Data Pack*.

In 2014, the Group's United Kingdom-based operations became subject to the Energy Savings Opportunities Scheme (ESOS), introduced by the United Kingdom ESOS Regulations 2014. The ESOS requires mandatory energy assessments (audits) of organisations buildings and transport to be conducted every four years. The Group fulfilled its most recent ESOS obligation in December 2019 and will resubmit as required in December 2023, if it continues to meet the ESOS qualification requirements at 31 December 2022.

Additional detail on the Group's environmental and climate-related performance is provided in the 2022 *Sustainability Data Pack* available at nab.com.au/annualreports and in the Group's 2022 Climate Report, which contains information on the methodologies used by the Group to calculate GHG emissions. Further detail is also available on the Group website⁽⁵⁾.

(1) Scope 1 GHG emissions are direct emissions from sources that are owned or controlled by an organisation including on-site fossil fuel combustion and vehicle fleet fuel consumption. Scope 2 emissions are indirect emissions from purchased electricity. Scope 3 emissions relate to all other indirect emissions that occur outside the boundary of the organisation as a result of the activities of the organisation. However, the Group's Scope 3 emissions reported here are operationally-related and do not include Scope 3 emissions associated with the Group's financing activities. The Group commenced reporting on Scope 3 attributable financed emissions in 2021. Attributable financed emissions are not included in the Group's carbon neutral position.

(2) 2021 emissions were restated due to the addition of inventory items for BNZ and JBWere's Toitū carbon neutral certification. JBWere's Scope 3 emissions increased by 6.4 tCO₂-e to include emissions from waste to landfill. BNZ's Scope 3 emissions increased by 1,038 CO₂-e to include emissions from postage, freight and courier services.

(3) The Group's energy use and GHG emissions reported voluntarily in alignment with SECR requirements are associated with building-related gas and electricity use only. The Group does not have a vehicle fleet associated with its United Kingdom operations.

(4) 100% of the Group's United Kingdom-based (London Branch) electricity is renewable electricity.

(5) Refer to 'How we calculate our carbon emissions' on <https://www.nab.com.au/about-us/social-impact/environment/climate-change>.

Biodiversity and natural capital

The Group recognises that nature underpins economic activity and human wellbeing and has been taking action to further integrate consideration of nature-related risks and opportunities.

Taskforce on Nature-related Financial Disclosures (TNFD)

NAB is a member of the TNFD Forum. Recognising the benefits of consistent, clear guidance and stakeholder expectations in regard to reporting, NAB has been participating in the Australian Government's TNFD education and awareness raising activities. This has included providing detailed feedback on the TNFD recommendations and implementation challenges through the Australian Banking Association and government consultation processes.

NAB is developing a roadmap that will allow us to respond to the TNFD when it is launched at the end of 2023. This roadmap includes the United Nations Environment Programme Finance Initiative (UNEP FI) pilot testing of TNFD application using fresh water as a case study.

Sustainability risk, which includes biodiversity and other nature-related risks, is one of the Group's material risk categories, managed through NAB's Risk Management Strategy and Framework. This is detailed on page 91 of the *Risk management* section of this report.

Supporting sustainable agribusiness

As Australia's largest lender to agricultural business, NAB recognises its important role in supporting this sector as it responds to the opportunities and risks which result from its intersection with natural capital. Examples of support provided this year include the following:

Research and partnerships

- **Climate Works Australia:** NAB has supported a Natural Capital Measurement Catalogue project, which entered pilot phase this year. This research will provide new insights into the practicality and feasibility of proposed natural capital metrics and will help inform the Group's response to TNFD.
- **Commonwealth Scientific and Industrial Research Organisation (CSIRO):** NAB participated in a multi-year research project, which concluded its investigation into opportunities for natural capital financing in the forestry sector, and through this, the supply of timber and non-timber benefits society derives from forestry. The CSIRO-led research consortia investigated the barriers to uptake of such opportunities using the Tasmanian forestry sector as an example.
- **Australian National University:** A multi-year research project will provide new information for farmers, bankers, and land managers about the trade-offs between environmental resilience and efficiency on farms. This will support farmers and bankers so they can minimise financial risks, make better investment decisions, and achieve more sustainable long-term outcomes for farmers and the wider community. The project is due to be completed in 2023.
- **Greening Australia / World Wide Fund for Nature (WWF):** The NAB Foundation is supporting primary research by Greening Australia and WWF on the efficacy of nature-based solutions for enhancing environmental resilience. A key deliverable from the multi-year project will be a web-based application to allow farmers to determine the optimal vegetation planting configuration to reduce fire risk. It is due to be completed in 2024.

Improving understanding of natural capital considerations to better support customers and manage risk.

Product development

- **Supporting farmers with tailored products:** NAB has successfully issued a number of pilot loans to help customers take action to reduce carbon emissions and/or to enhance resilience to climate change risks.

Quick link

nab.com.au/about-us/social-impact/environment/natural-value

Data security and technology

Why it matters

Serving customers well means continuing to find ways to meet and exceed the expectation that banking is easy and safe, with confidence that their data is secure.

What NAB is doing

An easy, fast and safe customer experience

The Group is making banking easier for customers and colleagues by building technology that enables faster response to change, more efficient work, and the provision of services which are more resilient. Aligned with the Group's strategy, technology investment is targeted at the areas that matter most to customers and colleagues.

The Group continues to migrate technology to cloud platforms, standardising and simplifying architecture, and introducing capabilities which allow delivery of features for customers and colleagues more quickly.

A safe experience extends to having the right cyber security defences in place, in the face of escalating threats from Australia and overseas.

Similarly, protecting customers and the broader community from the impact of financial crime is imperative. With fraud and money laundering activity becoming increasingly sophisticated, the Group continues to invest in technology systems to identify such activity, and support those bringing offenders to justice.

Transforming the workplace

Rapid changes in workplace technology were required to support colleagues and customers when COVID-19 emerged. With the COVID-19 pandemic continuing during 2022, NAB refined its technology to maintain an effective hybrid working environment. Colleagues can connect and collaborate wherever they are, allowing them to better serve customers.

Reliability, technology stability and incidents

NAB's customers and colleagues depend on the reliability of its systems and applications. In 2022, the focus on reducing service interruption through improved resilience, operational rigour, in sourcing and cloud migration has continued. There has been a further reduction in critical and high technology incidents in 2022, decreasing 66% since 2019⁽¹⁾. For more detail on NAB's approach and performance, see page 15.

Data security, privacy and management

NAB's transparent, compliant, and ethical collection and use of data is key for building trust with colleagues and customers.

Investing in security

NAB continues its ambition to build a world-class security function to protect its business, customers and the community from evolving security threats. This is reflected in the refreshed security strategy, developed in response to the global escalation in the security threat landscape in terms of volume and sophistication of attacks. NAB continues to develop threat-led detection practices and embed these within governance and risk functions. This approach will continue to enable rapid response to the evolving threat landscape.

NAB progressed its cyber security maturity in the past twelve months in alignment with the National Institute of Standards and Technologies (NIST) Cyber Security Framework (CSF) and has made strong improvements across critical security capabilities. A clearly defined program of work and associated investment will continue to mature key capabilities and ensure effective controls. In addition, this year NAB has strengthened controls to support current and emerging compliance standards.

Regular security controls assessment are performed through NAB's systematic testing program involving internal and/or external auditors to ensure effectiveness of the protective measures. NAB maintains a third-party security assurance framework that informs on the security risk posture of suppliers, partners and related parties. Security has been strengthened by simplifying the technology stack through decommissioning legacy platforms and accelerating the move to the cloud. Beyond this, NAB is increasingly focused on global alignment and ensuring capabilities are deployed consistently across the technology and business areas.

Building and maintaining a strong security culture across the Group is a focal point, where colleagues are invested in helping to protect the organisation and our customers.

NAB has established partnerships and continues to strengthen its relationships with government, law enforcement and peers – both domestic and internationally. This includes the Australian Cyber Security Centre (ACSC), with NAB being the first industry participant to share intelligence on their new platform, and the promotion of aligned messaging to customers and the community. NAB contributed to industry initiatives such as the Grok Academy to build a sustainable talent pipeline of cyber security skills for the future and support the ongoing demand across the broader industry.

Building customer capability

NAB is helping customers and the community become more secure, delivering 70 customer cyber security and fraud education sessions to nearly 5,000 people in 2022. These sessions provide customers and community members with information on the current cyber and fraud threat landscape, and provide practical advice on how they can protect themselves.

A NAB business customer who attended one of the sessions was then able to recognise and avoid an invoice scam, saving their organisation \$450,000.

For more information on these sessions, additional resources including NAB's security podcast and advice on identifying and responding to scams or fraud, see nab.com.au/security.

(1) Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems. NAB have reduced critical and high impact technology incidents by 66% between 2019 and 2022 (from 67 to 23).

Protecting customer and colleague privacy

The Group's customers place immense trust in NAB to protect their personal information, and to ensure their interests are protected in the use of the data. The Group has a long-standing specialist Privacy and Data Ethics team who establish data protection and use principles, ensuring colleagues are aware of their responsibilities. These responsibilities are embedded into the way NAB works. NAB has made three direct notifications to the Office of the Australian Information Commissioner (OAIC) under the Notifiable Data Breach Scheme (NDBS) in the year ended 30 September 2022. No NAB customer data was publicly compromised as a result of these three notifiable incidents which related to scam and fraud. NAB provides regular customer alerts about scams as it becomes aware of them.

A former NAB third party vendor made a notification to the OAIC under the NDBS in the year ended 30 September 2022. This event related to a cyber incident involving a colleague rewards platform. This platform is independent of, and not connected to, any existing NAB banking or internal systems.

Financial crime

Financial crime has a devastating impact on the Group's customers and community. The Group has zero tolerance for criminal activity and remains dedicated to effectively managing financial crime risk and ultimately keeping customers, communities, and the financial system safe.

The Group plays an important role in the monitoring and reporting of suspicious activity and complies with anti-bribery and corruption, economic and trade sanctions, and Anti-Money Laundering / Counter Terrorism Financing (AML/CTF) regulations.

Following its investigation into compliance with certain AML/CTF requirements by certain reporting entities⁽¹⁾ within the Group, AUSTRAC accepted an EU from NAB in April 2022 to lift its compliance with AML/CTF laws. In accepting the EU, AUSTRAC stated that it had "formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time" and that it had "not identified any information during the investigation to change that view".

For further detail, see page 81 in the *Risk management* section.

In addition to addressing regulatory commitments and remediating issues, NAB continues to make significant enhancements to its ability to detect, deter, disrupt and prevent financial crime. This year NAB has:

- Continued investment in colleagues, data and technology to improve its financial crime systems, controls and risk assessment models.
- Increased the use of machine learning and artificial intelligence to identify hidden financial crime activity and advanced deception.
- Enhanced its real time transaction monitoring and device behavioural risk profiling, and implemented new card fraud detection capability to help protect customers from loss resulting from fraud and scams.
- Continued to educate customers and the community on how to identify scams and to raise awareness of the financial and emotional impact they cause.

Increasingly sophisticated use of scams and technology to target customers and the financial system requires an ever-evolving approach to fighting financial crime. In May 2022, NAB launched a financial crime strategy and a scams strategy. These strategies will be executed over the next three years to deter, detect, disrupt and prevent financial crime at NAB.

While NAB is making good progress, the nature of the threat and risk it presents requires ongoing vigilance and pursuit of best practice in all that NAB does.

Collaboration to fight financial crime

Collaborative efforts between public and private sectors are crucial to success in fighting financial crime. NAB works actively with law enforcement, the financial industry and support services to detect and prevent financial crime. NAB is a principal member of the Fintel Alliance, which is a collaboration between public and private sector entities to investigate and disrupt criminal and terrorist activity.

Last year, NAB was the co-chair of the ATO Fintel Alliance Tax Evasion Working Group and participated in all Fintel Alliance Operations, achieving significant outcomes from these investigations. Outcomes include the arrest of numerous individuals suspected of involvement in fraud and money laundering schemes and sharing identified methodologies and emerging trends with the NAB's partners to ensure a collaborative approach to mitigating risk.

Quick link

For more information on how NAB protects itself and its customers against financial crime, visit nab.com.au/about-us/corporate-governance/managing-financial-crime

(1) The entities are National Australia Bank Limited, JBWere Limited, Wealthhub Securities Limited, Medfin Australia Pty Ltd, and AFSH Nominees Pty Ltd.

Helping our communities prosper

Community investment

The Group's community investment is centred on supporting people and organisations that help our communities prosper. In 2022, the Group provided \$45.7 million in community investment, including contributions of money, time through colleague volunteering, and foregone revenue.

The Group's calculation of community investment is guided by the Business for Societal Impact (B4SI) Community Investment Framework⁽¹⁾. NAB Ready Together is NAB's flagship community initiative to help customers, colleagues and their communities withstand and recover from natural disasters, and is detailed on page 45.

Key contributions to NAB's community investment included:

- Donations to charities such as GIVIT and Save the Children.
- Skilled volunteering projects for not-for-profits such as Greening Australia and Girls on Fire.
- Grants to support customers and colleagues impacted by natural disasters.
- Revenue foregone through the provision of no-interest capital and products as part of NAB's 19-year partnership with Good Shepherd.
- Donations to NAB Foundation.

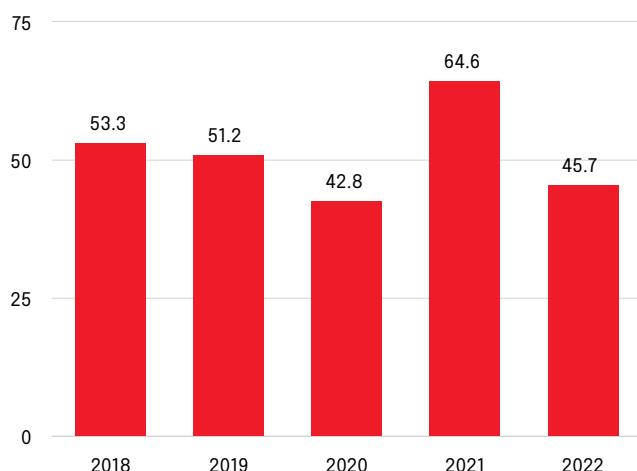
NAB has increased its contributions to NAB Foundation to support its ability to provide long term philanthropy. This included \$9.1 million generated through the progressive sale of NAB's art collection. As a result, there has been a temporary increase in NAB's community investment figures in 2021 and 2022.⁽²⁾ This is not expected to continue in future years, though NAB Foundation's capacity to make grants has been permanently increased.

Volunteering

As a workforce of more than 35,000 colleagues, the Group can drive significant impact as volunteers in the community. NAB colleagues have at least 16 hours each year available to volunteer their time and talents to support communities via general volunteering, skilled volunteering and supported longer-term secondment program partnerships with Jawun and Australian Business Volunteers. NAB rewards colleagues for every hour of volunteering, giving them \$5 in their NAB Neighbourhood Giving Account to donate to their charity of choice. NAB colleagues redeemed more than \$73,000 in volunteer rewards in 2022.

Prior to the emergence of COVID-19, the monetary value of colleague time spent volunteering was a significant contributor to NAB's community investment. While these numbers have slowly recovered, they remain well below pre-COVID-19 levels.

Chart 5: Group community investment (\$m)



NAB Neighbourhood

NAB's platform to engage colleagues and community organisations in philanthropic initiatives, NAB Neighbourhood has continued to grow in 2022. To date, 60% of all colleagues have engaged with the platform which allows them to participate in volunteering, giving, fundraising and granting activities. NAB encourages colleagues to support the causes they care about, share stories of community impact, and band together to make a difference to social and environmental issues.

NAB Foundation

NAB Foundation is a registered charity that aims to be a catalyst for social and environmental progress in Australia. Through investments and granting, the Foundation helps purpose-led organisations find new and innovative ways to solve social and environmental problems.

Impact investment

NAB Foundation uses impact investment to generate social and environmental impact. In 2022, NAB Foundation invested in four impact investment funds including the Impact Fund, which targets the sectors of specialist disability accommodation, renewable energy, social housing, sustainable agriculture, and social impact bonds. NAB Foundation invests all corpus assets with a socially responsible investment position.

Providing grants

NAB Foundation offers community grants to grassroots organisations preparing for natural disasters, supporting long-term recovery and building resilience.

NAB Foundation's Environmental Resilience Fund supports practical projects that build environmental resilience to natural disasters and climate change.

For more information on NAB Foundation's Community Grants program and Environmental Resilience Fund, see the *NAB Ready Together* section on page 45.

(1) Corporate Community Investment, defined broadly as businesses' voluntary engagement with charitable organisations or activities that extends beyond their core business activities. Learn more at <https://b4si.net/framework/community-investment/>

(2) Note: Under the B4SI Framework, payments from a corporate entity to a foundation are included within community investment. Grants or other payments made by a corporate foundation are not included in community investment.

NAB Ready Together

With Australians facing more frequent natural disasters, there is a growing need for ongoing community support and innovation. NAB is here to help customers, colleagues and their communities withstand and recover from natural disasters.

Supporting customers and communities when they need it most

The devastating floods in QLD and NSW during 2022 affected many NAB customers, colleagues and their communities. Through NAB Ready Together, NAB and NAB Foundation provided \$4.87 million in support, including:

- \$3.53 million in emergency relief grants from NAB to customers and colleagues.
- \$847,000 in grant funding from NAB Foundation to emergency services and community organisations in flood areas.
- \$250,000 donation from a nabtrade Charity Trading Day to GIVIT's storm and flood appeal.
- \$243,000 in public and colleague donations to GIVIT to provide goods, services and funding directly to communities in need.

NAB is supporting customers and colleagues impacted by the floods through NSW, Victoria and Tasmania in October 2022.

See *Supporting customers experiencing vulnerability* on page 26 for more information on how NAB supports customers and communities impacted by natural disasters.

Helping communities prepare for natural disasters and support recovery

Grants of up to \$10,000 are available to fund community-led projects. Up to \$1 million in funding is awarded each year with an additional \$200,000 available for projects with a long-term social or environmental impact.

In calendar year 2022, NAB Foundation awarded 94 organisations with community grants totalling over \$1 million across two rounds of grants. Initiatives focused on education, training, emergency systems, preparedness plans, mental health support, infrastructure, equipment, urban greening and climate risk mitigation.

Building a more inclusive, diverse and resilient emergency services volunteer workforce in Australia

NAB is supporting emergency services volunteers who commit their time to make communities safer and stronger. NAB is investing to build the capacity of emergency services volunteers to help Australians in their time of need.

As a Supporting Partner of the Queensland Rural Fire Service (QLD RFS), NAB supported two important projects in 2022:

- Access for all RFS volunteers to 'Mindarma', an evidence-based personal resilience and wellbeing program.
- A skilled volunteering initiative where a team of NAB colleagues gave their time and expertise to improve the volunteer onboarding process for the QRFS.

NAB provides unlimited crisis leave to colleagues who volunteer with emergency services along with access to general volunteering and disaster preparedness leave for all colleagues.

Deploying the 'Bank in a Box' to Lismore

In 2022, Lismore was one of many Australian communities devastated by floods. Many local stores were destroyed, including the NAB Lismore branch.

NAB colleagues like Sally Davis, who has lived in Lismore for more than 30 years, sprang into action to support the local communities that they love.

"This is an amazing community and we're a strong bunch. Somehow, we'll make it happen. But we need a lot of support." Sally Davis, NAB Customer Advisor, Lismore

NAB set up its portable 'Bank in a Box' to give locals access to essential cash and banking services. The portable bank served as a meeting space for customers to have conversations with a banker and offered full access to digital banking options.

NAB's Employee Assistance Program partner Benestar established a wellbeing hub to support the community with counselling.

In August, the NAB Lismore branch reopened in the heart of the town. NAB has been part of the Lismore community for over 140 years and will continue to work alongside customers and community on the long road to rebuild and recover.

Investing in nature-based solutions

NAB Foundation's Environmental Resilience Fund supports practical projects that build environmental resilience to natural disasters and climate change.

As the inaugural project, NAB Foundation is supporting a restoration partnership with Greening Australia and World Wide Fund for Nature-Australia. The funding will enable fire experts and local communities in south-eastern Australia to test green firebreaks to manage natural disaster risks.

The project aims to restore ecosystems by improving biodiversity, as well as engaging Indigenous Australians to assess the feasibility of cultural burning and other Indigenous-led land management practices. The project will also undertake a rewinding program. NAB Foundation will provide \$2 million to the partnership over three years. Beyond funding, NAB has supported the partnership with time and expertise. A team of 13 NAB colleagues provided more than 1,070 hours of skilled volunteer time to the project, identifying ways that financial institutions and banking products might assist.

Quick link

nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support

Respecting human rights

The Group is a signatory to the Principles for Responsible Banking, Equator Principles and UN Global Compact, which all include human rights-related principles. The Group has a responsibility to respect human rights which is part of the Group's Risk Management Strategy and Appetite and divisional Credit Appetite Strategies and is outlined in the Group's Human Rights Policy available on nab.com.au. This is supported by ESG risk assessment in customer and supplier related on-boarding and review processes. Refer to the *Environmental, Social and Governance (ESG) Risk Management* section on pages 48 to 49 for further detail on how ESG Risk (including human rights) is managed within lending and sourcing activities.

Human rights, including modern slavery risk, is included both in NAB's annual risk awareness training for colleagues and in training on financial crime/anti-money laundering and counter terrorist financing. During 2022, the following additional specific sessions were held:

- Human rights and modern slavery training for NAB's Risk Leadership Group.
- Human rights training for the Corporate and Institutional Bank Credit team.
- Information sessions for NAB Legal and Risk on ESG issues, including business and human rights risks and obligations.
- Modern slavery training for Australian and New Zealand sourcing colleagues.

The Group has ESG-related checklists, as well as internal guidance notes on a range of topics which incorporate human rights-related considerations. NAB's internal ESG risk management intranet site provides resources and links to help bankers understand and identify human rights and modern slavery risks and impacts.

As a financial services organisation, the Group is exposed to human rights risk in five key areas: operations, customers, supply chain, investment-related services and the communities the Group serves. For each of these areas, salient human rights issues and vulnerable groups are considered⁽¹⁾ when taking mitigating actions.

A number of human rights areas are of interest to the Group's stakeholders, including:

- **Indigenous support:** The Group continues to take steps to drive growth in Indigenous business, employment prospects and support reconciliation (see page 28).
- **Inclusion and diversity:** The Group has refreshed the I&D strategy. Refer to page 33 for more detail on the Group's priority areas of inclusion, accessibility, gender diversity, flexible working and supply chain diversity.
- **Modern slavery:** The Group is taking steps to address modern slavery risk in its value chain as outlined in the Group's Modern Slavery and Human Trafficking Statement.⁽²⁾
- **Enterprise bargaining and payroll review:** Negotiations on a new enterprise agreement are underway and NAB continues to progress on remediation actions arising from NAB's Payroll Review (see page 37).

- **Climate change:** Climate change and climate-related natural disasters can have negative impacts on human rights, including the rights to life, food, health, water and places to live and work. The Group is taking steps to manage its own climate impact as well as considering the climate impacts of its customers and the need for a just transition. The Group's 2022 Climate Report⁽³⁾ details the Group's approach to climate change, covering governance, strategy, risk management and metrics and targets.
- **Disaster support:** Helping customers, colleagues and their communities withstand and recover from natural disasters, including through NAB Ready Together (see page 45).
- **Financial hardship:** Supporting customers with financial hardship assistance (see page 27).

The Group's 2022 Sustainability Data Pack⁽³⁾ provides a content index on key external human rights frameworks and details the Group's Salient Human Rights issues with reference to where they are considered.

The Group continues to engage in industry dialogue about applying the Guiding Principles for Business and Human Rights in a banking context. This includes taking part in industry working groups and forums to share knowledge and enhance industry guidance in relation to human rights and modern slavery. During 2022, as part of NAB's involvement in the Fintel Alliance, NAB provided input to the AUSTRAC Detecting and Stopping Forced Sexual Servitude in Australia – Financial Crime Guide.

Human rights due diligence

The Group seeks to proactively identify, assess and address human rights risks and impacts that may arise in business relationships with customers and suppliers, as outlined in the Group's Human Rights Due Diligence process. This includes issues such as poor labour practices, modern slavery and improper land acquisition.

In 2022, through the Group's ESG risk assessment and due diligence processes, including media scanning, the Group identified a small number of customers with potential human rights and modern slavery concerns within their operations or supply chains. Further investigation and/or customer engagement has confirmed some instances of poor labour practices or other potential human rights concerns. The Group has taken action and engaged relevant customers and is monitoring the actions these customers are taking to address the issues, as appropriate.

Financial crime teams in Australia and New Zealand identified possible instances of human exploitation that were investigated and reported to AUSTRAC and law enforcement as required.

No instances of modern slavery or human trafficking were identified in NAB's own operations or its supply chain. One customer-related case was raised through the Whistleblower Program.

(1) Salient human rights issues are those human rights that are at risk of the most severe negative impact through the Group's activities or business relationships.

(2) Available at nab.com.au/about-us/social-impact/modern-slavery-statement.

(3) Refer to nab.com.au/annualreports.

Managing grievances

The Group's Human rights grievance process sets out how human rights issues and concerns are investigated and acted upon. Human rights-related feedback and concerns can be provided via email to grievances@nab.com.au. Grievances received are referred to the appropriate area of the Group for investigation and action. To ensure individuals wishing to raise human rights-related concerns understand the process, NAB's website contains guidance, in multiple languages, on how to lodge a human rights concern. Customer-related human rights concerns may be received directly by the Group, or via governmental dispute resolution bodies.

Where issues are raised or identified, appropriate actions are taken in accordance with the Group's grievance process - including relevant engagement with affected parties (e.g. customers and rights holders).

In 2022, the following matters were raised with the Group through externally available grievance channels:

- Two employment-related human rights concerns.
- Five customer-related discrimination complaints.
- Two human-rights concerns related to NAB customers.

Colleague concerns regarding human rights are managed through the Group's employee relations processes or via the Whistleblower Program (see *How We Work* on page 77).

In 2022, NAB engaged a specialist business and human rights advisory firm to review its human rights grievance mechanism against the effectiveness criteria set out in the UN Guiding Principles on Business and Human Rights. The review will help the Group identify opportunities to strengthen the grievance process.

Case Study: Enhancing Colleague understanding of Human Rights and Modern Slavery

During the 2022, NAB enhanced its internal Human Impact Guide for frontline colleagues. The purpose of this guide is to educate NAB colleagues to detect, investigate and mitigate human impact crimes in their day-to-day roles, to ensure NAB can help protect customers and the community.

In the Guide, 'human impact' is referred to as an umbrella term for associated crimes including human trafficking, child sexual exploitation, labour exploitation, and modern slavery practices such as servitude, sexual exploitation, forced labour, forced marriage, and debt bondage.

Human impact and modern slavery scenarios were also incorporated in mandatory AML and Risk Awareness Training undertaken by colleagues across the Group in 2022.

Modern Slavery

The Group's annual Modern Slavery and Human Trafficking Statement is available on NAB's website. It outlines what has been done to manage modern slavery and human trafficking risk in operations and supply chain. The Group has reported against the UK Modern Slavery Act since 2016, and the Australian Modern Slavery Act since 2020.

The Group has a Modern Slavery Working Group which includes members from business areas across the Group and through which the Group's modern slavery prevention activities are coordinated across teams. During 2022, these activities included assessment of modern slavery risks associated with new subsidiaries, updating of NAB's human impact guide and enhancement of third-party risk assessment processes.

Environmental, Social and Governance (ESG) Risk Management

Managing risk is part of everyone's responsibility, with support from Group Risk functions, led by the Group Chief Risk Officer.

Embedded within the Group's risk processes

Managing risk, including ESG risk, is part of the Group's day-to-day business and its effective management is fundamental to the Group's strategy and its ability to be a safe and secure bank that serves customers well and helps our communities prosper. ESG risk is identified, measured, monitored, reported and overseen in accordance with the Group's Risk Management Strategy and Framework and reflected in the Risk Appetite Statement (RAS) and relevant supporting policies and management practices.

Sustainability Risk was added as a material risk category⁽¹⁾ within the Risk Management Framework in October 2021. The Group defines Sustainability Risk as "the risk that ESG events or conditions negatively impact the risk and return profile, value or reputation of the Group or its customers and suppliers".

Sustainability Risk is operationalised through a number of supporting key risk frameworks, including:

- **Risk Appetite Framework** – risk appetite cascades from the Group RAS, where there are specific ESG-related tolerances, including fossil fuel related limits. This operates with divisional Credit Appetite Strategies (CAS) and the Group's High Risk ESG Sectors and Sensitive Areas list ('Sensitive Sectors and Areas List'). The Sensitive Sectors and Areas List helps colleagues working with customers and suppliers know which sectors and activities may have a higher inherent exposure to ESG-related risks. It sets out sectors and activities where the Group has restricted or no appetite. Key elements of risk appetite (RAS, CAS and the Sensitive Sectors and Areas List) are reviewed and refreshed annually to incorporate emerging and changing ESG risks, including during 2022.

- **Group Policy Governance Framework** – prescribes the minimum requirements for policies across the Group to support adherence to regulatory and legislative obligations, the Group's strategic ambition, risk appetite, and where relevant, industry or best practices. Specific ESG-related policies include the Group Environmental Management Policy, Group Environmental Reporting and Offset Management Policy, Human Rights Policy and Social Impact Policy. During 2022, the Group Environmental Management and Group Environmental Reporting and Offset Management Policies were both refreshed.

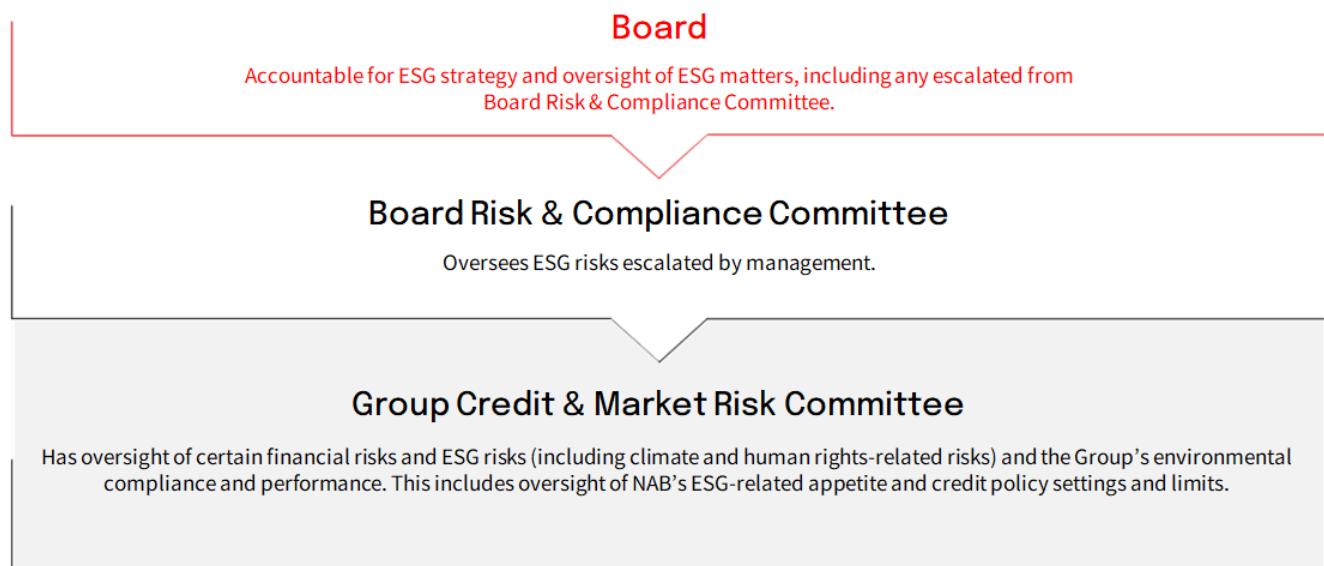
ESG risk management capability improvement

During 2022, further capability improvement activities were completed to embed ESG risk management practices across the Group. This included a series of Board climate sessions in preparation for the setting of decarbonisation targets, an ongoing series of Risk Leadership Group ESG-related education topics, the introduction of a Corporate and Institutional Banking sustainability champions network and training program, and refreshed Business and Private Bank training on ESG risk.

ESG risk management and oversight

Executive management's Group Credit & Market Risk Committee oversees ESG risk, including climate and human rights-related risk. Updates on ESG risks are provided to the Board Risk & Compliance Committee and Board as appropriate. The Group manages ESG risk in an integrated manner as part of its processes for managing risks across material risk categories. This is guided by a set of six ESG Risk Principles comprising an environmental principle, two social principles and three governance principles. ESG risk assessment is part of the Group's credit risk assessment and supplier risk management due diligence processes, and factors into decisions about day-to-day operations.

Figure 2: Summary of ESG Risk management and oversight



(1) The material risks managed by the Group are: credit risk, operational risk, compliance risk, conduct risk, balance sheet and liquidity risk, market risk, sustainability risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to *Risk Factors* on pages 84 to 94.

ESG risk management in lending

The Group considers exposure to risk, including ESG risk, at a lending portfolio and individual customer level. The Group performs a risk-based screening of customers to determine whether they are in a high ESG risk-related sector or undertaking activities which may have high associated ESG risks.

If the Group identifies ESG risk issues as part of its initial customer screening, or notes involvement in high-risk sectors or activities, customers are then subject to a more detailed ESG risk assessment, as part of the Group's origination or ongoing credit review processes.

The Group's credit risk assessment and due diligence processes include six steps, appropriate to the relevant sector, business activity and geography:

Origination and internal review

At origination or during regular internal review of a customer, bankers may identify potential material ESG factors associated with a customer. An adverse media scan is performed and an assessment against the Sensitive Sectors and Areas List helps determine the level of ESG due diligence required.

Evaluation

Detailed credit risk assessment and due diligence is conducted. This includes assessment and identification of material risk issues, incorporating ESG risks. ESG-related checklists and guidance notes on a range of topics and sensitive sectors help guide this activity. This may include assessing a potential customer's background, character, ESG-related performance and the countries in which they operate. Where lending is project related, Equator Principles⁽¹⁾ may apply.

Approval

Lending approval is only given where risk (including ESG risk where appropriate) has been effectively evaluated, appropriately mitigated and accepted. Where there is high ESG or reputational risk, matters are escalated to the relevant divisional or executive committees, Board Risk & Compliance Committee or Board as appropriate.

Documentation and settlement

During documentation and settlement, the customer may be subject to conditions and covenants to address legal obligations, any voluntary compliance obligations, and/or monitor and manage specified ESG risks against agreed performance measures.

Monitoring

This may include regular review of the customer's compliance with any agreed conditions and covenants with ESG-related requirements. If there is evidence of systemic non-compliance or material issues, this may result in termination of the relationship.

Training

The Group provides colleagues with access to appropriate ESG expertise, information, training and tools as part of its approach to managing ESG risk. An ESG module, which includes information on climate change and human rights related risks, is included in mandatory annual Risk Awareness training for all colleagues, including in 2022.

ESG risk management in sourcing

The conduct and performance of suppliers can have a significant impact on the Group's sustainability as a business, as well as the Group's reputation within communities. The Group has risk management processes to identify, assess, mitigate and monitor potential risk areas where it could be exposed to ESG risks. The Group Supplier Sustainability Principles set out an expectation that suppliers will, among other things:

- Comply with all relevant local and national laws and regulations, provide transparent and public reporting on their ESG risks and have a process in place to provide timely disclosure to the Group of material ESG matters concerning their organisation.
- Respect human rights and address any infringements or adverse impacts to human rights associated with their business activities.
- Comply with all relevant local and national laws and regulations in relation to environmental protection, management and reporting.

In addition, NAB and BNZ have taken action, where applicable, to reduce the likelihood that they might have an adverse impact on human rights as a consequence of procurement, for example by continuing to purchase Fairtrade certified tea, coffee and cocoa across NAB commercial building tea points and Fairtrade certified coffee across BNZ commercial building tea points.

In 2022, NAB further integrated supplier due diligence processes into its risk management system to support the ongoing management of supplier risks, including ESG risk.

The Group has voluntarily become a signatory to initiatives that help banks set standards and improve ESG risk management practices. These include the UN Global Compact, the Equator Principles and, more recently, the PRB and CCCA. Requirements under these initiatives are assigned in the Group's risk management systems, to track progress meeting the requirements of being a signatory.

ESG risk management references

This year, the Group has published a new standalone Climate Report with the Group's detailed disclosures aligned to the recommendations of the TCFD. This is available on nab.com.au/annualreports.

The Group's modern slavery statement is available on [nab.com.au/about us/social-impact/modern-slavery-statement](http://nab.com.au/about-us/social-impact/modern-slavery-statement).

Further detail on the Group's exposure to Sustainability Risk is on page 91 in *Risk Factors* disclosure.

(1) The Equator Principles are a set of guidelines through which participating banks throughout the world agree to only finance projects that are managed by the borrower with responsible business practices (both environmental and social) and which meet and comply with the Equator Principles.



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Independent Limited Assurance Statement to the Management and Directors of National Australia Bank Limited

Our Conclusion

We were engaged by National Australia Bank Limited ('NAB') to undertake limited assurance as defined by Australian Auditing Standards, over its materiality process, identified material issues, selected performance metrics (also referred to as 'non-financial metrics'), and associated disclosures ('performance metrics and disclosures') included in NAB's 2022 Annual Report ('AR') and NAB's 2022 Sustainability Data Pack ('SDP') for the year ended 30 September 2022.

Based on our engagement, nothing came to our attention that caused us to believe that as at 30 September 2022 and for the year then ended:

- ▶ NAB has not presented its material issues and that the associated disclosures in the AR and SDP are not complete, where materiality and completeness are defined by the Global Reporting Initiative ('GRI') Standards; and
- ▶ The performance metrics and disclosures detailed below, have not been reported and presented fairly, in all material respects, in accordance with the Criteria detailed below.

Basis for Our Conclusion

We conducted our review in accordance with the *Australian Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), the *Australian Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report* and the terms of reference for this engagement as agreed with NAB. We are independent of NAB in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the 'Code') that are relevant to our review of the AR and SDP in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



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What Our Engagement Covered

We reviewed the following performance metrics and disclosures for the year ended 30 September 2022:

What we assure (Subject Matter)	What we assure it against (Criteria)
Annual Report	<ul style="list-style-type: none">▶ 19 key non-financial metrics and the related disclosures included throughout the AR▶ 4 key non-financial metrics and the related disclosures included throughout the AR related to NAB's Reconciliation Action Plan▶ NAB's materiality process, including NAB's approach to identifying material issues and the disclosure of its materiality process and material issues <ul style="list-style-type: none">▶ Criteria for the key non-financial metrics throughout the AR with reference to the defined terms in the glossary of NAB's AR▶ GRI Standards of materiality and completeness
Sustainability Data Pack	<ul style="list-style-type: none">▶ 24 key non-financial metrics and the related disclosures included throughout the SDP▶ 7 key non-financial, RAP related metrics and the related disclosures included throughout the SDP <ul style="list-style-type: none">▶ Criteria for the key non-financial metrics throughout the SDP

Please see Appendix A for a breakdown of the key non-financial metrics and related disclosures assured in the AR and SDP.

EY's Responsibility

Our responsibility is to express a limited assurance conclusion on the materiality process, identified material issues, performance metrics and disclosures in the AR and SDP.

NAB's Responsibility

NAB's management is responsible for selecting the Criteria, and fairly presenting the materiality process, selected material topics and performance metrics and disclosures in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances, such that it is free from material misstatement, whether due to fraud or error.



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Summary of Review Procedures Performed

Our engagement consists of making enquiries, primarily of persons responsible for preparing the materiality process, selected material topics, performance metrics and disclosures, and applying analytical and other review procedures.

We completed the following procedures for the year ended 30 September 2022:

- Conducting interviews with NAB personnel and collating evidence to understand NAB's materiality process, process for reporting selected performance metrics as well as risks of misstatement and quality controls to address risks
- Reviewing NAB's materiality process and conducting checks such as a media review and peer review to support alignment with the GRI Standards materiality and completeness principles
- Reviewing the AR and SDP for disclosure and coverage of materiality process and identified material issues in line with the GRI standards materiality and completeness principles
- Conducting limited assurance procedures over the performance metrics and disclosures, including:
 - Checking that the calculation Criteria have been applied as per the methodologies for the non-financial metrics
 - Checking the clerical accuracy of input data utilised to calculate selected performance metrics
 - Undertaking analytical procedures to support the reasonableness of selected performance metrics
 - Identifying and testing assumptions supporting calculations
 - Performing recalculations of selected performance metrics using input data and, on a sample basis, testing underlying source information to support accuracy of selected performance metrics
 - Reviewing the accuracy and balance of statements associated with the selected performance metrics

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.



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Use of Our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of NAB, or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young

Terence Jeyaretnam, FIEAust EngExec
Partner
Melbourne

9 November 2022



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Appendix A

#	Year	Non-financial metrics	Scope	Location
1	FY22	Code of Conduct breaches (by category and outcome)	Australia	AR & SDP
		Code of Conduct breaches	NZ	AR
2	FY22	Net Promoter Score (by segment)	Australia & NZ	AR & SDP
3	FY22	Total customer complaints (by region), including: <ul style="list-style-type: none">• Total number of substantiated customer privacy complaints received from regulatory bodies and other outside parties• Total number of complaints referred by customers to ombudsmen/external dispute resolution bodies	Australia & NZ	SDP
4	FY22	Workforce breakdown by 'diverse' segment	Group	SDP
5	FY22	Inclusive workforce culture - Colleague engagement	Group	AR & SDP
6	FY22	Colleague engagement score	Group	AR & SDP
7	FY22	Colleague engagement survey response rate	Group	AR & SDP
8	FY22	Number of customers assisted experiencing financial hardship	Australia	AR & SDP
9	FY22	Cure rate (percentage of customers with accounts back on track with repayments 30/90 days after receiving assistance)	Australia	SDP
10	FY22	Number and dollar value of AU microfinance loans written (by type)	Australia	AR & SDP
11	FY22	Total workforce (by FTE, headcount, age group, gender, employment type)	Group	AR & SDP
12	FY22	Representation of women in total workforce and by employment level	Group	AR & SDP
13	FY22	Representation of women in Management and Executive Management	Group	AR & SDP
14	FY22	Total rate of employee turnover (voluntary/involuntary) by gender	Group	AR & SDP
15	FY22	Ratio of basic salary, women to men (by employment level and region)	Group	SDP
16	FY22	Representation of women on Group Subsidiary Boards	Group	AR & SDP
17	FY22	Number and dollar value of Volunteering days completed	Group	SDP
18	FY22	Return to work rate (from extended leave which commenced with primary carer leave)	Australia	AR & SDP
19	FY22	Absenteeism rate (unscheduled absences per FTE)	Australia	AR & SDP
20	FY22	Community Investment (by dollar value, region,)	Group	AR & SDP
21	FY22	Number of whistleblower disclosures received under the Whistleblower Policy	Australia	SDP
22	FY22	Number of data breach notifications sent to the Office of the Australian Information Commissioner (OAIC)	Australia	AR
23	FY22	Number of critical and high priority technology incidents	Australia	AR & SDP
24	FY22	Progress on affordable and specialist housing financing target	Australia	AR & SDP
25	FY22	Spend with diverse suppliers	Australia	AR & SDP



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Appendix A - Continued

#	Year	RAP related non-financial metrics	Scope	Location
1	FY22	Number of microfinance loans to Aboriginal and Torres Strait Islander customers	Australia	AR & SDP
2	FY22	Spend with Indigenous suppliers	Australia	AR & SDP
3	FY22	Percentage of Australian colleagues who identify as being Aboriginal or Torres Strait Islander	Australia	SDP
4	FY22	Number of flexible traineeships provided annually across both school-based and adult Indigenous trainees	Australia	AR & SDP
5	FY22	Completion rate of Indigenous trainees on programs	Australia	SDP
6	FY22	Number of internships provided annually to Indigenous Australians currently completing tertiary study	Australia	AR & SDP
7	FY22	Indigenous employee engagement score	Australia	SDP

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Corporate Governance Statement

The following information forms part of the Corporate Governance Statement (Statement) for the purposes of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Information on the Inclusion and Diversity policy and measurable objectives (pages 33 to 35);
- Risk management overview (page 83), including Environmental, Social and Governance risk management (page 83)

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Corporate Governance Framework

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

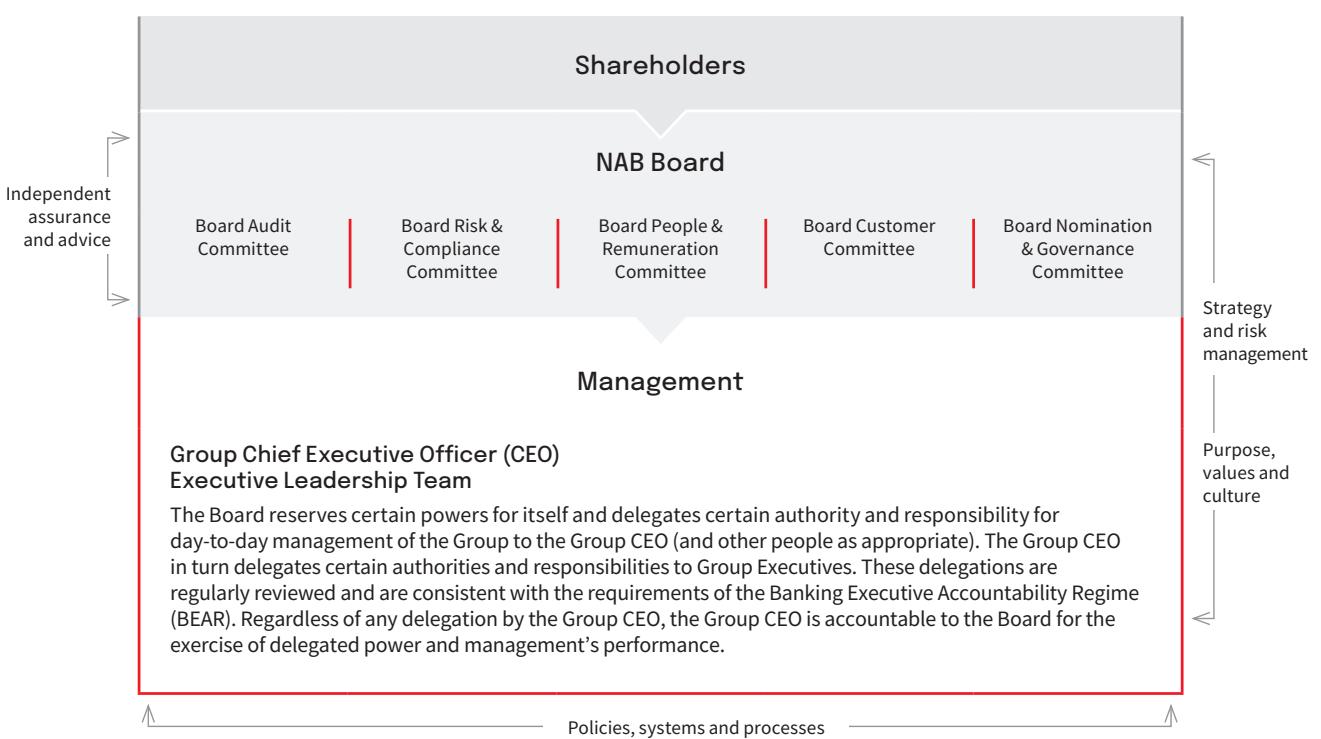
NAB aims to maintain and promote high standards of corporate governance to support strong business performance and retain the trust of shareholders, customers, colleagues, regulators and the community. NAB continually strives to improve its governance, accountability and risk management practices to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

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

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

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

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



NAB follows the 4th edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in this Statement. This Statement has been approved by the Board and is current as at 30 September 2022.

Board of Directors

Board of Directors

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

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

Mr Philip Chronican
BCom (Hons), MBA
(Dist), GAICD, SF Fin



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

Philip will stand for re-election at the 2022 AGM.

Independent: Yes

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

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

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

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

Directorships of other listed entities:

Woolworths Group Limited (since October 2021)

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

Mr Ross McEwan CBE

BBus



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

Independent: No

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

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

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

Mr David Armstrong
BBus, FCA, MAICD



Term of office: Independent non-executive director since August 2014. Chair of the Board's Audit Committee and member of the Board's Risk & Compliance Committee.

Independent: Yes

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

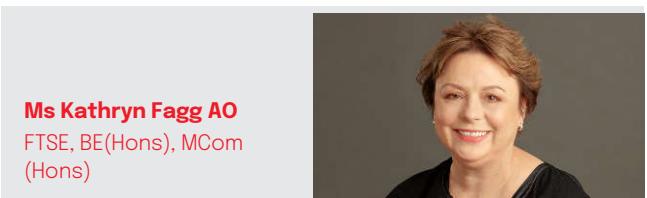
Other business and market experience: David has more than 30 years of experience in professional services, including as a partner at PricewaterhouseCoopers (PwC). As well as a deep understanding of banking, David gained significant knowledge of real estate and infrastructure industries during his professional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

Directorships of other listed entities:

IAG Limited (since September 2021)

Other relevant interests: David's other interests include The George Institute for Global Health (Chair), Opera Australia Capital Fund Limited (Director), Australian Museum (President) and Lizard Island Reef Research Foundation (Director).

Board of Directors (cont.)



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

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

Kathryn will stand for re-election at the 2022 AGM.

Independent: Yes

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

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

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

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

Directorships of other listed entities:

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

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

Boral Limited (from September 2014 to July 2021)

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



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

Term of office: Independent non-executive director since November 2014. Member of the Board's Risk & Compliance and People & Remuneration Committees.

Independent: Yes

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

performance, risk management, fiduciary governance and stakeholder engagement.

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

Directorships of other listed entities:

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

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



Ms Anne Loveridge
BA (Hons), FCA, GAICD

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

Independent: Yes

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

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

Directorships of other listed entities:

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

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

Board of Directors (cont.)

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



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

Doug will stand for re-election at the 2022 AGM.

Independent: Yes

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

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

Directorships of other listed entities:

Fletcher Building Limited* (since September 2018)
Vector Limited (since September 2022)

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

Genesis Energy Limited* (from June 2014 to September 2022)

*Dual-listed on the New Zealand and Australian stock exchanges

Other relevant interests: Doug's other interests include Eden Park Trust (Chair) and IAG (NZ) Holdings Limited (Director).

Mr Simon McKeon AO
BCom, LLB, FAICD



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

Independent: Yes

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

matters, client experience, stakeholder engagement, and people and culture.

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

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

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

Directorships of other listed entities:

Rio Tinto Group (since January 2019)

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

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



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

Independent: Yes

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

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

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

Directorships of other listed entities:

Ener Group Limited (Chair since January 2020)

Board of Directors (cont.)

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

Sydney Airport (from May 2014 to March 2022)

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

Company Secretaries

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

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

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

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

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

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

Ricardo Vasquez BSc, LLB, ACIS joined the Group in 2020 and was appointed Company Secretary in March 2021. Ricardo is the Secretary to the Board's People & Remuneration Committee. He has extensive experience in legal and governance matters having worked in various industries, including domestic and international banking groups.

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Executive Leadership Team

Ross McEwan CBE

BBus



Refer to the *Board of Directors* on page 60 for Ross McEwan's biography.

Sharon Cook

BA, LLB (Hons)



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

Shaun Dooley

BEC, MS



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

Susan Ferrier

BA, LLB, MBA



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

David Gall

BSc, BBus, MBA (Exec)



David Gall was appointed Group Executive, Corporate and Institutional Banking in October 2018. David has 33 years of experience in corporate and retail banking, working capital services, risk and payments. Since joining NAB in 2008, David has held executive roles in Risk, Banking & Wealth Solutions and Working Capital. Prior to joining NAB, David was a Group Executive of Strategy and Retail Business at St George Bank. David is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

Nathan Goonan

BCom, BAgSc (Hons)



Nathan Goonan was appointed as Group Executive, Strategy and Innovation in April 2020. Nathan joined NAB in 2004 before working in investment banking at Goldman Sachs and JBWere. Since re-joining NAB in 2013, Nathan has held several executive-level roles in corporate strategy and mergers and acquisitions.

Daniel Huggins

BCom (Hons), MBA, MEM



Daniel Huggins was appointed as BNZ Managing Director and Chief Executive Officer in October 2021. Daniel has 16 years of experience in banking, corporate and financial services. Since joining BNZ in 2020, Daniel held an executive-level role focused on customer, products and services. Prior to joining BNZ, Daniel worked at the Commonwealth Bank of Australia and McKinsey & Company.

Andrew Irvine

BSc Business Management (Hons), MBA



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

Executive Leadership Team (cont.)

Gary Lennon
BEc (Hons)



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

Les Matheson
BCom (Hons)



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

Angela Mantis
BBus



Angela Mantis was appointed as Group Chief Digital, Data and Analytics Officer in October 2021. Angela has over 30 years of banking experience, including as the Managing Director and Chief Executive Officer of BNZ. Angela has also served as NAB's Chief Customer Officer – Business and Private Banking, and as Group Executive, Business Banking.

Angela has held senior positions at BT Financial Group, Westpac and Citibank Limited, after starting at Macquarie Bank. She is a Senior Fellow of FINSIA.

Rachel Slade
BEc (Hons)



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

Patrick Wright
BBA, BMIS



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

Board roles and responsibilities

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

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

The Chair's primary responsibility is to lead the Board and oversee the processes for the Board's performance of its role in accordance with its Charter. The Board Charter also sets out the specific responsibilities of the Chair.

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

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

Key element	Board's roles and responsibilities
Leadership and stakeholder focus	<ul style="list-style-type: none">Represent shareholders and serve the interests of the Company by overseeing and evaluating the Company's strategies, performance, frameworks and policies.Ensure that stakeholders are kept informed of the Company's performance and major developments affecting its state of affairs.Approve the Company's purpose, values and Code of Conduct to underpin the desired culture within the Company and oversee that the Company's culture is focused on sound risk management and customer outcomes.Oversee that an appropriate framework exists for relevant information to be reported by management to the Board and whenever required challenge management and hold it to account.With the guidance of the Customer Committee, overseeing the importance given to the voice of the customer and the focus on customer outcomes.
Strategy and performance	<ul style="list-style-type: none">Guide the strategic direction of the Company and monitor the execution of the strategies and business performance to oversee that sustainable value is being built for shareholders.Make decisions concerning capital structure and dividend policy.Approve major capital expenditure and other major business initiatives.
External reporting	<ul style="list-style-type: none">Review and approve the Group's audited annual and half-year financial statements, with the guidance of the Audit Committee, and any reports that accompany them. This includes certain sustainability-related disclosures.With the guidance of the Audit Committee, review management processes aimed at ensuring the integrity of financial, regulatory and other reporting, including sustainability-related disclosures.
Risk management	<ul style="list-style-type: none">With the guidance of the Risk & Compliance Committee, satisfy itself that the Group has in place an appropriate Risk Management Framework for financial and non-financial risks by overseeing related frameworks and internal compliance and control systems. This includes sustainability-related risks, including environmental risks.
Remuneration	<ul style="list-style-type: none">With the guidance of the People & Remuneration Committee, review and approve the Group's remuneration framework including remuneration policy and satisfy itself that the remuneration framework and outcomes are aligned with the Company's purpose, values, strategic objectives and risk appetite.
Appointment and succession planning	<ul style="list-style-type: none">Appoint a Group CEO and Managing Director and approve key executive appointments.Monitor and review executive succession planning.With the guidance of the Nomination & Governance Committee, plan for Board renewal, appoint non-executive directors to the Board and select a Chair.

Key Board activities in 2022

- **Strategy and business performance** – The Board remains focused on creating sustainable shareholder value. At each major Board meeting, the Board received reports on business performance and execution of the Group's strategy to monitor progress. The Board periodically received reports on execution of strategies at a business unit level to understand operating context, as well as specific strategic initiatives, such as business acquisitions and integration, digital, data and analytics and technology plans. The Board also reviewed and approved the Group's corporate plan, after having several sessions with management on strategy development.
- **Financial and capital management** – The Board remains focused on business momentum, supporting customers and driving growth. That requires prudent balance sheet and capital management. The Board received regular reports on financial performance, capital, funding and liquidity. The Board approved the 2021 full year and 2022 half year financial reports, the 2021 final and 2022 interim dividends, the Bank's capital management strategy and on-market buy-back programs.
- **Risk management** – The Board remains focused on risk management, governance, accountability and culture. This focus requires strong risk governance and an effective Risk Management Framework operated by management. The Board received regular reports from the Group Chief Risk Officer on financial and non-financial risks, including emerging risks and issues, and from the Group Money Laundering Reporting Officer on financial crime risk. The Board approved the risk management strategy, the risk appetite statement and policies for managing financial and non-financial risks. The management of financial crime risks, cyber and technology risks, and environmental and social risks were areas of focus, as well as emerging risks related to the economic and geopolitical environment and climate vulnerability.
- **People and culture** – The Board remains focused on engaged, capable colleagues who are aligned to the Group's values, purpose and strategy. The Board received regular reports from the Group Executive, People and Culture on people-related matters, including progress in the execution of the colleague strategy and achieving NAB's target culture, and health, safety and wellbeing. The Board held workshops on leadership and succession planning. The Board approved scorecards and performance outcomes for the Group CEO, Group Executives and certain other senior executives. The Board also approved the Group Performance Indicators used for the Group Variable Reward Plan and determined the final outcome.
- **Customers** – The Board as a whole and directors individually met with customers throughout the year to hear their feedback and perspectives. The Board also focused on matters impacting customers, including scams, experience of service, cyber risks, integration of acquisitions, digital customer experience and customer remediation.
- **Regulatory and stakeholder engagement** – The Board remains focused on maintaining solid relationships with regulators and other stakeholders. The Board received regular reports on regulatory engagement, government engagement, key legal and regulatory matters, and trust and reputation. The Board met with the Group's main regulators throughout the year to obtain feedback and share perspectives on priorities, industry risks and issues, and reform. The Group's EU with AUSTRAC was a key area of focus.
- **Environmental and social** – The Board supported NAB joining the NZBA and debated and reviewed the Group's decarbonisation targets for several sectors, after investing time in education on climate change transition. The Board met customers to hear about their approach to this challenge. The Board met with customers involved in social and affordable housing to deepen the Board's understanding of this topic. The Board also met with Indigenous Australian leaders to deepen the Board's understanding of Indigenous matters, including the Uluru Statement from the Heart. The Board approved the Modern Slavery Statement and received updates on the Group's social impact program.

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Key Board activities in 2022 (cont.)

Board meetings

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

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

Attendance at meetings

Details of director attendance at Board and committee meetings in 2022 are set out below.

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

	Board meetings ⁽¹⁾⁽²⁾⁽³⁾	Audit Committee meetings	Risk & Compliance Committee meetings	People & Remuneration Committee meetings	Customer Committee meetings	Nomination & Governance Committee meetings
	Attended / Held	Attended / Held	Attended / Held	Attended / Held	Attended / Held	Attended / Held
Current directors						
Phil Chronican	17/17	-	-	-	-	7/7
Ross McEwan ⁽⁴⁾	16/17	-	-	-	-	-
David Armstrong	17/17	7/7	5/5	-	-	-
Kathryn Fagg	17/17	7/7	5/5	-	-	-
Peeyush Gupta ⁽⁴⁾	16/17	-	5/5	6/6	-	-
Anne Loveridge	17/17	-	-	6/6	4/4	7/7
Doug McKay	17/17	7/7	-	-	4/4	-
Simon McKeon ⁽⁴⁾	17/17	-	5/5	-	-	7/7
Ann Sherry ⁽⁴⁾	16/17	-	-	6/6	4/4	-

(1) There were 6 major Board meetings and 4 minor Board meetings scheduled in the Board's calendar for 2022. In addition, 7 out-of-cycle Board meetings were convened for specific time-critical matters.

(2) All directors attended 100% of the Board meetings scheduled in the Board calendar for 2022.

(3) Several workshops were held for the Board and Committees during 2022. These have been included in the count for the number of Board and Committee meetings in the table above.

(4) Mr Gupta, Mr McEwan and Ms Sherry were unable to attend 1 out-of-cycle Board meeting convened for a specific time-critical matter. They received the agenda, papers and minutes and were briefed after the meeting.

Board composition, diversity and performance

Board composition

Composition of NAB's Board is informed by the following principles:

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

Further detail about directors' independence is on page 72.

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

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

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

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

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

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

Before each AGM, the Board assesses the performance of each director due to stand for election or re-election and decides whether to recommend to shareholders that they vote in favour of the election or re-election of each relevant director.

In 2022, the Board has recommended in the AGM Notice of Meeting that shareholders re-elect Philip Chronican, Kathryn Fagg and Doug McKay. The Board has provided shareholders with all material information that is relevant to a decision whether or not to re-elect Philip, Kathryn and Doug in the AGM Notice of Meeting. Further detail on NAB's directors is provided on pages 60 to 63.

Board renewal

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

Working with an external recruitment consultant, the Nomination & Governance Committee reviewed candidate profiles throughout the year and met with several potential candidates. The Nomination & Governance Committee and the Board intend to announce several director appointments in 2023. Those directors will stand for election by shareholders at the next AGM, as required under NAB's Constitution.

As reported in NAB's 2021 Corporate Governance Statement, in October 2021, the Board announced that James Spenceley would join the Board as a director, with effect from 1 December 2021. James subsequently withdrew from this position and did not stand for election at the 2021 AGM.

Board composition, diversity and performance (cont.)

Skills matrix

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

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

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

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

While the Board believes the current mix of skills, experience and expertise of directors (as shown on the skills matrix) provides a diverse range of views and perspectives for the effective governance, oversight and strategic leadership of NAB, there are competency areas that the Board wish to deepen through the appointment of additional directors, which is explained in the section on Board renewal. The Board also invested in continuing education throughout 2022 to continue to develop directors' competencies in the following key areas:

- Technology, digital, data and analytics topics – Cyber security; digital assets and cryptocurrency; and priorities in digital, data and analytics. This included meeting with external experts on cyber security.
- Environmental and social topics – Climate action (risks, opportunities, transition opportunities, target setting methodologies and practices); Indigenous matters; and affordable and social housing matters. This included meeting with external experts and customers on each of these topics.
- Risk management in banking – Funding and balance sheet management; capital adequacy stress testing; anti-money laundering and sanctions; crisis management; and BEAR scenarios.
- People-related topics – Succession planning; and health and safety.
- Stakeholders – Investor, customer, regulatory and government perspectives. This included meetings with representatives from each of these areas to hear and discuss their perspectives.

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

Board tenure and gender statistics⁽¹⁾

Board Tenure	%
3-5 years	37.5
6+ years	62.5
Board gender diversity	%
Male	62.5
Female	37.5

Board performance

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

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

The results of the evaluation were that the Board and its committees continue to operate effectively. In the spirit of continuous improvement, the Board agreed actions to further improve its effectiveness. These actions are focused in the following areas: Group CEO succession planning; executive bench strength; Board renewal; strategy; and technology oversight.

Directors' individual performance is also assessed annually. Each director participated in an individual performance interview with the Chair in August or September 2022.

Responsible remuneration

The Board continues to monitor NAB's executive and Group remuneration frameworks to ensure alignment with the Group's purpose, strategic objectives and risk appetite.

In 2022 the Group finished implementing changes to the Group's remuneration framework. The changes which were approved by the Board create simplicity and more consistency and fairness in the remuneration framework. The changes:

- Removed or reduced variable reward for many colleagues, placing more emphasis on fixed pay to give colleagues more certainty and encourage more focus on customers.
- Standardised target variable reward participation (including for some Group Executives) to create stronger consistency and fairness.

These changes set an appropriate balance between fixed remuneration and variable reward and allow colleagues to focus on serving customers well.

The Board considers that the changes support the Group's purpose, strategic objectives and risk appetite, and reflect the expectations of customers, regulators and shareholders.

Further enhancements are being considered by the Board over the coming year to ensure the remuneration framework continues to support the delivery of the Group's strategy and meets regulatory requirements introduced by APRA through Prudential Standard CPS 511 Remuneration.

The Board will balance these requirements within an effective remuneration framework that is competitive and appropriately rewards NAB's Executive Leadership Team.

Further detail about NAB's executive remuneration framework, including NAB's policies and practices regarding the remuneration of non-executive directors, the Group CEO, Group Executives and other colleagues, is set out in the *Remuneration Report*.

Shareholder engagement

NAB values open, timely and transparent communication and engages with shareholders and investors in many ways including:

- Written and electronic communications, such as open letters and publications from the Chair and the Group CEO on key developments and matters of interest.
- Providing information about NAB on its website, including in relation to the Group's policies and governance practices and media releases.
- Periodic trading updates, financial results and reports, ASX announcements, investor presentations and briefings (all of which are available in the Shareholder Centre section at nab.com.au/shareholder).
- In situations when the Group hosts an analyst and investor presentation including interim and end of financial year results, supporting materials are released on the ASX Market Announcement Platform ahead of the presentation commencing.
- Webcasting of significant market briefings and meetings, including the AGM.
- The Chair, Group CEO, Group CFO and other senior executives meet with domestic and offshore institutional investors throughout the year.

NAB also engages directly with investment analysts, proxy advisors and the Australian Shareholders' Association.

NAB's 2022 AGM will be conducted as a hybrid meeting. Shareholders will have the opportunity to view presentations, ask questions and submit votes at the physical meeting or online during the AGM.

As in prior years, NAB will again invite shareholders to submit questions in advance of the 2022 AGM, to help NAB understand and address areas of interest or concern.

Each substantive resolution considered at the AGM will be conducted by a poll. The Board considers that voting by a poll is in the interests of shareholders as a whole and ensures that the views of as many shareholders as possible are represented at the AGM. Shareholders unable to attend the hybrid AGM are encouraged to vote in advance of the meeting.

Shareholders can contact NAB or the NAB Share Registry at any time, by mail, telephone, email or via the Computershare Investor Centre. More than half of NAB's shareholders have elected to communicate with NAB and Computershare electronically.

More information about NAB, its corporate governance and the Shareholder Centre is available at nab.com.au

(1) Tenure and gender statistics are for non-executive directors as at 30 September 2022.

Colleague engagement

In 2022, the Board participated in a number of events with NAB colleagues, including:

- Meetings with specific teams to learn about their day-to-day work and areas of subject matter expertise.
- Meetings with senior leaders, which allowed directors to experience the culture and capability of leaders.
- Site visits and events with colleagues to listen to customers and support them with their needs.

Director induction and continuing education

The following provides information on the approach to induct new directors at NAB. No new directors were appointed to the Board in 2022.

Each new director is provided with an orientation program that includes discussions with management, and briefings and workshops on NAB's:

- Major lines of business.
- Strategic and financial plans.
- Risk management strategy, frameworks, compliance programs and significant risk management matters.
- Financial statements, including significant financial and accounting matters.
- NAB's performance management structure.
- Internal and external audit programs.
- Purpose, values and Code of Conduct.
- Key policies and external commitments, such as decarbonisation targets.
- Directors' rights, duties and responsibilities.

Continuing education is provided for the Board through a combination of internal and external presentations, workshops with management and site visits. Directors are also expected to keep up to date on topical issues in their own time.

For further detail on the Board's continuing education in 2022, refer to the skills matrix on page 70.

Directors' independence

All NAB directors are expected to bring independent and unfettered judgement to Board deliberations.

To qualify as independent, a director must be independent of management and free of any business, personal or other association that could materially interfere with (or reasonably be perceived to materially interfere with) the director's exercise of independent and unfettered judgement with respect to issues before the Board, and to act in the best interests of NAB and its shareholders.

The Board conducts annual reviews of the independence of each of the directors. Directors are expected to provide information as and when changes occur, and each non-executive director is required to make an annual disclosure to the Board of all relevant information.

A register of directors' material interests is maintained and periodically reviewed by each director.

If a director is involved with another company or firm that may have dealings with NAB, those dealings must be at arm's length and on normal commercial terms.

Director tenure is a factor considered by the Board in assessing the independence of a director but is not determinative. As a guide, most directors would not stand for re-election after serving nine years on the Board, however,

the Board may determine that a director continues to bring valuable expertise, independent judgement and the ability to act in the best interests of NAB beyond that period. The overall tenure profile of the Board is also a relevant factor.

In considering the independence of each director, the Board considers the factors outlined in the 4th edition ASX Corporate Governance Principles and Recommendations. The Board has determined for 2022 that all non-executive directors identified on pages 60 to 63 are independent and that the Board consisted of a majority of independent directors.

To further assist in ensuring that the Board operates independently of management, non-executive directors meet in the absence of management at most scheduled Board and committee meetings.

Conflicts of interest

Under Australian law, directors have a duty to avoid conflicts of interest.

The NAB Conflicts of Interest Policy and the NAB Constitution establish clear rules, controls and guidance regarding the management of actual, potential or perceived conflicts of interest.

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of NAB. This is a matter for ongoing and active consideration by all directors, and any director who has a material personal interest in a matter relating to NAB's affairs must notify the Board.

If a potential conflict of interest arises, NAB's corporate governance standards dictate that the director concerned does not receive copies of the relevant Board papers and is not present at meetings while such matters are considered. In this way, the director takes no part in discussions and exercises no influence over the other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation.

For more information, please refer to the Corporate Governance section of nab.com.au.

Implementation of APRA self-assessment actions and Royal Commission recommendations

Since the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (known as the Banking Royal Commission and Hayne Royal Commission), and undertaking a Self-Assessment in 2018 on governance, accountability and culture, NAB has implemented meaningful change to the way it operates. A significant and wide-reaching reform program has driven improvement in governance, accountability and culture, to address the root causes of past failings, with all 26 actions identified in NAB's 2018 Self-Assessment embedded and closed.

Since these changes were implemented, it can be observed how the cumulative and cross-functional changes have been embedded in the organisation, resulting in improved customer and colleague outcomes and cultural change.

NAB's continued focus on those root causes is key to sustaining practices that positively and visibly impact how NAB manages risk and delivers on its strategic ambition to serve customers well and help our communities prosper. The Board continues to have oversight of management's focus to improve outcomes for customers and colleagues and get the basics right, including remediation work required in financial

crime risk management. NAB continues to engage with APRA to determine whether issues identified in NAB's Self-Assessment have been addressed to the satisfaction of the regulator.

Access to management and independent professional advice

The Board and its committees have free and unfettered access to senior management, and any other relevant internal or external party and information, and may make any enquiries to fulfil their responsibilities.

The Board Charter and Board Committee Operating Rules clearly state that the Board or its committees may engage external consultants and experts as required, and written guidelines entitle each director to seek independent professional advice at NAB's expense, with the prior approval of the Chair. The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at NAB's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties.

Director and executive shareholding requirements

To align with shareholders' interests, NAB's Constitution requires that within six months of appointment, a director must hold at least 2,000 fully paid NAB shares. The Board has also adopted a policy that within five years of appointment, non-executive directors must hold ordinary shares equal in value of the annual Chair fee for the Chair and base fee for all other non-executive directors.

The value of a non-executive director's shareholding is based on the share price at the time shares were acquired.

All current non-executive directors have met their minimum shareholding requirement.

Minimum shareholding requirements for the Executive Leadership Team are:

- Group CEO: two times fixed remuneration.
- Group Executives: one times fixed remuneration.

Newly appointed Executive Leadership Team members are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role. The Group CEO and Group Executives have met their minimum shareholding requirement.

Details of non-executive director and Executive Leadership Teams' NAB shareholding requirements are set out in the *Remuneration Report*.

Board committees

Nomination & Governance Committee

Committee purpose	2022 areas of focus	Relevant information
Supports the Board on composition and governance matters.	<ul style="list-style-type: none"> Board composition and skills: assessing the necessary and desirable skills and competencies of the Board and Chair, and of the committees and committee chairs, as well as making recommendations on continuing education and development for the Board and directors. Nominations: with the assistance of an external recruitment consultant, identifying potential director candidates and making recommendations to the Board on the selection and re-election of directors. Governance: reviewing corporate governance principles and policies. 	<ul style="list-style-type: none"> Must have a minimum of three independent non-executive directors. The Chair of the Board is Committee Chair. <p>2022 Members:</p> <ul style="list-style-type: none"> Philip Chronican (Committee Chair) Anne Loveridge Simon McKeon

Audit Committee

Committee purpose	2022 areas of focus	Relevant information
Supports the Board with overseeing integrity of the accounting and financial statements and the financial, regulatory and corporate reporting processes of the Group, the Internal Audit function, the external auditor, and the Group Whistleblower Protection Policy and Program.	<ul style="list-style-type: none"> Financial reporting: overseeing the integrity of the Group's financial reporting, regulatory and corporate reporting and compliance with accounting requirements (including accounting standards and policies). Audit results: reviewing key internal and external audit findings and insights. Auditor performance and independence: overseeing the performance and independence of Internal Audit and the external auditor, including review of the adequacy of internal and external audit plans and resourcing. Whistleblower Program: overseeing the effectiveness of the Group Whistleblower Protection Policy and Program including material matters being investigated, key themes and trends. 	<ul style="list-style-type: none"> Must have a minimum of three independent non-executive directors. Has a member who also sits on the Risk & Compliance Committee. Has members who are financially literate and at least one member with appropriate accounting or financial expertise. <p>2022 Members:</p> <ul style="list-style-type: none"> David Armstrong (Committee Chair) Doug McKay Kathryn Fagg <p>The Group Chief Financial Officer (CFO), Deputy Group CFO, Executive, Internal Audit and senior executives of the Group's external auditor, EY, attended each scheduled Committee meeting.</p>

People & Remuneration Committee

Committee purpose	2022 areas of focus	Relevant information
Supports the Board in discharging its responsibilities relating to people and remuneration strategies, policies and practices of the Group. The committee undertakes these activities with the objective that they align with and enable the overall Group Strategy and support the Group's purpose, values, strategic objectives and risk appetite (while not rewarding conduct or behaviours that are contrary to these aims).	<ul style="list-style-type: none"> Strategy execution: monitoring the impact from, and the embedding of, key elements of the Colleague Strategy, including leadership, talent development, succession and engagement. Remuneration governance: monitoring how remuneration and performance frameworks (including consequence management) are applied across the Group, particularly ensuring effective connections between risk management and remuneration outcomes. Executive performance: evaluating individual executive performance in the context of Group performance at least twice each reporting period, and recommending to the Board the fixed remuneration and variable reward outcomes for the Group CEO, Group Executives and certain other senior executives. Information on the process for evaluating executive performance is set out in the Remuneration Report. Group performance and variable reward: considering Group performance for 2022 (with the assistance of other Board Committees) and making a Group Performance Indicators (GPI) recommendation to the Board for the Group Variable Reward Plan. External environment: monitoring the implementation of APRA Prudential Standard CPS 511 (Remuneration) and the finalisation of the new Enterprise Agreement, in particular, their impact on NAB's people and remuneration strategies, policies and frameworks. 	<ul style="list-style-type: none"> Must have a minimum of three independent non-executive directors. Has a member who also sits on the Board Risk & Compliance Committee. <p>2022 Members:</p> <ul style="list-style-type: none"> Anne Loveridge (Committee Chair) Peeyush Gupta Ann Sherry <p>The Board Chair, the Group CEO, the Group Executive, People & Culture and the Executive, Internal Audit attended all Committee meetings in 2022. The Group Chief Risk Officer (CRO) attended the majority of meetings.</p>

Board committees (cont.)

Risk & Compliance Committee

Committee purpose	2022 areas of focus	Relevant information
Supports the Board with oversight of the Group's risk profile, Risk Management Framework (covering financial, non-financial and emerging risks), material risks, risk mitigation practices, adherence to Board approved risk appetite and internal compliance and control systems, while guiding management's promotion and maintenance of a risk-based culture.	<ul style="list-style-type: none"> Risk appetite: reviewing and overseeing the Group and NAB Risk Appetite Statement and Risk Management Strategy, covering existing and emerging financial and non-financial risks. Risk management: reviewed the Board's annual Risk Management Declaration to APRA for the year ended 30 September 2021 and overseeing management's progress in addressing matters identified in that Declaration. Material risk updates: overseeing key material risk categories, including: Credit risk; Balance Sheet & Liquidity risk; Market risk; Operational risk; Compliance risk; Conduct risk; and Sustainability risk. The Board has retained direct oversight of Strategic risk. Compliance culture: continued focus on regulatory and legislative requirements and the controls and compliance environment to monitor adherence and shortcomings. Controls environment: continued review of controls health, the controls strategy and controls transformation activity. Audit matters: reviewing key internal audit findings and insights, including monitoring management's response to matters raised. Business remediation and transformation programs: reviewing risk-related transformation programs. Technology: reviewing updates relating to the technology risk profile, technology resilience and technology currency debt. External environment: reviewing regular updates on credit, market and liquidity conditions. Capital and liquidity: continued emphasis on monitoring and reviewing the level of capital and liquidity held by the Group. 	<ul style="list-style-type: none"> Must have a minimum of three independent non-executive directors. Has members who also sit on the Audit Committee and People & Remuneration Committee. <p>2022 Members:</p> <ul style="list-style-type: none"> Simon McKeon (Committee Chair) David Armstrong Kathryn Fagg Peeyush Gupta <p>The Group CRO, Executive, Internal Audit and senior executives of the Group's external auditor, EY, attended each Committee meeting. The Board Chair and the Group CEO attended the majority of meetings.</p>

Customer Committee

Committee purpose	2022 areas of focus	Relevant information
Supports the Board with overseeing the importance given to the voice of the customer and the focus on customer outcomes at NAB.	<ul style="list-style-type: none"> Customer outcomes: monitoring NAB's response to the increased incidence of scams and supporting customers when this does occur. Product governance: monitoring NAB's adherence to the ASIC Design & Distribution Obligations. Customer complaints: monitoring NAB's complaint handling and first point of contact resolution. Customer remediation: reviewing and evaluating management reports on both banking and wealth remediation programs. Customer Advocates: reviewing reports from the Customer Advocate Banking on advocacy and insights to deliver fair outcomes for NAB customers that align with community expectations. 	<ul style="list-style-type: none"> Must have a minimum of three independent non-executive directors. <p>2022 Members:</p> <ul style="list-style-type: none"> Ann Sherry (Committee Chair) Doug McKay Anne Loveridge

Subsidiary boards

NAB has a number of subsidiary companies. The activities of each subsidiary company in the Group are overseen by that company's own board of directors. The Board's confidence in the activities of its controlled entities stems from the quality of the directors on those subsidiary boards and their commitment to NAB's objectives. NAB has one significant subsidiary, Bank of New Zealand (BNZ). The Chair of the BNZ Board is Doug McKay who is also a NAB director. NAB directors have a standing invitation to attend board meetings of BNZ to develop a broader understanding of its operations.

The Group's subsidiary governance framework sets out the corporate governance requirements for subsidiaries operating within the Group environment including different roles and responsibilities of subsidiaries, their boards and management.

How We Work

Governance, conduct and culture

The Board approves NAB's purpose, values and Code of Conduct to underpin the desired culture within NAB's business and oversees the establishment by management of a culture that is focused on sound risk management and customer outcomes. NAB's refreshed strategy, released in 2020, clearly stated why NAB is here: to serve customers well and help our communities prosper.

NAB values and culture

NAB updated its company values in 2020 in conjunction with a refresh of its Strategy. These values, known as **How We Work**, identify the core elements of behaviour expected of colleagues for NAB to deliver its strategy and clearly articulate its target culture.

The below articulation of "what we do" and "what we don't do" provides guidance for all colleagues to understand the standards expected at NAB. How We Work is the basis of NAB's Code of Conduct and integrated into its performance management framework. In financial year 2023, there will be a change to the "excellence for customers" value to strengthen NAB's commitment to service delivery and serving its customers well.

How We Work has been approved by the Board and is summarised below.

HOW WE WORK	WHAT WE DO	WHAT WE DON'T DO
 Excellence for customers	<ul style="list-style-type: none">Put our customers' needs first every timeGet it right first time or fix it fastMake banking easy and fast	<ul style="list-style-type: none">Put personal interests before our customers'Leave issues unresolvedCreate 'band-aid' fixes
 Grow together	<ul style="list-style-type: none">Be ambitious for growthBe curious and learn from each otherPrioritise each other's wellbeing	<ul style="list-style-type: none">Tolerate mediocrityMove on without learningSucceed at the expense of others
 Be respectful	<ul style="list-style-type: none">Speak honestly and supportively, especially about concernsValue the time and opinion of othersDo what we say we will	<ul style="list-style-type: none">Avoid difficult conversations or challenge inappropriatelyDismiss challenges and advice without considerationFail to keep others informed
 Own it	<ul style="list-style-type: none">Get on with it and follow up until it's resolvedDo what's right, even when it's hardMake the most of what we have	<ul style="list-style-type: none">Delay taking actionSay "it's not my job"Spend more time, resources or money than is needed

To achieve NAB's target culture, the Colleague Strategy was established to deliver the goal of having trusted professionals who are proud to be a part of NAB. NAB's strategic aspirations include:

Talented professionals who shape the future of banking

NAB fosters diverse, market-leading banking professionals and attracts, develops and retains top talent. NAB empowers colleagues to learn and grow, build digital and data capabilities and pursue exciting career opportunities.

Distinctive leaders who inspire performance

NAB builds clear, capable and motivated leaders who drive positive change and connect colleagues to why NAB is here: to serve customers well and help our communities prosper. NAB people leaders create a winning environment and celebrate the successes and contributions of all.

Engaged colleagues who are motivated

NAB cares deeply about customers and is passionate about exceptional service and executional excellence. NAB focuses on top priorities, works with flexibility and pace, and colleagues are rewarded fairly for strong performance.

Inclusive culture we can be proud of

NAB aims for an agile, progressive and accountable culture where colleagues role model How We Work and collaborate to accelerate decision-making and customer outcomes.

NAB has a continued focus on improving its culture and risk culture, underpinned by its culture and risk culture framework which is based on How We Work. NAB's culture and risk culture framework has evolved in maturity over time, with the goal of having an approach that is best in class. Progress is reported to the Board twice yearly and measurement uses data including colleague engagement Heartbeat surveys, objective performance metrics, APRA industry risk culture survey and independent expert review. The varied data inputs provide a holistic and integrated assessment and bring meaningful insights to inform management action on culture and risk culture.

NAB's Inclusion and Diversity Policy is available in the Corporate Governance section of nab.com.au. Information about NAB's measurable objectives is located in the *Inclusion and diversity* section of this report.

Conduct

NAB has a suite of policies and practices to promote a culture of honesty and ethical behaviour. Policy compliance is monitored and consequence management procedures exist for policy breaches. Senior leaders are accountable for performance against risk and conduct measures.

NAB's Code of Conduct

NAB's Code of Conduct (the Code) was revised in 2020 and approved by the Board.

The Code outlines what is expected of directors, leaders, colleagues and contractors who perform services on NAB's behalf.

The Code captures NAB's legal obligations and an expectation to act ethically and responsibly towards customers, colleagues and communities. The Code emphasises How We Work, and the key policies and guidelines which must be followed to achieve expected outcomes. There is a strong emphasis on speaking up about concerns and a guide to ethical decision making.

The Code is supported by a renewed approach to conduct and consequence management. Each business and enabling unit has established professional standards forums to review or note breaches of the Code at least quarterly, taking action to set the tone and reinforce NAB's standards of conduct and culture. Any material breaches or conduct that is materially inconsistent with the expected outcomes in the Code are reported to the People & Remuneration Committee.

NAB's Code of Conduct is available in the Corporate Governance section at nab.com.au/about-us/corporate-governance.

Banking executive and accountability regime

For the purposes of BEAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA. NAB undertakes appropriate checks before appointing executives or putting someone forward for election as a director.

NAB's implementation of BEAR continues to strengthen and clarify its accountability structures and practices. This helps to ensure clearer delegation and decision-making processes.

All NAB Accountable Persons have a letter of appointment (in the case of directors) or written employment agreement (in the case of executives), which governs the terms of their appointment, as well as a detailed BEAR Accountability Statement which is lodged with APRA.

The Federal Government intends to replace BEAR with an expanded Financial Accountability Regime (FAR).

Escalation and whistleblower protection

The Group Whistleblower Protection Policy and Whistleblower Program reflects NAB's ambition for an environment where colleagues feel safe and empowered to speak up about wrongdoing.

NAB encourages colleagues to raise concerns about wrongdoing including conduct that may be illegal, unacceptable or improper.

By speaking up, colleagues help to identify and address wrongdoing as early as possible ensuring NAB's focus continues to be on getting the basics right and serving customers well.

The Group Whistleblower Program provides confidential channels for colleagues (current and former colleagues,

officers, contractors and/or suppliers) to raise concerns, including through FairCall, an independently monitored external hotline service operated by KPMG.

The Group Whistleblower Protection Policy provides information on the support and protection available to whistleblowers, how matters will be investigated and reinforces NAB's zero tolerance for any act of reprisal against those who speak up.

The Program has been established as an independent function with direct escalation and reporting lines to the Board's Audit Committee via NAB's Group Whistleblower Committee.

The Group Whistleblower Protection Policy is available in the Corporate Governance section at nab.com.au

Anti-bribery and corruption policy

The Group is committed to preventing financial crime and takes a zero-tolerance approach to bribery and corruption. This is reflected in the Group's Anti-Bribery and Corruption (ABC) Policy and Framework as well as the Group's dedication to acting:

- Honestly, with integrity and upholding the highest ethical standards in its global activities.
- In compliance with all applicable anti-bribery and corruption laws in all jurisdictions in which the Group operates.

The prohibition against bribery and corruption in the Policy applies to NAB's entities, colleagues and all agents, contractors and other third parties acting for or on behalf of the Group. The Group strictly prohibits bribery in any form (including facilitation payments). The Policy includes additional requirements around gifts and entertainment involving government officials which require approvals regardless of value. The Policy is supplemented by supporting procedures which define minimum standards for compliance with the Policy. Material breaches of the Policy are reported to the Board by the Group Chief Risk Officer. NAB is a Cornerstone Member of Transparency International Australia, a member of the Bribery Prevention Network and is a signatory to the UN Global Compact, pledging to work against corruption in all its forms.

The Group's ABC Policy is available in the Corporate Governance section at nab.com.au.

Group disclosure and external communication policy

The *Corporations Act 2001* (Cth) and the ASX Listing Rules require that, subject to certain exceptions, once NAB becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of NAB securities ('market sensitive information'), NAB will immediately disclose that information to the ASX and where applicable, to other relevant stock exchanges.

NAB manages compliance with its continuous disclosure obligations through its Group Disclosure and External Communications Policy and associated guidance notes. NAB's Disclosure Committee, comprised of senior executives, has primary responsibility regarding NAB's disclosure obligations. Potentially disclosable matters are promptly referred to the Disclosure Committee for assessment and determination. NAB operates a strict decision-making regime to enable it to monitor compliance with its disclosure obligations.

All members of the Executive Leadership Team are responsible for ensuring their teams adhere to the Policy and for liaising directly with the Group Executive, Legal and

How We Work (cont.)

Commercial Services or the General Counsel Corporate on any potentially disclosable matters. Routine administrative ASX announcements are made by the Group Company Secretary without reference to the Disclosure Committee.

Where appropriate, the Board is consulted on disclosures of utmost significance and all announcements of major matters require consideration and approval by the Board.

The Board receives copies of all material market announcements promptly after they have been made.

The Group Disclosure and External Communications Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate-governance.

Restrictions on trading in NAB securities

NAB's Group Securities Trading Policy and associated guidance notes explain the law and the policy for its colleagues to comply with when trading in NAB securities.

NAB has black-out periods prior to the release of the Group's financial results during which colleagues must not trade in NAB securities. In addition, ad hoc restrictions may be imposed on all, or individually identified, colleagues from time to time when there is a heightened risk of those colleagues coming into contact with market sensitive information.

All NAB colleagues are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested.

In addition, members of key management personnel and their closely related parties are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested or which have vested but remain subject to forfeiture conditions.

For more detail, refer to the *Remuneration Report*.

The Group Securities Trading Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate-governance.

Group political contributions policy

Since 2016, NAB has not made individual donations to any political party, parliamentarian, elected official or candidate for political office.

NAB considers its Group Political Contributions Policy annually. Any payments for event attendance received by political parties will be included in the Australian Electoral Commission register.

The Group Political Contributions Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate-governance.

Modern slavery and human trafficking statement

The Group provides an annual Modern Slavery and Human Trafficking Statement. From 2020, this statement has been pursuant to both the *Modern Slavery Act 2015* (UK) and the *Modern Slavery Act 2018* (Cth). Consideration of modern slavery is incorporated into the Group Human Rights Policy and relevant risk management practices and processes applicable to the Group's customer and third-party relationships. This includes: (i) management of sustainability risk (incorporating modern slavery and human trafficking risk), within the Group's material supply chain relationships; (ii) banker identification and reporting of potential modern slavery and human trafficking concerns and Financial Crime team monitoring and investigation of human impact crimes; and (iii) consideration of modern slavery and human trafficking risk in ESG risk

assessments conducted as part of customer credit risk assessment and due diligence processes, where applicable.

The Group's Human Rights Policy can be found online at nab.com.au/content/dam/nabrwd/documents/policy/corporate/human-rights-policy.pdf.

The Group's Modern Slavery and Human Trafficking Statement can be found online at nab.com.au/about-us/social-impact/modern-slavery-statement.

In 2022, NAB engaged a specialist business and human rights advisory firm to review the Group's human rights grievance mechanism against the effectiveness criteria set out in the UN Guiding Principles on Business and Human Rights. The review will help the Group identify opportunities to strengthen its grievance process. The results are being considered by management and will be discussed with the Board.

Assurance and control

For the Board to determine that the Group's financial statements and disclosures are complete and accurate, it relies on information provided by management. Independent and objective assurance is provided by the Group's external auditor, EY, on the audited financial report.

External Audit

Throughout 2022, NAB's external auditor was EY. The Audit Committee is responsible for the appointment, evaluation, management and removal of the external auditor, and the approval of the external auditor's annual fees (subject to shareholder approval where required). The Audit Committee oversees EY's responsibilities and regularly meets with EY to review the adequacy of the external audit arrangements with emphasis on effectiveness, performance and independence. This includes an annual review of the external audit plan.

To foster open communication and to facilitate appropriate matters coming to the attention of the Audit Committee, the Group CEO, Group CFO, Deputy Group CFO, Group CRO, Group Executive Legal & Commercial Services, Executive General Counsel Corporate, Executive Internal Audit, and the lead External Audit Partner all have direct and unfettered access to the Audit Committee.

NAB does not employ or appoint to the Board, Group or any subsidiary board or management body, any current or former partner, principal, shareholder or professional employee of the external auditor or their family members, if to do so would impair the auditor's independence.

The Audit Committee has adopted a Group External Auditor Independence Policy that requires pre-approval of any services proposed to be provided by the external auditor to ensure that independence is maintained. The Audit Committee delegates authority to the Group CFO and Deputy Group CFO to approve those services where the expected cost of the service is less than \$200,000 (excluding local taxes). Services over \$200,000 (excluding local taxes) require the approval by the Chair of the Audit Committee as the Audit Committee delegated authority. The exercise of any such delegation is reported to the Audit Committee at least biannually.

The Policy defines audit-related and taxation-related services and stipulates that certain services are entirely prohibited from being provided by the external auditor to ensure the independence of the external auditor is maintained. Non-audit services are permitted where the service meets auditor independence requirements with the approval by the Chair of the Audit Committee.

Unless the Audit Committee approves otherwise, fees paid for the provision of audit-related, taxation-related and non-audit services must not exceed fees paid for audit services in any year. Details of the services provided by the external auditor to the Group and the fees paid or payable for such services are set out in the *Note 33 Remuneration of external auditor* in the Financial Report.

Legislation requires the rotation of the external audit senior personnel who are significantly involved in NAB's audit after five successive years, including the Lead Partner.

The external auditor attends the AGM and is available to answer shareholder questions regarding the conduct of the audit and the content of the audit report.

Periodic corporate reports

The Annual Report, Climate Report, Investor Presentations, Quarterly Trading Updates, Full Year Results Management Discussion and Analysis and Pillar 3 Report form the suite of the Group's periodic corporate reports.

Each report is subject to the Group's risk management and internal control systems. Assurance over risk management and internal control systems is achieved through assessments of the effectiveness of controls.

The integrity of the Group's periodic corporate reports is underpinned by structures and processes within the Group functions that support areas of judgement, validation of information and the maintenance of proper records for all information.

The Group's reporting policies incorporate Australian and international regulatory, legislative and prudential requirements. The Group's Enterprise Reporting Assurance team review and check information across the suite of the Group's periodic corporate reports. Group Executives and subject matter experts certify the information pertaining to their area of responsibility is materially complete and not materially misleading by statement or omission. The suite of the Group's periodic corporate reports is also critically reviewed for consistency in messaging.

The level of external assurance provided on the suite of the Group's periodic corporate reports is disclosed by the external auditor in their reports presented in NAB's 2022 Annual Report and by KPMG in their reports presented in NAB's 2022 Climate Report.

Where there is no external assurance provided, management's assurance procedures are considered adequate by the Audit Committee for ensuring the Group's periodic corporate reports are materially accurate, balanced and provide investors with appropriate information to make informed decisions.

Internal Audit

The role of Internal Audit is to provide independent assurance on the adequacy and effectiveness of NAB's Risk Management Framework. Internal Audit forms the third line of risk accountability in NAB's Risk Management Framework.

The Executive, Internal Audit needs to be suitably qualified for the role.

A recommendation on the appointment, performance and dismissal of the Executive, Internal Audit is made by the Board Audit Committee to the Board. The Board Audit Committee monitors the activities and performance of Internal Audit and assesses whether it remains independent of management and is adequately resourced and funded.

Internal Audit has a direct reporting line to the Chair of the Board Audit Committee and informal reporting lines to the Group CEO and Group CFO.

The Executive, Internal Audit provides regular reports to the Board Audit Committee, Board's Risk & Compliance Committee on risk and control matters, and during 2022 attended the Board's People & Remuneration Committee to provide insights on conduct and culture matters.

Both the External and Internal Audit functions have full and unrestricted access to all colleagues, records and systems as necessary to undertake their activities.

Compliance with ASX corporate governance recommendations

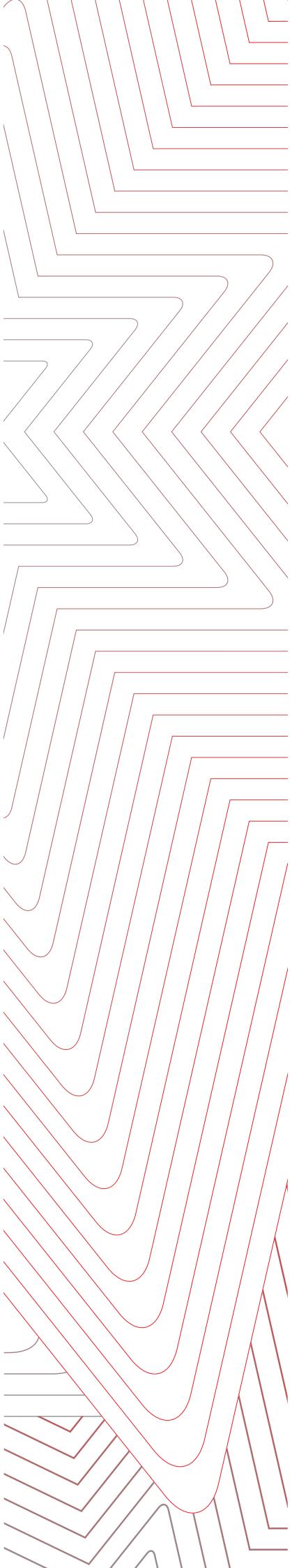
This statement has been approved by the Board of National Australia Bank Limited (Board) and is current as at 30 September 2022.

NAB's Appendix 4G (a checklist that cross references the disclosures in this Statement to the ASX Corporate Governance Principles and Recommendations) is available in the Corporate Governance section of nab.com.au.

Before publication of NAB's 2022 Annual Report, the Board received a joint declaration from the Group CEO and the Group CFO that:

- In their opinion the financial records of NAB have been properly maintained in accordance with the *Corporations Act 2001* (Cth).
- In their opinion the financial statements and notes comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group.
- Their opinion was formed based on a sound system of risk management and internal control which is operating effectively.

Risk management



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Risk management overview

Risk is the potential for harm and is inherent in NAB's business. The Group's ability to manage risk effectively is critical to being a safe and secure bank that can serve customers well and help our communities prosper. This is achieved through the Risk Management Framework, documented in the Risk Management Strategy.

Risk Management Framework

The Risk Management Framework (RMF) consists of systems, structures, policies, processes and people within the Group that manage material risks.

Material risks are those that could have a material impact, both financial and/or non-financial, on the Group or on the interests of customers. The Group's material risks are categorised as: strategic risk, credit risk, market risk, balance sheet and liquidity risk, operational risk, compliance risk, conduct risk and sustainability risk.

The Group applies a 'Three Lines of Accountability' operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective.

The role of each line is:

- **First Line** – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.
- **Second Line** – A functionally segregated Risk function develops risk management frameworks, defines risk boundaries, provides objective review and challenge regarding the effectiveness of risk management within the first line businesses, and executes specific risk management activities where a functional segregation of duties and/or specific risk capability is required.
- **Third Line** – An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the RMF.

Risk governance refers to the formal structure used to support risk-based decision-making and oversight across the Group's operations. This consists of the Board, Board committees and management committees, delegations of authority for decision-making, management structures and related reporting. The risk governance structure increases transparency and the sharing of insights, guidance and challenge to support each BEAR Accountable Person⁽¹⁾ in their decision-making when discharging their individual accountabilities. The Group Chief Risk Officer report highlights risk appetite measures, along with commentary when triggers and limit thresholds are exceeded. It is discussed at each scheduled meeting of the Executive Risk & Compliance Committee, the Board Risk & Compliance Committee and the Board. It is also provided to those bodies between scheduled meetings when it is timely or appropriate to do so.

The Risk Appetite Statement is a key component of our RMF and sets out boundaries so that the Group operates within acceptable levels of risk and in compliance with obligations and commitments.

The updated Risk Management Strategy (RMS) and Risk Appetite Statement (RAS) were approved by the Board in early October 2022 and submitted to APRA. The Board also makes an annual Risk Management Declaration (RMD) to APRA for NAB, confirming that NAB has a RMF that is appropriate for the size, business mix and complexity of the Group, and which is

consistent with the Group's strategic objectives and business plan, in accordance with the requirements of APRA Prudential Standard CPS 220 Risk Management. This RMD is currently being undertaken within the time frame permitted.

Environmental, Social and Governance (ESG) Risk Management

ESG risks are identified, measured, monitored, reported and overseen in accordance with the Group's RMS and RMF and reflected in the Group RAS and relevant supporting divisional credit appetite strategies, ESG-related policies and management practices. Executive management's Group Credit & Market Risk Committee oversees ESG risk, including climate and human rights-related risk, as a significant part of the Group's exposure to these risks is through lending to customers.

The Group's climate change disclosures align with TCFD recommendations. This year, TCFD disclosures have been provided in a new standalone Climate Report, alongside a summary in this Report see page 38.

The Group's modern slavery statement is available on nab.com.au/about-us/social-impact/modern-slavery-statement.

Updates on ESG risks are provided to the Executive Risk & Compliance Committee, Board Risk & Compliance Committee and Board as appropriate. Further information on the Group's material exposures to ESG risks is set out in '*Disclosure on risk factors*'. Further detail on how the Group manages risks presented by climate change within its Risk Management Framework can be found in the Group's 2022 Climate Report.

(1) For the purposes of BEAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA.

Risk factors

Disclosure on risk factors

Risks specific to the Group

Set out below are the principal risks and uncertainties associated with the Group. It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each category that the Company considers most material is listed first, based on the information available at the date of this Report and the Company's best assessment of the likelihood of each risk occurring and the potential magnitude of the negative impact to the Group should such risk materialise. In the event that one or more of these risks materialises, the Group's reputation, strategy, business, operations, financial condition, and future performance could be materially and adversely impacted.

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

Strategic risk

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

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

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

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

The Group's strategy includes ESG related initiatives, including a climate strategy and various obligations, targets and goals. Achieving the Group's sector decarbonisation targets is in part reliant on the actions of others including customers, policy makers and other stakeholders.

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

The Group faces intense competition.

There is substantial competition across the markets in which the Group operates. The Group faces competition from established financial services providers and other parties, including foreign banks and non-bank competitors, such as fintechs, Buy Now Pay Later providers and digital platforms,

some of which have lower costs and/or operating and business models or products that differ from or are more competitive than the Group's.

In addition, evolving industry trends, rapid technology changes and environmental factors may impact customer needs and preferences and the Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time, to meet customer expectations and keep pace with competitors. These risks are heightened in the current context where the Group has to navigate an uncertain external environment and must prioritise responses to new regulation.

For example, consumer and institutional adoption of cryptocurrencies and other digital assets has continued. Demand exists for applications of digital assets such as settlement of high value funds via blockchain technology. The rate of digital asset adoption, other banks' and/or non-traditional competitors' digital asset product creation (for example, stable coins and decentralised finance) and government responses, including the possibility of the RBA and/or the RBNZ issuing a Central Bank Digital Currency (CBDC), are expected to shape the future of the sector and its impact on the Group. In addition, regulation of digital assets is nascent, but emerging, across all markets in which the Group operates, which may increase the Group's costs or require the Group to invest in resources to adapt its products or systems to new technologies.

Other trends and recent regulatory and legislative developments that may increase competition in the Group's relevant markets include, but are not limited to:

- Accelerated investment in digital, data and analytics capabilities with the objective of creating easy and seamless customer experiences.
- Continued competitive pressures in home lending, particularly as customers of the Group revert to variable rate loans as fixed rate periods expire on loans entered into at historically low rates over the last two years. This increases the risk that a high number of customers may refinance outside the Group.
- The continued implementation of the Consumer Data Right (CDR), known as 'Open Banking', in the Australian banking sector. The CDR seeks to increase competition between service providers by mandating and standardising the sharing of certain consumer data and data relating to their products and services. It also seeks to increase competition and innovation between service providers (accredited data recipients) that use data received under the CDR to provide products and services to consumers. Giving consumers greater access to, and control of, their data will improve their ability to compare and switch between products and services, and increases the risk of customer attrition. Further, the mandated roll out of the CDR was extended to business customers from November 2021. A statutory review of the operation of the CDR was undertaken by the Australian Government earlier in 2022. The Final Report of the Statutory Review of the CDR was released on 29 September 2022. The review notes that the statutory framework has been broadly effective in the rollout of the CDR to date, however includes findings and recommendations which may lead to further changes to the CDR legislative framework. The Australian Government has also consulted on draft legislation to enable consumers to instruct designated organisations to initiate actions (potentially including payments) on their behalf (and with their consent).

Risk factors (cont.)

- The decision by the New Zealand (NZ) Government, in July 2021, to similarly implement a CDR legislative framework, with the aim to introduce CDR legislation in 2022. The adoption of Open Banking in New Zealand is designed to increase competition in the New Zealand banking industry.
- The previous Australian Government commissioned a review in 2020 of the regulatory architecture of the payments system to ensure it is responsive to the rapid acceleration in payments technologies and new business models. The final report of the review was released on 30 August 2021 and called for the Australian Government Treasurer to have increased oversight of, and ability to regulate, payments systems, and for the powers of the RBA to be widened. In December 2021, the previous Australian Government announced that it agreed with many of the recommendations made by the review. The current Australian Government has not made announcements in respect of this review.
- The Retail Payment System Act 2022 (RPS Act) was enacted in New Zealand in 2022. The RPS Act enables the New Zealand Commerce Commission to regulate certain aspects of the retail payment system, such as standards for participants relating to information disclosure, pricing, and access to infrastructure.

Ongoing competition for customers can lead to compression in profit margins and loss of market share. Intense competition increases the risk of additional price pressure, especially in commoditised lines of business, where the providers with the lowest unit cost may win market share and industry profit pools may be eroded. Such factors may ultimately impact the Group's financial performance and position, profitability and returns to investors.

Risks may arise from pursuing acquisitions and divestments.

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

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

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

Specific risks exist in connection with the Company's recent acquisition of the Citi consumer business which completed on 1 June 2022.

The Company continues to rely on Citigroup's regional shared technology infrastructure for transitional services (and will do so through the transition period), as well as Citigroup's support for data migration activities after the development of technology systems within the Group. There is a risk that as the integration project and the development of technology

systems within the Group continues, costs may be higher than anticipated, more internal resourcing is required than anticipated, or that key employees, customers, suppliers or other stakeholders required for a successful transition, will not be retained. Additionally, there is a risk that the timeline for the integration is extended, which may result in further costs being incurred by the Company.

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

The Company completed the acquisition of 86 400 on 19 May 2021 and continues to work through integration and migration activities required to integrate 86 400 with the ubank division. There is a risk that the timeline for the integration may be extended, integration costs may be higher than anticipated, more internal resourcing is required than anticipated, or that key employees, customers, suppliers, or other stakeholders required for a successful integration will not be retained.

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

As announced on 31 May 2021, the Company completed the sale of its advice, platforms, superannuation and investments and asset management businesses to IOOF Holdings, now named Insignia Financial (MLC Wealth Transaction). As part of the MLC Wealth Transaction, the Company provided Insignia Financial with indemnities relating to certain pre-completion matters, including a remediation program relating to workplace superannuation matters, breaches of anti-money laundering laws and regulations, regulatory fines and penalties, and certain litigation and regulatory investigations. The Company also provided covenants and warranties in favour of Insignia Financial. A breach or triggering of these contractual protections may result in the Company being liable to Insignia Financial.

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

Credit risk

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

Risk factors (cont.)

Rising interest rates to combat persistent inflation may result in a deterioration in the Group's Credit Risk profile in the medium term through increases in defaulted loans.

Globally, central banks (including in Australia and New Zealand) have begun to rapidly increase policy rates in response to elevated levels of inflation. The rising rate cycle is expected to continue for the remainder of 2022 and into 2023. The sharp unwinding and reversal of stimulatory policies and measures introduced in response to COVID-19 presents downside risk to the Australian and New Zealand economies, with the potential to exacerbate existing negative effects on businesses and households which may lead to increased credit losses for the Group.

Rising interest rates, coupled with existing inflationary pressures, will reduce disposable income for households and may increase household financial stress across Australia and New Zealand. Sectors exposed to changes in household discretionary spending (including retail trade, tourism, hospitality, and personal services) may experience significant financial stress in the event of changes to consumer spending behaviour. This includes a heightened risk of corporate and business bankruptcies, job losses and higher unemployment.

The increased credit risk in affected sectors and elevated levels of household financial stress may result in an increase in losses if customers default on their loan obligations and/or higher capital requirements through an increase in the probability of default.

Potential for new COVID-19 variants poses risk to the Group's Credit Risk Profile.

The COVID-19 pandemic has had, and is expected to continue to have, negative effects on global economic conditions, including disruption and volatility of financial markets, supply chain disruptions, fluctuations in unemployment and other negative outcomes, including inflation. If new COVID-19 variants or other diseases emerge, the Australian and New Zealand economies, as well as most other major economies, may experience greater stress, and an increased risk of recession. Such an outcome has the potential to increase customer defaults and materially adversely impact the Group's financial performance and position, and its profitability.

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

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

Residential property prices in Australia and New Zealand have increased for some years up until 2021, but have reduced in 2022. Further interest rate rises in Australia and New Zealand could further accelerate price declines in 2022 and 2023. Increases in interest rates may also add to business and household financial pressures. There is a risk that some customers are underprepared for rising interest rates.

Changes to working patterns (i.e. working remotely) across Australia and New Zealand following on from COVID-19, may adversely affect the Commercial Real Estate (CRE) industry. Office CRE customers, unable to respond to changes in working patterns, may face elevated levels of vacancy rates and diminishing rental returns which could result in a rise in customer defaults across the Group and adversely impact on the Group's financial performance and position.

A decline in the value of the residential or commercial property used as collateral (including in business lending)

may give rise to greater losses to the Group resulting from customer defaults, which may, in turn, impact the Group's financial performance and position, profitability and returns to investors. The most significant impact in the event of default, is likely to come through residential mortgage customers in high loan-to-value-ratio brackets.

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

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

- vulnerability to labour constraints;
- trade restrictions and tariffs;
- volatility in commodity prices;
- foreign exchange rate movements;
- changes in consumer preference;
- disease and introduction of pathogens and pests (for example the threat of a local foot and mouth disease outbreak and spread in Australia of the varroa mite - impacting European honey bees);
- export and quarantine restrictions;
- supply chain constraints;
- extreme weather events (including substantial rainfall);
- increasing weather volatility; and
- longer-term changes in climatic conditions.

For example, some customers are facing significant challenges from the recent floods in New South Wales (NSW) and Queensland due to stock, crop and plant and equipment loss and damage - in some cases for successive years. This may result in increased losses to the Group from customer defaults, and ultimately may have an adverse impact on the Group's financial performance and position. More broadly, physical and transition risks associated with climate change may also increase current levels of customer defaults in other sectors.

Adverse business conditions (including supply chain disruptions, labour constraints, higher commodity prices and higher energy prices) may also lead to stress in certain other sectors such as construction, wholesale trade and manufacturing. Rising household financial pressures also pose a risk to sectors that are reliant on household expenditure.

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

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

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

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

Risk factors (cont.)

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

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

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

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

- In response to the Russia-Ukraine conflict, several countries (including Australia and New Zealand) have imposed wide ranging economic sanctions and export controls on individuals and firms closely connected to the Russian Government or conducting economic activity in certain regions of Ukraine. These measures have significantly impacted, and may continue to significantly impact Russia's economy. These sanctions, as well as responsive measures, are also impacting, and are expected to continue to impact the European and global economy, including through higher energy and commodity prices. Prices may remain elevated for an extended period, which would negatively impact most businesses and households, and may lead to increased credit losses for the Group.
- Inflationary pressures have increased since the start of calendar year 2021, increasing the cost of living and reducing disposable income for consumers. Persistent inflation reflects a broad range of factors, including the impact of fiscal stimulus in a range of countries, disruptions to global supply chains, shortages of key inputs, commodities, and labour in various locations and the impact of the Russia-Ukraine conflict.
- Persistent inflation and fears that households' inflation expectations could become unanchored from central bank targets (driving increased wage demands) have driven global central banks (including in Australia and New Zealand) to rapidly lift policy rates since early 2022. Several

major central banks have signalled that further rate rises may be expected.

- Increasing policy rates, accompanied by tighter lending standards in many countries, may expose imbalances or weaknesses in balance sheets and asset markets that have built up over time. This may increase pressure on borrowers, particularly those that are highly geared and/or face reduced income due to weaker economic activity. More generally, higher policy rates may adversely affect the Group's cost of funds, trading income, margins and the value of the Group's lending and investments.
- Global economic growth is expected to slow significantly in the calendar year 2023, reflecting the impact of tightening monetary policy and lending standards in advanced economies, energy disruptions in Europe and weaker than pre-COVID-19 pandemic growth rates in China. Given the rapid slowdown in activity, several advanced economies are at a heightened risk of recession and global economic growth is expected to remain below its long-term trend in both calendar years 2023 and 2024.
- China is a major trading partner for Australia and New Zealand, with export incomes and business investment exposed to changes in China's economic growth or trade policies. China's economic growth in calendar years 2021 and 2022 has been highly imbalanced by recent historical standards, weighted towards industrial production, with domestic consumption subdued. China's economic growth is forecast to remain weak (below pre-COVID-19 pandemic rates) in calendar years 2023 and 2024. Coupled with China's conservative approach to managing the COVID-19 pandemic (including by travel restrictions and lockdowns), and a downturn in its property sector, this could drive a negative impact to the global economy generally, and to the Australian economy in particular (including by reducing demand for Australian exports and exacerbating existing supply chain disruptions). A range of medium to longer-term risks also continue to be present, including high corporate debt levels and demographic pressures from China's ageing population. Diplomatic tensions between the Chinese and Australian governments have risen over recent years, with China imposing trade restrictions on a broad range of Australian exports (including coal, barley, wine, beef, lamb, and cotton among others). This may have a negative impact on the Group's customers who are exposed to these sectors, and may give rise to increasing levels of customer defaults.
- Other geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. Tensions between the US and China around certain issues, including Taiwan, and China's trade and technology policies, persist, which could impact global economic growth and global supply chains. Similarly, geopolitical tensions in the Asia-Pacific region could increase as a result of the AUKUS pact or other similar agreements. An increasing fragmentation of, and a rise in populism in, many major democratic economies have led to difficulties in policy implementation and an increase in anti-globalisation sentiment. Political tensions between the Hong Kong Special Administrative Region and the People's Republic of China remain high, with China exerting greater political power over the region. In addition, there are a range of other geopolitical risks, particularly given the ongoing uncertainty around the Middle East (including Afghanistan), Taiwan, the Korean Peninsula, and the South China Sea.
- As commodity exporting economies, Australia and New Zealand are exposed to shifts in global commodity

Risk factors (cont.)

prices that can be sudden, sizeable, and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Commodity price volatility remains substantial and, given the Group's sizeable exposures to commodity producing and trading businesses, this volatility poses a significant source of credit risk to the Group.

Market risk

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

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

The Group is exposed to credit spread risk.

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

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

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

The Group is exposed to interest rate risk.

The Group's financial performance and capital position are impacted by changes in interest rates. The Group's trading book is exposed to changes in the value of securities and derivatives as a result of changes in interest rates. The Group's trading book accumulates interest rate risk when the Group provides interest rate hedging solutions for customers, holds interest rate risk in anticipation of customer requirements, or undertakes market-making activity in fixed income securities or interest rate derivatives. The level of volatility in interest rate markets has increased since bond yields increased as the war in Ukraine and a broadening of inflationary pressures saw major central banks unwind

post-pandemic stimulus and increase the pace of monetary policy tightening.

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

When interest rates are increasing, the Group can generally earn higher net interest income. However, higher interest rates can also lead to fewer originations of loans, less liquidity in the financial markets, and higher funding costs, each of which could adversely affect the Group's revenues and its liquidity and capital levels. Higher interest rates can also negatively affect the payment performance on loans that are linked to variable interest rates. If borrowers of variable rate loans are unable to afford higher interest payments, those borrowers may reduce or stop making payments, thereby causing the Group to incur losses and leading to increased operational costs related to servicing a higher volume of delinquent loans.

The Group is exposed to foreign exchange risk.

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

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

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

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

Capital, funding and liquidity risk

The Group is exposed to funding and liquidity risk.

Funding risk is the risk that the Group is unable to raise short and long-term funding to support its ongoing operations, regulatory requirements, strategic plans and objectives. The Group accesses domestic and global capital markets to help fund its business, along with using customer deposits. Final maturity dates of drawn Term Funding Facility (TFF) maturities (a three-year facility established by the Reserve Bank of Australia to support lending to the Group's customers) are concentrated across Financial Years 2023 and 2024 for all participating authorised deposit-taking institutions (ADIs), including the Group. The Group relies on offshore wholesale funding to support the funding and liquidity position. Periods of significant market volatility in particular may limit the Group's access to this funding source. Dislocation in global capital markets, reduced investor interest in the Group's securities

Risk factors (cont.)

and/or reduced customer deposits, may adversely affect the Group's funding and liquidity position. This may increase the cost of obtaining funds, reduce the tenor of available funds or impose unfavourable terms on the Group's access to funds, constrain the volume of new lending, or adversely affect the Group's capital position.

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

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

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

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

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

Current regulatory changes that could present a risk to the Group's capital position include:

- Loss-absorbing requirements for Domestic Systemically Important Banks (D-SIBs) such as the Company, require an increase to total capital by 4.5% of risk-weighted assets by 1 January 2026, with an interim increase by 3% of risk-weighted assets by 1 January 2024. These requirements are expected to be satisfied primarily through the issue of additional Tier 2 Capital which will further increase the Group's funding costs due to the higher cost of Tier 2 Capital issuance relative to senior debt.
- The major Australian banks (including the Company) have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020. In July and August 2022, APRA released final prudential standards, prudential practice guides, and reporting standards in relation to the risk-weighting framework and other capital requirements. The new capital framework will come into effect from 1 January 2023. While these capital reforms do not propose an additional increase to the quantum of capital required across the system, there is a risk that the implementation of these reforms may require the Group to hold additional capital.

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

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

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

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

The Group may fail to, or be unable to, sell down its underwriting risk.

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

Operational risk

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

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

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

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

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

Risk factors (cont.)

or information, or may adversely impact the Group's speed and agility in the delivery of change and innovation.

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

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

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

Although the Group invests in protecting the confidentiality, integrity and availability of this information, the Group may not always be able to anticipate a security threat, or be able to implement effective information security policies, procedures, and controls to prevent or minimise the resulting damage. The Group may also inadvertently retain information which is not specifically required or is not permitted by legislation, thus increasing the impact of a potential data breach or non-compliance. Additionally, the Group uses select external providers (in Australia and overseas) to process and store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure. While the Group negotiates comprehensive risk-based controls with its service providers, it is limited in its ability to monitor and control the security protocols that service providers implement on a day-to-day basis. The Group may also submit confidential information to its key regulators under a legal obligation and as part of regulatory reporting.

A breach of security at any of these external providers, regulators or within the Group may result in operational disruption, theft or loss of customer or colleague data, a breach of privacy laws, regulatory enforcement actions, customer or colleague redress, litigation, financial losses, or loss of market share, property, or information. This may be wholly or partially beyond the control of the Group and may adversely impact its financial performance and position.

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

The Group's colleagues and customers have been and may continue to be impacted by COVID-19.

The continuing disruption of COVID-19 has impacted, and continues to impact, the operations of the Group, its customers and suppliers. In response, the Group has decreased reliance on property infrastructure, and enhanced remote working capability to support resilience and continuity of the Group's business operations.

It is difficult to predict the extent to which each colleague's ability to provide customer support and service, and maintain their own health will continue to be affected by the ongoing presence of COVID-19. Colleague shortages as a result of COVID-19 related absence remain a risk in the current environment.

The Group continues to monitor the situation closely, including the development of sub-variants and other emerging threats. It is unclear how this will further evolve or if the Group will need to re-activate COVID-19 related crisis management response teams and plans. Other epidemics or pandemics may also arise in future which may again activate a crisis response causing disruption to the Group's operations.

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

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

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

The Group is exposed to the risk of human error.

The Group's business, including the internal processes and systems that support business decisions, relies on inputs from its colleagues, agents and external providers. The Group is exposed to operational risk due to process or human error, including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. The Group uses select external providers (in Australia and overseas) to provide services to the Group and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

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

The Group is dependent on its ability to attract and retain key executives, colleagues and Board members with a deep understanding of banking and technology, who are qualified to execute the Group's strategy, as well as the technology transformation the Group is undertaking to meet the changing needs of its customers. Potential weaknesses in employment practices, including diversity, anti-discrimination, workplace flexibility, payroll compliance, and workplace health and safety and employee wellbeing, are sources of operational risk that can impact the Group's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability. These risks may be heightened in connection with the ongoing

Risk factors (cont.)

re-negotiation of the Company's Enterprise Agreement, and emerging risks related to concerns raised by the Finance Sector Union in relation to work hours.

The COVID-19 pandemic resulted in international border closures limiting access to international talent markets. Australian and New Zealand border restrictions have been lifted. The Australian Government has put in place a number of visa programs to allow the fast-tracking of key talent and the New Zealand Government has introduced (or reintroduced) a number of measures designed to attract skilled migrants. While these measures are helping to stimulate talent migration from overseas to Australia and New Zealand respectively, suitably filling specialist roles such as technology, data analytics and financial crime continues to be a challenge.

In countries where COVID-19 restrictions have eased or been removed, academic research indicates an increased level of voluntary attrition. These factors may impact the Group's capacity to attract and retain key talent.

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

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

External events may adversely impact the Group's operations.

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

The Group has branches across Australia in locations that are prone to seasonal natural disasters, including fires and floods, such as the bushfires over the 2019/2020 summer period in NSW and Victoria, followed by severe floods in Eastern Australia in early 2021 and again in 2022.

In addition, the Group has branches and office buildings in New Zealand, which has experienced significant earthquakes and aftershocks in recent years, and which may be exposed to the risk of future earthquakes.

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

External events, such as extreme weather, natural disasters, biological hazards, and acts of terrorism may cause property damage and business disruption, which may adversely impact the Group's financial performance. In addition, if the Group is unable to manage the impacts of such external events, it may lead to reputational damage and compromise the Group's ability to provide a safe workplace for its personnel.

The environment the Group is operating in has become more complex and more uncertain and could create operational risks that are yet to be identified.

Sustainability risk

Sustainability risk is the risk that events or conditions (which includes ESG issues) arise that could negatively impact the

sustainability, resilience, risk and return profile, value, or reputation of the Group or its customers and suppliers. Inadequate management of ESG risk by the Group or its customers may expose the Group to other potential risks across risk categories such as credit, market, compliance, and operational risk.

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

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

Parts of Australia are prone to, and have experienced, acute physical climate events such as severe drought conditions and bushfires over the 2019/2020 summer period, followed by severe floods in Eastern Australia in early 2021 and again in 2022. The impact of these extreme weather events can be widespread, extending beyond residents, businesses, and primary producers in highly impacted areas, to supply chains in other cities and towns relying on agricultural and other products from within these areas. The impact of these losses on the Group may be exacerbated by a decline in the value and liquidity of assets held as collateral, which may impact the Group's ability to recover its funds when loans default.

Climate-related transition risks are increasing as economies, governments, and companies seek to transition to low-carbon alternatives and adapt to climate change. Certain customer segments may be adversely impacted as the economy transitions to renewable and low-emissions technology. Decreasing investor appetite and customer demand for carbon intensive products and services, increasing climate-related litigation, and changing regulations and government policies designed to mitigate climate change, may negatively impact revenue and access to capital for some businesses.

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

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

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

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

- Environmental issues – such as climate change, biodiversity loss, ecosystem degradation, and pollution. Supervisory and regulatory guidance and requirements for banks are

Risk factors (cont.)

increasingly focusing on ESG risks, as regulators seek to understand and manage system-wide impacts such as those arising from climate-related risks. This focus is quickly evolving to broader environmental issues, such as nature-related risks, as the links between nature and economic prosperity and societal wellbeing are becoming better understood. This has been a particular focus of the Task Force on Nature-related Financial Disclosures, the development of which is supported by the Australian and UK governments.

- Social issues – such as human rights (including modern slavery), compliance with recognised labour standards and fair working conditions, unfair and inequitable treatment of people including discrimination, product responsibility, appropriate remuneration and indigenous land rights and cultural heritage including any such potential impacts from a customer's operations and/or projects.
- Governance issues – such as bribery and corruption, tax avoidance, greenwashing and other false or misleading environmental or sustainability claims, poor governance, lack of transparency, and diminishing of accountabilities.

As certain issues become better understood and the associated risks can be more accurately quantified, corporate ESG commitments, and performance against those commitments, may be more closely monitored by external stakeholders.

Failure by the Group to:

- comply with ESG-related regulatory requirements or standards;
- meet ESG-related commitments, goals and targets set by the Group, or Group ESG-related policies;
- meet community and stakeholder expectations in relation to ESG; or
- apply appropriate ESG standards to its customers, or to entities in the Group's supply chain,

may adversely impact the Group's reputation, and shareholder, customer and employee sentiment towards the Group, may increase the risk of ESG-related litigation against the Group, or may result in regulatory fines or penalties.

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

Conduct risk

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

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

Organisational culture can greatly influence individual and group behaviours which can expose an organisation and lead to unfair customer outcomes. The behaviours that could expose the Group to conduct risk include:

- Failure to design products and services that are transparent, accessible, and easy for the Group's customers to understand.
- Unmanaged conflicts that could influence behaviour that is not in the customer's best interest.
- Non-adherence to applicable learning and competency training requirements.
- Selling, providing or unduly influencing customers to purchase or receive products or services that may not meet their existing needs or that place the customer at risk of future hardship.
- Being a party to fraud.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in the customer's interests.
- Delays in appropriately escalating regulatory and compliance issues.
- Failure to resolve issues and remediate customers in a timely manner and in accordance with community expectations.
- Failure to deliver on product and service commitments.
- Failure to remediate business processes and stop re-occurrence of issues in a timely manner.
- Failure to act in accordance with its Code of Conduct or Financial Markets Conduct Policy.

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

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

A failure of the Group's conduct controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact the Group's reputation, financial performance and position, profitability, operations, and returns to investors.

Compliance risk

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

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

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

In June 2021, the Company announced that AUSTRAC had identified concerns with the compliance of certain Reporting

Risk factors (cont.)

Entities within the Group's Designated Business Group with certain AML/CTF requirements, and that AUSTRAC had initiated a formal enforcement investigation. On 29 April 2022, the Company entered into an EU with AUSTRAC to address the concerns. In accepting the EU, AUSTRAC stated that it had "formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time" and that it had "not identified any information during the investigation to change that view". Under the terms of the EU, the Company and the relevant members of the Group are required to:

- Complete a Remedial Action Plan (RAP) approved by AUSTRAC;
- Address, to AUSTRAC's satisfaction, any deficiencies or concerns with activities in the RAP identified by AUSTRAC; and
- Appoint an external auditor who will provide a final report.

The Group has reported a number of AML/CTF compliance issues to relevant regulators. The Group continues to investigate and remediate a number of known AML/CTF compliance issues and weaknesses, including in accordance with the EU. As this work progresses, further compliance issues may be identified and reported to AUSTRAC or equivalent foreign regulators, and additional enhancements of the Group's systems and processes may be required. The potential outcomes and total costs associated with these contingent matters remain uncertain. A negative outcome to any investigation or remediation process, or a failure to comply with the EU, may adversely impact the Group's reputation, business operations, financial position and results. Further, given the large volume of transactions that the Group processes, the undetected failure of internal AML/CTF controls, or the ineffective remediation of compliance issues, could result in a significant number of breaches of AML/CTF obligations and significant civil penalties for the Group.

As a bank engaged in global finance and trade, the Group also faces risks relating to compliance with financial sanctions laws across multiple jurisdictions. Should the Group's sanctions controls fail, this could lead to sanctions violations, resulting in potentially significant monetary and regulatory penalties. This, in turn, may adversely impact the Group's reputation, financial performance and position. These risks are increased in the context of additional, wide ranging economic sanctions and export controls imposed in 2022 on individuals and firms closely connected to the Russian Government or conducting economic activity in certain regions of Ukraine, as a result of the Russia-Ukraine conflict.

Refer to *Note 30 Commitments and contingent liabilities*, on pages 221 to 225 in the notes to the financial statements, 'Regulatory activity, compliance investigations and associated proceedings - AML and CTF program uplift and compliance issues' for more information.

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

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

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

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

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

A negative outcome to regulatory investigations or litigation involving the Group may impact the Group's reputation, divert management time from operations, and affect the Group's financial performance and position, profitability, and returns to investors. Refer to *Note 30 Commitments and contingent liabilities* on pages 221 to 225 in the notes to the financial statements for details in relation to certain current legal and regulatory proceedings, compliance reviews and associated remediation, and other contingent liabilities which may impact the Group.

Extensive regulatory change poses a significant risk to the Group.

Globally, the financial services and banking industries are subject to significant and increasing levels of regulatory reviews and political scrutiny, including in Australia, New Zealand and other countries where the Group has, or is intending to establish, offshore operations. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond the Group's control, and may not be harmonised across the jurisdictions in which the Group operates.

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

The Australian Government has introduced legislation to the Australian Parliament in relation to a compensation scheme of last resort (see further below) and a new Financial Accountability Regime (to replace the BEAR). This legislation is in response to recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The RBNZ has also proposed the introduction of a broad executive accountability regime for directors and senior employees of banks, non-bank deposit taking (NBDT) institutions and insurers. These legislative and regulatory changes have resulted, and will result, in significant policy, system, and operational changes across the Group.

Operationalising large volumes of regulatory change presents ongoing risks for the Group. Extensive work is done to assess proposed design solutions and to test design

Risk factors (cont.)

effectiveness of controls for each regulatory change before the effective date, however, the operating effectiveness of some controls cannot be tested until the go-live date for the regulatory change has occurred. There are also inherent risks associated with the dependency on third parties for the effectiveness of some controls.

There are a number of ongoing or proposed regulatory changes and inquiries relevant to the Group. These include the Australian Securities Exchange CHESS replacement, operational resilience, risk management (including developments relating to crypto assets), governance, new complaints data reporting and remediation requirements, vulnerability, financial advice reforms, capital reforms, new remuneration related prudential requirements, market abuse or conduct related regulations, changes to financial benchmarks, derivatives reform, modification of legislation applicable to deposit takers in New Zealand, payments, data protection and privacy laws, cyber security, data quality, competition inquiries, financial crime legislation, recovery and resolution planning requirements, accounting and financial reporting requirements, climate risk disclosure and tax reform.

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

Examples of specific reviews and regulatory reforms currently relevant to the Group, and which present a potential material regulatory risk include:

- The Financial Markets (Conduct of Institutions) Amendment Act 2022 (FMMA Act) will create an oversight and licensing regime for regulating conduct in the banking, NBDT and insurance sectors in New Zealand. The FMMA Act is expected to come into force in early 2025.
- In September 2021 the Company became accredited to receive CDR data (that is, as an 'accredited data recipient') from other participants under the Open Banking regime. This means that the Company is now subject to further obligations under the CDR legal framework. Open Banking may also lead to additional cyber and fraud risks in the CDR ecosystem. Governance mechanisms including accountabilities, controls and frameworks are still evolving and, under the Open Banking regime, customer data may be shared with, and received from, a broader range of stakeholders. Significant Group resources and management time have been, and will continue to be, utilised to implement Open Banking. This may have a flow-on effect, impacting other regulatory reforms across the Group.
- Legislation to establish the financial services Compensation Scheme of Last Resort (CSLR) was introduced into the Australian Parliament on 8 September 2022, together with a funding framework to support the scheme. If implemented, the CSLR will facilitate payment of compensation for eligible consumers who have received a determination for compensation from the Australian Financial Claims Authority that remains unpaid.
- Globally, regulators increasingly expect that the financial services industry, including banks, will play a more substantive role in protecting customers from scams and other fraudulent activity. While recognising the potential for regulatory change to address the impact of scams, the Group continues to proactively educate its customers about scams and further enhance its systems and processes to detect and protect customers and the Group

from scams and fraud. In this way, the Group seeks to mitigate the risk to customers from scam or fraud activity that may be difficult for the Group to anticipate or control. Although no government policy or position in relation to a contingent reimbursement scheme of this nature has been promulgated in Australia, the Group's strategic planning and enhancement of systems and processes will also prepare it for expected regulatory change in this regard. Given the considerable growth in industry and customer losses from fraud, the potential costs associated with control failures and transferal of risk from the customer may be significant.

- Proposed ESG-related regulatory regimes, including increasing obligations relating to modern slavery, climate, and other sustainability risk-related prudential guidance, and regulatory and reporting requirements. These include mandating of the Task Force on Climate-related Financial Disclosures in New Zealand from financial year 2023, forthcoming changes to accounting standards on disclosure of sustainability and climate-related financial information to be published by the International Sustainability Standards Board and other reporting standards, and the developing recommendations of the Taskforce on Nature-related Financial Disclosures.

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

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

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

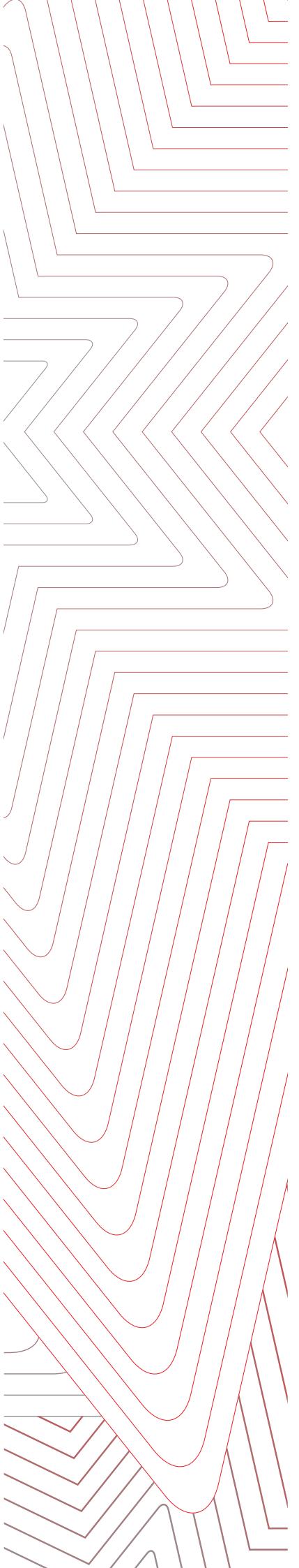
Preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. A higher degree of judgement is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

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

Report of the Directors

The directors of National Australia Bank Limited (NAB or the Company) present their report, together with the financial report of the Group, being NAB and its controlled entities, for the year ended 30 September 2022. The following information forms part of the Report of the Directors:

- The Group's businesses (page 11)
- Operating environment (pages 17 to 18)
- Information on directors, company secretaries, and board meetings (pages 60 to 63 and 68)
- Risk factors (pages 84 to 94)
- Climate change and environment (pages 38 to 41)



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Operating and financial review

Principal activities

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

For further details on the Group's businesses refer to page 11.

Significant change in the state of affairs

- On 24 March 2022 the Group completed a \$2.5 billion on-market share buy-back as announced on 30 July 2021. The Group also announced that it would commence a further on-market buy-back of up to \$2.5 billion, bringing the total potential combined size to \$5 billion. The on-market share buy-back will progress managing the Group's CET1 capital ratio towards its target range of 10.75–11.25% (on a Level 2 basis, under current APRA capital standards). The Group commenced the additional buy-back in May and has bought back and cancelled \$3.9 billion of ordinary shares in the 2022 financial year.
- On 1 June 2022 NAB completed the acquisition of the Citi consumer business. The acquisition was structured primarily as an asset and liability transfer, with NAB paying cash for the net assets of the Citi consumer business. Refer to Note 38 *Acquisition and disposal of subsidiaries*.
- On 30 September 2022 the Group completed the disposal of BNZ Life, its New Zealand life insurance business, to New Zealand life insurance provider Partners Life for total cash proceeds of \$239 million. Refer to Note 38 *Acquisition and disposal of subsidiaries*.
- On 1 October 2021 the following changes to the Executive Leadership Team were effective:
 - Ms Angela Mantis, previously Bank of New Zealand Managing Director and Chief Executive Officer, was appointed Group Chief Digital, Data and Analytics Officer.
 - Mr Daniel Huggins, previously BNZ's Executive - Customer, Products and Services, was appointed Bank of New Zealand Managing Director and Chief Executive Officer.
 - No other changes to the composition of the Executive Leadership Team or the Board have occurred during 2022 and up until the date of this report.

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

Environmental Social and Governance disclosure

Environmental regulation and climate-related disclosures

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

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

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

year), therefore, all of the Group's energy and GHG emissions reporting is aligned to this reporting period. Further details on the Group's GHG reporting subject to the NGER Act is provided in the *Climate change and environment* section of this Report on pages 38 to 41.

In 2022, the Group's main Melbourne-based data centre ceased being subject to *National Environment Protection Measure* (National Pollutant Inventory) (NPI) reporting requirements in Australia. GHG emissions from the Group's data centre no longer trigger the NPI threshold. The NPI provides a public database of emissions and transfers of specified NPI substances from various facilities.

The Group's United Kingdom-based operations are subject to the Energy Savings Opportunities Scheme (ESOS), introduced by the United Kingdom ESOS Regulations 2014 which came into force in July 2014. The ESOS requires mandatory energy assessments (audits) of organisations buildings and transport to be conducted every four years. The Group fulfilled its most recent ESOS obligation in December 2019 and will resubmit as required in December 2023, if it continues to meet the ESOS qualification requirements at 31 December 2022.

The Group is voluntarily reporting data required for the Streamlined Energy and Carbon Reporting (SECR) requirements which are implemented through the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018* (United Kingdom) as part of the legislative response to climate change in the United Kingdom. This information is now provided in the Group's 2022 Climate Report.

Further details of the Group's environmental performance are provided in the *Creating value* section of our Annual Report, more specifically, a summary of the Group's approach to climate change governance, strategy, risk management and metrics and targets consistent with the recommendations of the TCFD is provided on pages 38 to 41 titled *Climate change and environment*.

Further detailed information on the Group's approach to climate change is provided in the Group's 2022 Climate Report, which is aligned to the TCFD requirements, and includes methodological information related to the Group's GHG-related reporting, which was previously published in separate documents.

The Group's 2022 Climate Report is available as part of the Group's annual reporting suite at nab.com.au/annualreports. A detailed breakdown of the Group's Scope 1, 2 and 3 emissions is provided in the 2022 Sustainability Data pack.

Modern slavery

The Group is subject to modern slavery legislation in Australia and the United Kingdom. The Group has prepared a Modern Slavery Act statement which sets out actions taken by the Group during 2022 to ensure that its business operations, and its supply chain, are free from slavery and human trafficking. This statement is made available online at nab.com.au/modernslaverystatement in accordance with both the UK Modern Slavery Act and the *Modern Slavery Act 2018* (Cth).

Litigation and disputes

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

Operating and financial review (cont.)

Refer to Note 30 *Commitments and contingent liabilities* of the notes to the financial statements for details of the Group's material legal proceedings and contingent liabilities.

Financial performance summary

The following financial discussion and analysis is based on statutory information unless otherwise stated. The statutory information is presented in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards and is audited by the Group's auditors in accordance with Australian Auditing Standards.

Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in the Report of the Directors are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial metrics to evaluate the Group's overall financial performance and position and believe the presentation of these financial measures provide useful information to analysts and investors regarding the results of the Group's operations. These financial performance measures include:

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

The Group regularly reviews the non-IFRS measures included in the Report of the Directors to ensure that only relevant financial measures are incorporated. Certain other financial performance measures detailed in the Report of the Directors are derived from IFRS measures and are similarly used by analysts and investors to assess the Group's performance. These measures are defined in the *Glossary*.

Any non-IFRS measures included in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. The non-IFRS measures referred to above have not been presented in accordance with Australian Accounting Standards, nor audited or reviewed in accordance with Australian Auditing Standards unless they are included in the financial statements.

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

Information about cash earnings

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

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

Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount

represented on a statement of cash flows. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards.

Cash earnings for the year ended 30 September 2022 has been adjusted for the following:

- hedging and fair value volatility
- amortisation of acquired intangible assets
- acquisitions, disposals and business closures.

Information about net interest margin

Net interest margin is a non-IFRS key financial performance measure that is calculated as cash net interest income (Cash NII) expressed as a percentage of average interest earning assets.

Information about average balances

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

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

Refer to page 99 for a five-year summary of the Group's average equity (adjusted), total average assets and average interest earning assets.

Rounding of amounts

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

5 Year Financial Performance Summary

	Group				
	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
Net interest income	14,840	13,793	13,877	13,555	13,505
Other income	3,730	2,936	3,259	3,980	5,596
Operating expenses	(8,702)	(7,863)	(9,221)	(8,263)	(9,910)
Credit Impairment (charge) / write-back	(124)	202	(2,752)	(927)	(791)
Profit before income tax	9,744	9,068	5,163	8,345	8,400
Income tax expense	(2,684)	(2,597)	(1,665)	(2,440)	(2,455)
Net profit for the year from continuing operations	7,060	6,471	3,498	5,905	5,945
Net loss after tax for the year from discontinued operations	(169)	(104)	(935)	(1,104)	(388)
Net profit for the year	6,891	6,367	2,563	4,801	5,557
Profit attributable to non-controlling interests	-	3	4	3	3
Net profit attributable to owners of NAB	6,891	6,364	2,559	4,798	5,554

5 Year Key Performance Indicators

	Group				
	2022	2021	2020	2019	2018
Key indicators					
Statutory earnings per share (cents) - basic	214.1	193.0	82.1	168.6	201.3
Statutory earnings per share (cents) - diluted	205.6	185.2	80.5	164.4	194.0
Statutory return on equity	11.3%	10.4%	4.4%	9.1%	11.2%
Cash return on equity ⁽¹⁾	11.7%	10.7%	6.5%	11.4%	11.7%
Profitability, performance and efficiency measures					
Dividend per share (cents)	151	127	60	166	198
Net interest margin	1.65%	1.71%	1.77%	1.78%	1.85%
Total Group capital					
Common Equity Tier 1 (CET1) capital ratio	11.51%	13.00%	11.47%	10.38%	10.20%
Tier 1 capital ratio	13.14%	14.64%	13.20%	12.36%	12.38%
Total capital ratio	18.17%	18.91%	16.62%	14.68%	14.12%
Risk-weighted assets (\$bn)	449.9	417.2	425.1	415.8	389.7
Volumes (\$bn)					
Gross loans and acceptances (GLAs) ⁽²⁾	687.7	629.1	594.1	601.4	585.6
Average interest earning assets	900.3	805.0	781.7	758.8	726.7
Total average assets	991.5	889.6	877.0	835.9	807.0
Total customer deposits	566.7	500.3	468.2	424.6	409.0
Average equity (adjusted) - statutory	60.8	61.2	56.7	51.6	48.7
Average equity (adjusted) - cash ⁽¹⁾	60.8	61.2	56.7	51.6	48.7
Asset quality					
90+ days past due and gross impaired assets to GLAs	0.66%	0.94%	1.03%	0.93%	0.71%
Full-time equivalent employees (FTE)⁽³⁾					
FTE (spot)	35,558	33,275	34,944	34,370	33,283
FTE (average)	34,022	34,217	34,841	33,950	33,747

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment information of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

(2) Including loans and advances at fair value.

(3) Excluding discontinued operations, FTE (spot) is 35,128 (2021: 32,741) and FTE (average) is 33,530 (2021: 31,897).

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Financial performance

	Group	
	2022 \$m	2021 \$m
Net interest income	14,840	13,793
Other income	3,730	2,936
Net operating income	18,570	16,729
Operating expenses	(8,702)	(7,863)
Credit Impairment (charge) / write-back	(124)	202
Profit before income tax	9,744	9,068
Income tax expense	(2,684)	(2,597)
Net profit for the year from continuing operations	7,060	6,471
Net loss after tax for the year from discontinued operations	(169)	(104)
Net profit for the year	6,891	6,367
Profit / (loss) attributable to non-controlling interests	-	3
Net profit attributable to owners of NAB	6,891	6,364

September 2022 v September 2021

Net profit attributable to owners of NAB (statutory net profit) increased by \$527 million.

Net interest income increased by \$1,047 million or 7.6%. Excluding the Citi consumer business, net interest income increased by \$908 million or 6.6%. This includes a decrease of \$155 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of \$1,063 million or 7.7% was primarily due to higher average lending volumes, higher earnings on deposits and capital driven by the rising interest rate environment and lower funding costs. These movements were partially offset by lower housing lending margins and lower NAB risk management income in Markets and Treasury.

Other income increased by \$794 million or 27.0%. Excluding the Citi consumer business, other operating income increased by \$753 million or 25.6%. This includes an increase of \$155 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of \$598 million or 20.4% was primarily due to higher NAB risk management income in Markets and Treasury combined with the gain on the disposal of BNZ Life. This was partially offset by a lower derivative valuation adjustment.

Operating expenses increased by \$839 million or 10.7%. Excluding the operating expenses of the Citi consumer business, operating expenses increased by \$679 million or 8.6%. The increase was primarily driven by additional bankers and resources to support growth, transaction and integration costs associated with acquisition of new businesses (e.g. the Citi consumer business, 86 400 and LanternPay), annual salary increases and additional resources associated with continued investment in technology capabilities, compliance and remediation. This was partially offset by productivity savings achieved through simplification of the Group's operations and lower performance-based compensation.

Credit impairment charge increased by \$326 million including a net \$16 million decrease in charges for forward looking provisions. Excluding forward looking provisions, the underlying charges have increased by \$342 million primarily driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio and model overlays in the prior period.

Income tax expense increased by \$87 million or 3.4% largely due to a higher profit before tax.

Discontinued operations primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities combined with a re-assessment of customer-related and payroll remediation.

Review of group and divisional results

September 2022 v September 2021

Group

Net profit increased by \$527 million or 8.3%.

Business and Private Banking

Net profit increased by \$533 million or 21.5%, driven by higher revenue as a result of balance sheet growth and higher net interest margin, combined with a reduction in credit impairment charges. This was partially offset by increased operating expenses.

Personal Banking

Net profit decreased by \$57 million or 3.5%, excluding the Citi consumer business earnings decreased by \$64 million or 3.9%, driven by the non-recurrence of collective provision releases in the prior year combined with lower revenue, partially offset by a decrease in operating expenses.

Corporate and Institutional Banking

Net profit increased by \$489 million or 39.8%, driven by higher revenue and lower credit impairment charges.

New Zealand Banking

Net profit increased by \$164 million or 14.0% driven by higher revenue, partially offset by higher credit impairment charges and higher operating expenses.

Corporate Functions and Other

Net loss increased by \$578 million, driven by higher credit impairment charges combined with an increase in operating expenses and lower NAB Risk Management income in Treasury, partially offset by a gain on the disposal of BNZ Life.

Group balance sheet review

	Group	
	2022 \$m	2021 \$m
Assets		
Cash and liquid assets	56,451	50,832
Due from other banks	141,861	107,546
Collateral placed	13,115	6,430
Trading securities	40,573	50,020
Debt instruments	42,080	41,878
Other financial assets	2,061	2,794
Derivative assets	61,016	27,474
Loans and advances	680,434	621,156
All other assets	17,535	17,838
Total assets	1,055,126	925,968
Liabilities		
Due to other banks	74,679	74,160
Collateral received	17,245	4,664
Other financial liabilities	23,286	27,046
Derivative liabilities	57,486	24,031
Deposits and other borrowings	683,526	605,043
Bonds, notes and subordinated debt	119,283	109,154
Other debt issues	7,318	6,831
All other liabilities	13,271	12,260
Total liabilities	996,094	863,189
Total equity	59,032	62,779
Total liabilities and equity	1,055,126	925,968

September 2022 v September 2021

Assets

Total assets increased by \$129,158 million or 13.9%. The key movements are as follows:

- Cash and liquid assets increased by \$5,619 million or 11.1% predominantly due to an increase in reverse repurchase agreements with corporate counterparties.
- Due from other banks increased by \$34,315 million or 31.9% primarily due to an increase in the Exchange Settlement Account (ESA) balance with the RBA and an increase in reverse repurchase agreements with other banks.
- Collateral placed increased by \$6,685 million or 104.0% as a result of an increase in derivative liabilities.
- Trading securities decreased by \$9,447 million or 18.9% driven by interest rate movements during the period and a reduction in bond holdings.
- Derivative assets increased by \$33,542 million or 122.1% predominantly driven by foreign exchange rate and interest rate movements and, to a lesser extent, higher trading volumes of foreign exchange-related contracts during the period.
- Loans and advances increased by \$59,278 million or 9.5% due to growth in both housing and non-housing lending, as well as the impact of the acquisition of the Citi consumer business.

Liabilities

Total liabilities increased by \$132,905 million or 15.4%. The key movements are as follows:

- Due to other banks increased by \$519 million or 0.7% predominantly due to an increase in repurchase agreements, partially offset by decreases in deposits from other banks.
- Collateral received increased by \$12,581 million or 269.7% due to an increase in derivative assets.
- Derivative liabilities increased by \$33,455 million or 139.2% predominantly driven by foreign exchange rate and interest rate movements and, to a lesser extent, higher trading volumes of foreign exchange-related contracts during the period.
- Deposits and other borrowings increased by \$78,483 million or 13.0% primarily due to growth in customer deposits, as well as an increase in other borrowings in line with the Group's funding requirements.
- Bonds, notes and subordinated debt increased by \$10,129 million or 9.3% primarily driven by net new issuances in line with the Group's funding requirements and foreign exchange movements, partially offset by interest rate movements during the period.

Equity

Total equity decreased by \$3,747 million or 6.0%. The key movements are as follows:

- Contributed equity decreased by \$3,848 million or 8.9% primarily driven by share buy-backs during the period.
- Reserves decreased by \$2,389 million primarily due to movements in the cash flow hedge reserve and foreign currency translation reserve, partially offset by movements in the cost of hedging reserve.
- Retained profits increased by \$2,490 million or 13.1% reflecting current period statutory profits, partially offset by dividends paid.

Strategic highlights⁽¹⁾

The close of 2022 marks the second full year under the Group's refreshed long-term strategy. Further progress has been made against strategic objectives through disciplined execution and by doing the basics well and supporting the needs of customers and colleagues. These outcomes position the Group well for the changing environment but there is more to do, and the Group remains focused on executing its strategy and building on the achievements of 2021 and 2022.

The Group's strategy, refreshed in April 2020, leverages progress of previous years to reduce complexity, uplift digital and data capability and strengthen technology foundations. It recognises the need to create a simpler, more streamlined business, which is more productive, resilient and efficient.

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

- Relationship-led; building on market leading expertise, data and insights.
- Easy; a simpler, more seamless and digitally enabled bank that gets things done faster.
- Safe; protect customers and colleagues through financial and operational resilience.

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

Operating and financial review (cont.)

- Long-term; deliver sustainable outcomes for stakeholders. Executing the Group's strategy is expected to deliver better customer outcomes, more engaged colleagues and improved shareholder value. The Group will measure the success of its strategy and execution according to four key ambitions:
 - Colleague Engagement – top quartile
 - Customer NPS – strategic NPS⁽¹⁾ positive and first of major Australian banks
 - Cash EPS growth⁽²⁾ – focus on market share growth in target segments while managing risk and pricing disciplines, and a disciplined approach to managing costs and investment
 - Return on Equity (ROE) – targeting double digit cash ROE.

The Group's strategy is a long-term one which provides clarity about where and how it will grow and improve returns for shareholders, regardless of changes in the operating environment or economic conditions:

- Business and Private Banking will remain a key differentiator for the Group, with the objective of clear market leadership by supporting industry leading bankers with enhanced data and insight capabilities, delivery of faster and simpler end-to-end processes, continued sector specialisation, increased focus on transactional banking and payments, leveraging partnerships, and providing a more integrated HNW offering.
- Personal Banking will continue to invest in delivering simpler products and services, with digital-first propositions, flexible and professional bankers, easy customer experiences, simpler unsecured lending offers, and an end-to-end single digital home lending platform.
- Corporate and Institutional Banking will continue its strategy of disciplined growth, supported by highly professional relationship managers and specialists, leadership in infrastructure (including renewables) and investor sectors, helping customers decarbonise and further building out of transactional banking and asset distribution capabilities.
- Bank of New Zealand intends to continue its portfolio shift towards small and medium-sized enterprises (SME) and personal customer segments to deliver a simpler business with lower capital intensity, while also investing to create a step change increase in digital capability.
- ubank will invest in market leading digital experiences and new propositions to drive customer acquisition.

Investments and actions undertaken are delivering improved outcomes for customers and colleagues.

On the customer front, during a period of elevated activity and volumes over 2022 the Group has maintained strategic NPS⁽³⁾ which rank first or second among major Australian banks across key customer segments. While this is pleasing, there is more to do to achieve the objective of being number one of the major Australian banks with positive NPS scores. Over the September 2022 financial year, Consumer NPS increased

from -1 to 0 and remained number one of major Australian banks, while Business NPS declined from -3 to -5 and remained second of major Australian banks. Strong customer outcomes achieved in Corporate and Institutional Banking were a highlight in 2022 with institutional NPS⁽⁴⁾ up four points to 41 and continuing to rank first of major Australian banks, and Relationship Strength Index⁽⁴⁾ up 18 points lifting the Group's ranking from second to first of major Australian banks. Based on the latest Heartbeat survey in August 2022, the Group's colleague engagement score remained broadly stable at 76 compared with 77 at July 2021. This is well up from 66 in 2019⁽⁵⁾ but short of the latest top quartile colleague engagement score of 78, which remains the Group's ambition.

Improving the experiences for customers and colleagues has continued to drive good growth momentum across the Group's business over the September 2022 financial year.

In the Group's market leading SME franchise, Business and Private Banking, 2022 has seen a continued focus on extending the relationship-led approach, increasingly enabled by digital, data and analytics. Investments in faster, more seamless banking experiences and the addition of more than 300 customer facing roles supported good growth across the business in 2022. This includes SME business lending growth of 13% and market share gains over in September 2022 financial year, new Business Everyday Account openings 11% higher in 2022 versus 2021, and transaction accounts originated digitally increasing from 33% to 40% over the year to September 2022. In business lending, key initiatives in 2022 include increasing use of digital lending documentation and expansion of the digital small business lending platform Quickbiz, providing access to unsecured lending within minutes⁽⁶⁾ across more products and channels. Uplifting payments and transaction experiences also remained a priority in 2022. A simplified, more straight forward process is making it easier to open a business transaction account, while small business customers will benefit from the launch in 2022 of simple and easy payment solutions including the NAB Hive merchant portal which lets customers easily manage business and payment needs via a simple and flexible digital portal, and NAB Easy Tap which turns a merchant's Android phone into an EFTPOS reader for contactless card payments.

In Personal Banking, the Group has continued to focus on providing simpler, more digital banking experiences to drive quicker, better outcomes for customers and colleagues. Simple everyday banking products opened digitally increased to 71% in 2022 from 65% in 2021, and the integration of the Citi consumer business is underway adding scale and capability in unsecured lending to support investment in new technology, market leading digital offerings and product innovation. In home lending, investment in ongoing process and technology improvements and further development of the Group's simple and digital home loan platform in 2022 have delivered faster and better quality outcomes. Unconditional approval times reduced in 2022 compared with 2021, while broker NPS and settlement quality both improved over the same period. This

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Business NPS is now based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to \$100k turnover), Small (\$100k-\$5m turnover), Medium (\$5m -\$50m turnover), Large (\$50m+). Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Prior periods have been restated. Ranking based on absolute scores, not statistically significant differences.

(2) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment information of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

(3) Peter Lee Associates Australia - Corporate and Institutional Relationship Banking Survey 2022. Ranking against the four major domestic banks. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

(4) Peter Lee Associates Australia - Corporate and Institutional Relationship Banking Survey 2022. Ranking against all banks included in survey. Relationship Strength Index (RSI) is based on the results of key qualitative measures.

(5) The 2019 score of 66 represents a restated score of the AON survey into a Glint 'Heartbeat' score methodology. Top quartile comparison is based upon Glint's client group (domestic and global, from all industries).

(6) Currently available to existing customers only.

has supported Australian home lending growth of 7% and market share gains over 2022 (excluding the impact of the Citi consumer business), and sees the Group well positioned for a changing Australian home lending market in 2023 with slowing credit demand but heightened refinancing activity and competitive pressures expected.

Performance across the Group's other businesses in 2022 was pleasing. Corporate and Institutional Banking's strategy of disciplined growth and leveraging transactional banking delivered improved returns and customer outcomes. In a difficult market, New Zealand Banking achieved good SME business lending growth and disciplined home lending growth. ubank is progressing well against its strategic objectives with accelerating new customer acquisition growth in its target segment of customers less than 35 years old, supported by refreshed branding and digital features.

As the Group increasingly simplifies, automates and digitises, it is becoming more efficient, aided by clear accountabilities and performance disciplines. In a period of significant volume growth, the Group has limited cost growth in 2022 to 3.9%⁽¹⁾ compared with 2021 (excluding the impact of the Citi consumer business) reflecting a balanced approach to investing for sustainable growth while maintaining cost discipline. Continued progress of the Group's productivity agenda yielded productivity savings of \$465 million in 2022. In 2022 the Group has also absorbed a top-up to payroll and customer-related remediation provisions of \$100 million along with additional spend of \$103 million for financial crime remediation in 2022 relating mainly to the Group's AUSTRAC EU requirements. Looking to 2023, the Group is targeting further productivity savings of approximately \$400 million, supporting a lower expected cost to income ratio.

Investment underpins the Group's ability to deliver on its strategy and grow while remaining safe and resilient. In 2022, investment spend increased to \$1,393 million compared with \$1,259 million in 2021. Key areas of spend during 2022 include ongoing development of an end-to-end single digital home lending platform, improving the Group's merchant offering, enhanced use of data and analytics and further uplifting systems, processes and the control environment with an increased focus on cyber and financial crime prevention (including EU-related activities). In 2023 the Group expects to increase investment spend by approximately \$100 million reflecting further investment in systems to help prevent the growing threat of financial crime, fraud and scams, while maintaining discretionary project spend to support long term growth.

Maintaining strong balance sheet settings and managing risk responsibly are also key to the Group's ability to grow safely and sustainably. Despite improved asset quality outcomes in 2022, the Group's collective provisions as a ratio of credit risk-weighted assets remain well above pre COVID-19 levels following a small reduction in 2022 to 1.31%. The share of lending funded by customer deposits continued to grow increasing from 7% at September 2021 to 81% at September 2022 and the Group increased its term wholesale funding issuance in 2022 raising \$39 billion⁽²⁾ across a range of products, currencies and tenors. During 2022 the Group continued to target a CET1 capital ratio of 10.75–11.25% and a dividend payout ratio range of 65–75% of cash earnings,

reflecting a balance between maintaining a strong balance sheet through the cycle while improving shareholder returns. Over the September 2022 financial year, Group CET1 reduced 149 basis points to 11.51% primarily reflecting \$3.9 billion of shares bought back. From 1 January 2023 the Group's CET1 target range will move to 11.00–11.50% to align with the new calculation methodology under APRA's revised capital framework. Adjusting for the remaining \$0.6 billion buy-back (13 basis points) and an estimated uplift of approximately 40 basis points as a result of the new framework, proforma Group CET1 is approximately 11.8%⁽³⁾.

Despite retaining strong balance sheet settings over 2022, the Group has delivered improved returns for shareholders consistent with its strategic ambition. Cash EPS⁽⁴⁾ increased 11% compared with 2021. Cash ROE⁽⁴⁾ increased to 11.7% compared with 10.7% in 2021, and the final 2022 dividend has been set at 78 cents per share, representing a cash earnings payout ratio of 68.5% for the six month period to 30 September 2022. This brings the total dividend for the year ended 30 September 2022 to 151 cents per share which is 18.9% higher than 2021.

Consistent with a focus on safe and sustainable growth, the Group published its inaugural Climate Report as part of its 2022 annual reporting suite, articulating its approach to climate. The climate strategy recognises significant commercial opportunities ahead in the transition to net-zero by 2050 for the Group and the Australian economy as highlighted in research commissioned by the Group and published by Deloitte in 2022 – "All Systems Go". The Group's climate strategy centres on supporting customers to decarbonise and build climate resilience, in addition to reducing its financed emissions, reducing its operational emissions, and investing in its core climate capabilities. The Group has engaged with 86 of its largest GHG emitting customers on their climate transition plans and published four science-based sector decarbonisation targets in an approach aligned to guidance from the NZBA. The Group has also created a Chief Climate Officer role which reflects increasing requirements of all parts of the economy, and all parts of the Group, to support the transition to a low emissions future.

Capital management and funding review

Balance sheet management overview

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

Regulatory reform

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

Revisions to the capital framework

- APRA has finalised prudential standards for the revised ADI capital framework, with the focus now shifting to implementation (from 1 January 2023). APRA's revisions to the framework include:
 - Improving flexibility via increasing regulatory capital buffers.
 - Implementing more risk-sensitive risk-weights.

(1) On a cash earnings basis. On a statutory basis, expenses in 2022 increased by 10.7% compared with 2021.

(2) Includes RBNZ's Funding for Lending Programme.

(3) On 24 March 2022 NAB announced the completion of its \$2.5 billion on-market share buy-back (announced on 30 July 2021), and a further on-market buy-back of up to \$2.5 billion. The further buy-back commenced on 6 May 2022 and is expected to be undertaken over approximately 12 months. As at 30 September 2022 \$1.9 billion (65,404,623 ordinary shares) had been acquired under the further buy-back. The impact of APRA's revised capital framework is an estimate only and may be subject to change based on NAB's final implementation of the revised APRA standards.

(4) 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 is set out in *Note 2 Segment information* of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

Operating and financial review (cont.)

- Enhancing competition via a capital floor for internal ratings-based (IRB) ADIs.
- Improving transparency and comparability through the disclosure of capital ratios under the standardised approach.

Overall, these revisions will result in changes to the calculation and presentation of capital ratios. APRA has communicated that it is not seeking to further increase the overall level of capital in the banking system.

- APRA has provided Advanced Measurement Approach (AMA) accredited ADIs the option to apply Prudential Standard APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from either 1 January 2022 or 1 January 2023. The Group has applied the Standardised Measurement Approach (SMA) from 1 January 2022.
- The revised Prudential Standard APS 111 *Capital Adequacy: Measurement of Capital*, including changes to the treatment of equity investments in subsidiaries for the purpose of calculating Level 1 regulatory capital, became effective from 1 January 2022. The changes have been incorporated in the September 2022 Pillar 3 Report.
- APRA has introduced a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology to be implemented from 1 January 2023. The Level 2 Group's leverage ratio as at 30 September 2022 is 5.06% (under the current methodology).
- APRA has announced its intention to finalise Prudential Standard APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* and consult on revisions to the market risk capital standards to implement the Basel Committee on Banking Supervision's fundamental review of the trading book.

Increased loss-absorbing capacity for ADIs

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

RBNZ capital review

- In December 2019, the RBNZ finalised its review of the capital adequacy framework. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:
 - An increase in credit risk-weighted assets for banks that use the RBNZ's internal ratings-based approach due to:
 - The use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor, implemented on 1 January 2022.
 - An increase in the risk-weighted asset scalar implemented on 1 October 2022.
 - An increase in the Tier 1 capital requirement to 16% of risk-weighted assets, and an increase in the Total capital requirement to 18% of risk-weighted assets, to be phased in by 2028.

RBNZ actions to support the banking system

- From 1 July 2022, the RBNZ removed restrictions on the payment of dividends by New Zealand banks (including BNZ). The restrictions had previously been put in place in April 2020 in response to the impacts of COVID-19.

Committed Liquidity Facility (CLF) reduction

- On 10 September 2021, APRA announced that the CLF will be reduced to zero by the end of calendar year 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of HQLA. APRA specified that ADIs should not rely on the CLF to meet the minimum 100% Liquidity Coverage Ratio (LCR) requirement from the beginning of 2022.

Further details on the regulatory changes impacting the Group are outlined in the September 2022 Pillar 3 Report.

Capital management

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

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

On 30 July 2021, the Group announced its intention to buy back up to \$2.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range. On 24 March 2022, the Group announced the completion of the \$2.5 billion on-market buy-back, and announced the commencement of a further on-market buy-back of up to \$2.5 billion. NAB commenced the further buy-back in mid-May 2022 and has bought back and cancelled 134,952,672 ordinary shares (\$3.9 billion) in the 2022 financial year.

On a pro forma basis, the Group's CET1 ratio as at 30 September 2022 is approximately 11.8%, including the remaining \$0.6bn of announced buy-backs and the estimated impact of the revised capital framework⁽¹⁾.

Additional Tier 1 capital initiatives

On 7 July 2022, the Group redeemed \$1,499 million of NAB Capital Notes 2 issued on 7 July 2016, in accordance with the redemption notice issued on 6 June 2022.

On 7 July 2022, the Group issued \$2,000 million of NAB Capital Notes 6, which will mandatorily convert into NAB ordinary shares on 17 September 2032, provided certain conditions are met.

With APRA's prior written approval, NAB may elect to convert, redeem or resell these NAB Capital Notes 6 on 17 December 2029, 17 March 2030, 17 June 2030, 17 September 2030, or on the occurrence of particular events, provided certain conditions are met.

Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the September 2022 full year included the following:

- On 25 November 2021, NAB issued \$195 million of Subordinated Notes.

(1) Impact of APRA's revised capital framework may be subject to change based on the Group's implementation of the revised standards.

- On 21 December 2021, NAB redeemed JPY10 billion of Subordinated Notes.
- On 12 January 2022, NAB issued US\$1.25 billion of Subordinated Notes.
- On 24 February 2022, NAB issued \$203 million of Subordinated Notes.
- On 27 April 2022, NAB redeemed the remaining US\$4 million of the Perpetual Floating Rate Notes issued on 9 October 1986.
- On 20 July 2022, NAB issued \$85 million of Subordinated Notes.
- On 22 July 2022, NAB issued JPY17 billion of Subordinated Notes.
- On 3 August 2022, NAB issued \$1.25 billion and HKD382 million of Subordinated Notes.

Funding and liquidity

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

Funding

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

As at 30 September 2022, the Group's NSFR was 119% down 4% compared to 30 September 2021, with the movement primarily driven by increases in required stable funding (RSF) associated with the reduction in the CLF.

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

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

For the 30 September 2022 full year, the SFI remained at 101% as the increase in lending growth was funded by strong deposit inflows.

Term wholesale funding

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

Through the financial year, global term funding conditions were characterised by greater volatility, a general widening in credit spreads and narrower issuance windows. More recent trends reflect elevated inflationary expectations, interest rate volatility and increased risk aversion from geopolitical events.

The Group raised \$37.7 billion⁽¹⁾ of term wholesale funding during the September 2022 full year. NAB raised \$32.8 billion of term wholesale funding, including \$3.7 billion of Tier 2 subordinated debt, and BNZ raised \$4.9 billion of term wholesale funding.

The weighted average maturity of term wholesale funding issued by the Group in the September 2022 full year was 5.0⁽²⁾

years. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.7⁽²⁾ years.

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

Short-term wholesale funding

For the 30 September 2022 full year, the Group accessed international and domestic short-term funding through wholesale markets. In addition, the Group has accessed secured short-term funding in the form of repurchase agreements primarily to support markets and trading activities. Repurchase agreements entered into, excluding those associated with the TFF, TLF and FLP, are materially offset by reverse repurchase agreements with similar tenors.

The increase in short-term funding in the September 2022 full year primarily supported higher holdings of HQLA to replace the \$31 billion CLF reduction in calendar year 2022. The CLF has reduced by \$23.25 billion over the year ended 30 September 2022.

Liquidity Coverage Ratio

The LCR measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLA consist of cash, central bank reserves along with highly rated government and central bank issuance. In addition to HQLA, other regulatory liquid assets include the Alternative Liquid Assets (ALA). ALA are comprised of internal Residential Mortgage Backed Securities (RMBS) and non-HQLA securities used to collateralise the CLF and RBNZ repo-eligible securities that are eligible for inclusion under Prudential Standard APS210 *Liquidity*.

The Group maintains a well-diversified liquid asset portfolio to support regulatory and internal requirements in the regions in which it operates. The average value of regulatory liquid assets held through the September 2022 quarter was \$214 billion and included \$200 billion of HQLA. The increase (\$27 billion) in HQLA during the September 2022 half year was partially offset by a reduction (\$11 billion) in the ALA driven by the phase out of the CLF. Quarterly average ALA for September 2022 full year were \$14 billion and comprised unencumbered assets available to the CLF of \$13 billion, and RBNZ securities of \$1 billion.

A detailed breakdown of quarterly average net cash outflows is provided in the September 2022 Pillar 3 Report.

Dividend and Dividend Reinvestment Plan (DRP)

The final dividend in respect of the year ended 30 September 2022 has been increased to 78 cents, 100% franked, payable on 14 December 2022.

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

The Group periodically adjusts its DRP to reflect its capital position and outlook. In respect of the final dividend for the year ended 30 September 2022, the DRP discount is nil, with no participation limit. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

(1) Excludes RBNZ's Funding for Lending Programme (FLP).

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

Directors' information

For information on the directors, company secretaries and board meetings refer to pages 60 to 63 and 68.

Directors' and officers' indemnity

NAB's constitution

Article 20.1 of NAB's constitution provides that, to the maximum extent permitted by law, NAB may indemnify any current or former officer out of the property of NAB against:

- Any liability incurred by the person in the capacity as an officer (except a liability for legal costs).
- Legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the officer becomes involved because of that capacity.
- Legal costs incurred in connection with any investigation or inquiry of any nature (including, without limitation, a royal commission) in which the officer becomes involved (including, without limitation, appearing as a witness or producing documents) because of that capacity.
- Legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer, if that expenditure has been approved in accordance with the Board's charter, except to the extent that:
 - NAB is forbidden by law to indemnify the person against the liability or legal costs, or
 - An indemnity by NAB of the person against the liability or legal costs, if given, would be made void by law.

Under Article 20.2, NAB may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been an officer against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- NAB is forbidden by law to pay or agree to pay the premium, or
- The contract would, if NAB paid the premium, be made void by law.

NAB may enter into an agreement with a person referred to in Articles 20.1 and 20.2 with respect to the subject matter of those Articles. Such an agreement may include provisions relating to rights of access to the books of NAB. In the context of Article 20, 'officer' means a director, secretary or senior manager of NAB or of a related body corporate of NAB.

NAB has executed deeds of indemnity in favour of each director of NAB and certain directors of related bodies corporate of NAB. Some companies within the Group have extended equivalent deeds of indemnity in favour of directors of those companies.

Directors' and officers' insurance

During the year, NAB, pursuant to Article 20, paid a premium for a contract insuring all directors, secretaries, executive officers and officers of NAB and of each related body corporate of NAB. The contract does not provide cover for the independent auditors of NAB or of a related body corporate of NAB. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered.

Directors and executives interests

Particulars of shares, rights and other relevant interests held directly and indirectly by directors and Group Executives are set out in the *Remuneration Report*.

Other matters

Rights

As at the date of this report, there are 2,574,286 rights outstanding in relation to NAB fully paid ordinary shares. No exercise price is payable for rights. The latest dates for exercise of the rights range between 15 February 2023 and 15 February 2030. Persons holding rights are not entitled to participate in capital actions by NAB (such as rights issues or bonus issues).

For the period from 1 October 2022 to the date of this report, no NAB fully paid ordinary shares were issued as a result of the exercise of a right.

For further details on rights refer to *Note 34 Equity-based plans* of the notes to the financial statements and *Section 6.4* of the *Remuneration Report*.

Future developments

In the opinion of the directors, discussion or disclosure of any further future developments including the Group's business strategies and its prospects for future financial years would be likely to result in unreasonable prejudice to the interests of the Group.

Proceedings on behalf of NAB

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of NAB by a member or other person entitled to do so under section 237 of the *Corporations Act 2001* (Cth).

Events subsequent to reporting date

There are no items, transactions or events of a material or unusual nature that have arisen in the period between 30 September 2022 and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Integrity of reporting

The directors of NAB have a responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Board Audit Committee and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements.

Further details on the role of the Board and its committees can be found in NAB's 2022 Corporate Governance Statement in the *Corporate Governance statement* section of this report and is available online at nab.com.au/about-us/corporate-governance.

External auditor

EY were appointed as the Group external auditor on 31 January 2005 and have provided the audit opinion on the Financial Report for 18 years. Ms Sarah Lowe was appointed on 15 December 2017 and as at 30 September 2022 has completed a five year tenure rotation as the Group's Lead Partner. At the AGM on 16 December 2022, Mr Tim Dring (EY Audit Partner) will succeed Ms Sarah Lowe as Lead Partner. There is no person who has acted as an officer of the Group during the 2022 financial year who has previously been a partner at EY when that firm conducted the Group's audit.

Non-audit services, audit-related, taxation-related services

The remuneration of the external auditor is set out in *Note 33 Remuneration of external auditor* of the notes to the financial statements and includes details of the fees paid or due and payable for audit-related, taxation-related and non-audit services provided by EY to the Group during 2022.

In accordance with advice received from the Board Audit Committee, the directors are satisfied that the provision of audit-related, taxation-related and non-audit services during the year to 30 September 2022 by EY is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The directors are satisfied because the Board Audit Committee or its delegate has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded that the provision of each service or type of service would not impair the independence of EY.

A description of the Board Audit Committee's pre-approval policies and procedures is set out in the *Assurance and Control* section on page 79. A copy of EY's independence declaration is set out on page 144.

Remuneration Report

Letter from the People & Remuneration Committee Chair, Anne Loveridge

Dear Fellow Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for 2022.

This year we have continued the disciplined execution of the Group's strategy by serving our customers well and helping our communities prosper. This has underpinned the Group's strong performance and the quality of our financial results.

Performance in 2022

In 2022, the Group CEO and Group Executives maintained momentum in simplifying the business and doing the basics well to deliver faster, simpler banking experiences. Key outcomes in 2022 include:

- Consumer Net Promoter Score (NPS)⁽¹⁾⁽²⁾ improved by 1 point, maintaining our position as #1 of the major Australian banks. Further detail about NAB's strategic NPS performance is provided on page 12.
- Colleague engagement remained broadly stable with a score of 76. While this is pleasing, the Board recognises there is more work to be done in this area.
- Above plan financial performance with cash earnings of \$6.6 billion⁽³⁾ and improved shareholder returns through a total dividend paid for the year ended 30 September 2022 of 140 cents per share, fully franked.
- Weighted average market share⁽⁴⁾ was 51 basis points above plan with improvements in business and housing lending.
- Continued improvement in effective risk management including progress on actions in the EU entered into with AUSTRAC and improvements in processes and controls.
- Continued action to keep the bank safe through disciplined risk management and ongoing investment in resilient technology and operations.

Further detail about the Group's performance and remuneration outcomes for 2022 is provided in Section 5 of this Remuneration Report.

The Group CEO and Group Executives will continue to focus on the execution of the Group's strategy to deliver sustainable growth, shareholder returns and improved customer outcomes in 2023 and beyond.

Remuneration in 2022 for the Group CEO and Group Executives

Our Group strategy is anchored on the twin peaks of Customers and Colleagues (refer to Section 1.1 of this Remuneration Report). The Board has recognised the strong performance of the Executive Leadership Team in a challenging economic environment. The Board has assessed financial performance in the balanced scorecard as highly achieved and non-financial performance as partially achieved. Consequently the Board has moderated outcomes for the Executive Leadership Team. Key remuneration outcomes in 2022:

- Group Performance Indicators (GPI) achieved at 92.5% of target.
- The Group CEO's Annual Variable Reward (VR) outcome is 111% of his fixed remuneration (74% of his maximum opportunity).

- Annual VR outcomes for the Group Executives ranged between 92.5% to 111% of their Annual VR target (62% to 74% of their maximum opportunity).
- The 2017 Long-Term Incentive (LTI) award was tested on 21 November 2021, with 65.7% of the award vesting reflecting the long-term increase in shareholder value.
- Fixed remuneration was increased for the Group Executives (excluding the Group Chief Risk Officer) to incorporate the Superannuation Guarantee Contribution increase. No change was made to the fixed remuneration of the Group CEO.

Additional details on the remuneration for the Group CEO and Group Executives are provided in this Remuneration Report.

Remuneration for other colleagues in 2022

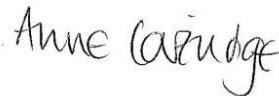
In 2022, the Group finished implementing changes to the remuneration framework for all colleagues below Group Executive level. The changes create simplicity, increasing consistency and fairness in the remuneration framework. This resulted in the removal of VR for 39% of colleagues, predominately in our customer service teams. The changes enhance colleagues' focus on the needs of NAB's customers and provide increased certainty by placing more emphasis on fixed pay. For other colleagues, the VR opportunity was standardised, increasing consistency and fairness. As a result of these changes, the Group's remuneration framework is compliant with the recommendations of the Sedgwick Review into Remuneration.

Remuneration in 2023

We are making good progress on our Group strategy and our remuneration framework will continue to focus on improvements in customer and colleague outcomes while maintaining discipline in financial performance and risk management. To meet regulatory requirements introduced by APRA through Prudential Standard CPS 511 Remuneration (CPS 511), enhancements to the remuneration framework are being considered.

Maintaining our strong focus on risk and conduct assessments, the key changes being considered include longer VR deferral periods for the CEO and the introduction of non-financial Long-Term Variable Reward (LTVR) performance measures. These compliance changes required by CPS 511 will be effective from 1 October 2023 and will be disclosed in the 2023 Remuneration Report.

On behalf of the Board, I invite you to read this Remuneration Report which will be presented for adoption at the 2022 AGM.



Anne Loveridge

People & Remuneration Committee Chair

9 November 2022

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Data is presented comparing September 2021 to September 2022 NPS figures. Prior year numbers have been restated and not been assured by EY.

(2) Consumer NPS is sourced from DBM Consultants Business and Consumer Atlas, measured on a six month rolling average. A number of changes have been made to our Strategic NPS measure to align more closely to the Group strategy. Consumer NPS now excludes consumers with personal income of \$260,000+ and/or investible assets of \$1m+. Ranking based on absolute scores, not statistically significant differences.

(3) On an expected loss basis. Further detail about the calculation of cash earnings is provided in Section 5.1 of this Remuneration Report.

(4) Further detail is provided in Section 5.2 of this Remuneration Report.

Remuneration Report (cont.)

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Our business in 2022

Creating value

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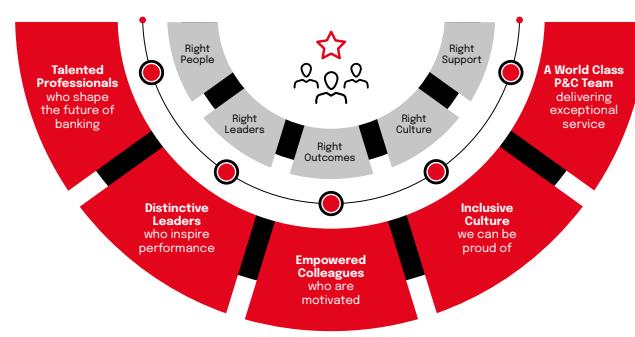
Additional information

Section 1 – Our remuneration framework

1.1 Strategic context for remuneration at NAB

Our Group and Colleague Strategies

Our remuneration framework is informed by the Group and Colleague strategies which focus on the “Twin Peaks” of customers and colleagues. Our remuneration principles support the delivery of our strategic priorities.

Group strategy	Colleague strategy				
<p>Our Group strategy focuses on the ‘Twin Peaks’ of customers and colleagues.</p> <p>Why we are here To serve customers well and help our communities prosper</p> <p>Who we are here for</p>  <p>Colleagues Trusted professionals who are proud to be a part of NAB</p> <p>Customers Choose NAB because we serve them well every day</p> <p>What we will be known for</p> <table border="1"> <tr> <td>Relationship-led Relationships are our strength</td><td>Easy Simple to deal with</td></tr> <tr> <td>Safe Responsible and secure business</td><td>Long-term A sustainable approach</td></tr> </table>	Relationship-led Relationships are our strength	Easy Simple to deal with	Safe Responsible and secure business	Long-term A sustainable approach	<p>Our Colleague strategy supports the ‘colleague’ twin peak ambition in the Group strategy.</p> <p>Our colleagues are trusted professionals who are proud to be a part of NAB</p>  <p>Talented Professionals who shape the future of banking</p> <p>Right People</p> <p>Right Leaders</p> <p>Right Outcomes</p> <p>Right Culture</p> <p>Right Support</p> <p>Empowered Colleagues who are motivated</p> <p>Inclusive Culture we can be proud of</p> <p>A World Class P&C Team delivering exceptional service</p>
Relationship-led Relationships are our strength	Easy Simple to deal with				
Safe Responsible and secure business	Long-term A sustainable approach				

NAB Group remuneration principles					
					
Customers Reinforce our commitment to customers	Colleagues Fair and appropriate reward to attract and retain the best people	Shareholders Align reward with sustainable shareholder value	Transparent Simple and easy to understand	Safe Reflect risk, reputation, conduct and values outcomes	Long-term Drive delivery of long-term performance

The principles that govern our approach to remuneration have evolved over many years reflecting developing stakeholder expectations. Through these six broad principles we seek to demonstrate how we think about remuneration to all stakeholders, including our customers, regulators, communities and colleagues. We are committed to ensuring that our approach to remuneration is not only fair and appropriate but also simple and transparent to our stakeholders.

1.2 Executive remuneration framework

The Group remuneration principles inform the remuneration framework for the Group CEO and Group Executives. The framework reinforces our commitment to customers, aligns with sustainable shareholder value and reflects risk, reputation, conduct and values (How We Work) outcomes. The framework supports the Group CEO and Group Executives to drive both short and long-term performance. Through the requirement to hold a minimum shareholding, the alignment to shareholder interests by the Group CEO and Group Executives is strengthened. Work is underway to review the framework in line with the implementation of CPS 511.

	Fixed Remuneration (FR)	Annual Variable Reward (VR)	Long-Term Variable Reward						
WHY	Set to attract and retain	Earned for delivery of annual goals that drive the Group's strategy	Align remuneration with long-term shareholder outcomes						
WHAT	<ul style="list-style-type: none"> FR is comprised of base salary and superannuation Paid regularly during the financial year 	<ul style="list-style-type: none"> 50% cash 50% deferred rights (12.5% scheduled to vest at the end of year 1, year 2, year 3 and year 4) Dividend equivalent payment for any vested deferred rights at the end of each deferral period 	<ul style="list-style-type: none"> 100% performance rights Subject to four year performance hurdle No dividend equivalent payments made for any vested performance rights 						
HOW	<ul style="list-style-type: none"> Set at a market competitive level for their role and experience Reviewed annually against the ASX20 and other relevant national and international financial services companies 	<ul style="list-style-type: none"> Quantum ranges (% of FR): <table style="width: 100%; text-align: center;"> <tr> <td>0% – 150%</td> <td>0% – 112.5%</td> </tr> <tr> <td>for Group CEO and Group Executives</td> <td>for Group Chief Risk Officer</td> </tr> </table> <ul style="list-style-type: none"> Outcomes vary depending on Group¹ and individual performance (balanced scorecard including risk goals), values and behaviours 	0% – 150%	0% – 112.5%	for Group CEO and Group Executives	for Group Chief Risk Officer	<ul style="list-style-type: none"> Maximum award value (% of FR)² <table style="width: 100%; text-align: center;"> <tr> <td>130%</td> </tr> <tr> <td>for Group CEO and Group Executives</td> </tr> </table> <ul style="list-style-type: none"> Eligibility and award value determined by the Board each year Subject to NAB's Total Shareholder Return (TSR) result against a financial services peer group³ 	130%	for Group CEO and Group Executives
0% – 150%	0% – 112.5%								
for Group CEO and Group Executives	for Group Chief Risk Officer								
130%									
for Group CEO and Group Executives									

Fixed remuneration Annual VR (cash) Annual VR (deferred rights) Long-Term Variable Reward

Performance Year (Year 0)

Board discretion applies for qualitative matters including risk, reputation, conduct and values to ensure sustainable performance (including for malus and clawback)

At Risk

Minimum shareholding requirement

To align with shareholder interests, executives are required to hold NAB shares to the value of two times FR (for the Group CEO) and one times FR (for Group Executives). Newly appointed executives are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role. The Group CEO and Group Executives have either met or are on track to meet their minimum shareholding requirement.

Holdings included in meeting the minimum shareholding requirement are NAB shares, unvested deferred shares and deferred rights not subject to further performance conditions held by the executive, and shares held by a closely related party or self-managed superannuation fund for the benefit of the executive.

(1) The outcome for the Managing Director and CEO, Bank of New Zealand (BNZ) will vary depending on overall BNZ performance.

(2) The actual value delivered to the Group CEO or a Group Executive is subject to the level of achievement against the performance hurdle and NAB's share price at the time of vesting.

(3) For the 2022 LTVR the financial services peer group is AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited, Commonwealth Bank of Australia, Macquarie Group Limited, Suncorp Group Limited and Westpac Banking Corporation.

Remuneration Report (cont.)

1.3 Colleague remuneration framework

The remuneration principles also inform the colleague remuneration framework. The colleague remuneration framework applies to colleagues below the Group Executive level.

	Fixed Remuneration (FR)	Annual Variable Reward (VR)	Annual Equity Award
WHO	Colleagues appointed to Group 1 – 6 roles ⁽¹⁾	Colleagues appointed to Group 3 – 6 roles ⁽¹⁾	Certain colleagues appointed to Group 5 and 6 roles ⁽¹⁾
WHAT	<ul style="list-style-type: none"> FR is comprised of base salary and superannuation Paid regularly during the financial year In addition to FR, for 2022 a \$1,000 share or cash grant to eligible colleagues in Group 1 – 5 roles to be allocated after the end of the financial year⁽³⁾ 	<ul style="list-style-type: none"> Cash and restricted shares (where the Annual VR outcome meets the relevant deferral threshold)⁽²⁾ Cash component paid at the end of the financial year Restricted shares are allocated at the end of the financial year and vest over the deferral period applicable to the colleague's role 	<ul style="list-style-type: none"> 100% restricted shares (33% scheduled to vest at the end of year 1, year 2 and year 3) Allocated at the end of the financial year based on a pre-grant assessment of individual performance and conduct during the year
WHY	<ul style="list-style-type: none"> Market competitive remuneration for role and experience to attract and retain high performing individuals Only component of remuneration for some colleagues, providing certainty and encouraging stronger focus on customers The \$1,000 share or cash grant recognises colleague contribution to Group performance in 2022 	<ul style="list-style-type: none"> To reward contribution to delivery of annual goals that drive the Group's strategy Motivates performance and safe growth for colleagues who have increased accountability for and influence over the Group's annual performance Variable reward targets have been standardised to create more consistency and fairness 	<ul style="list-style-type: none"> To create shareholder alignment, drive continued sustainable performance and emphasise focus on risk management, good conduct and behaviour outcomes
Board discretion applies for qualitative matters including risk, reputation, conduct and values to ensure sustainable performance (including to malus and clawback)			
At Risk			

(1) Roles are defined in the NAB Enterprise Agreement 2016. Group 1 – 6 roles are roles below the Group CEO and Group Executives (which are Group 7 roles).

(2) Deferral thresholds and deferral periods are different depending on the incentive plan participated in and the seniority of the colleague.

(3) The grant of shares or cash and value of the award is determined by the Board each year in its discretion.

Simplicity and transparency in the colleague remuneration framework continued to be a focus area for us. In 2022, the Group finished implementing changes to the remuneration framework for all colleagues below Group Executive level. The changes create simplicity and more consistency and fairness in the remuneration framework. This resulted in:

- The removal or reduction of variable reward for many colleagues, placing more emphasis on fixed pay to give colleagues more certainty and encourage more focus on customers.
- Target variable reward participation being standardised by role level to create stronger consistency and fairness.

These changes set an appropriate balance between fixed remuneration and variable reward and allow colleagues to focus on serving customers well. The Board considers that the changes support the Group's purpose, strategic objectives and risk appetite, and reflect the expectations of customers, regulators and shareholders. As a result of these changes being implemented, the Group's remuneration frameworks are compliant with the recommendations of the Sedgwick Review into Remuneration.

The 2023 FR increase for colleagues below Group Executive level is presented below:

- Group 1 – 2 roles: A budget of 4.5% - 5% of FR has been allocated to these colleagues. Colleagues with FR of \$100,000 or less will receive a 5% FR increase. Colleagues whose FR is higher than \$100,000 will receive a 4.5% FR increase. The FR increases are subject to the new Enterprise Agreement being agreed and approved.
- Group 3 – 6 roles: A pool budget of 3% - 4% of FR has been allocated to these colleagues. Colleagues whose FR is less than \$165,000 will receive a minimum FR increase of 3%. Other colleagues may receive a FR increase based on individual performance, internal peer relatives and external market remuneration positioning.

Colleague benefits

NAB also provides a broad range of support including financial and other wellbeing benefits to all colleagues. This includes ongoing training and education such as CQIB which over 8,000 colleagues have completed, flexible work arrangements, up to two days of volunteer leave per year and support and mental health resources through our Employee Assistance Programme.

Section 2 - Key executive remuneration changes and outcomes

2.1 Executive remuneration changes for 2022

Fixed Remuneration	As disclosed in our 2021 Remuneration Report, in 2022 the FR of the Group Chief Risk Officer was increased by \$100,000 (to \$1,200,000) and the FR of the Group Executive, Legal and Commercial Services was increased by \$50,000 (to \$950,000). This reflects the increased accountabilities of both individuals and external pay relativities. In addition, the FR of the Group Executives (excluding the Group Chief Risk Officer) was increased by 0.45% from 1 July 2022 to incorporate the Superannuation Guarantee Contribution increase. This is aligned to the Group Executives' underlying employment terms and the approach adopted for all other colleagues at NAB.
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Annual Variable Reward	2022 Annual VR opportunity
	As disclosed in our 2021 Remuneration Report, the Board standardised the target and maximum Annual VR opportunity for the Group CEO and all Group Executives, except the Group Chief Risk Officer. ⁽¹⁾ This ensures the Group CEO and Group Executives receive competitive rewards and is consistent with the Group's remuneration principles. The Annual VR opportunity for the Group CEO and Group Executives in 2022 was:

Position	Target opportunity	Maximum opportunity
Group CEO and Group Executives (excluding Group Chief Risk Officer)	100% of FR	150% of FR
Group Chief Risk Officer	75% of FR	112.5% of FR

Individual Annual VR outcomes are determined by the Board based upon the individual's target Annual VR opportunity, assessment of Group performance (through the GPI), qualitative performance factors and individual performance. Individual performance achievement differentiates the Annual VR outcomes of the Group CEO and Group Executives. Refer to Section 2.2 of this Remuneration Report below.

(1) This resulted in the Annual VR opportunity for the Group Executive Legal and Commercial Services, Group Executive People and Culture and Group Executive Strategy and Innovation being aligned to the opportunity for the other Group Executives. The Group Chief Risk Officer's Annual VR opportunity was also increased from 70% of FR (at target opportunity) and 105% of FR (at maximum opportunity).

Non-executive directors	As disclosed in our 2021 Remuneration Report, the Board determined to increase non-executive director fees for 2022 to ensure the Group continues to attract and retain international calibre non-executive directors. This was the first increase in director payments since 1 January 2016. From 1 October 2021, the: <ul style="list-style-type: none">• Board Chair fee was increased from \$790,000 to \$825,000 and non-executive director Board fees were increased from \$230,000 to \$240,000• Risk and Compliance Committee Chair fee was increased from \$60,000 to \$65,000 and the member fee was increased from \$30,000 to \$32,500 due to the increased workload for this Committee over recent years• Minimum shareholding requirement for the Chair was increased to one times the annual Chair base fee to more closely align the Chair's interests with shareholder interests No increase will be applied to Board fees in 2023 (see Section 7 of this Remuneration Report).
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2.2 Executive remuneration outcomes in 2022

2022 Performance and Annual Variable Reward outcomes	2022 Annual VR outcomes
The Board assessed financial measures as highly achieved, non-financial measures as partially achieved and a GPI outcome of 92.5% (see Section 5 of this Remuneration Report). In arriving at this outcome, the Board adjusted the GPI result down in recognition of external factors that had benefited financial performance in 2022, particularly the impact of the rising interest rate environment. The qualitative and individual executive performance assessment reflected the disciplined execution of strategic initiatives and the business momentum maintained in 2022.	

The 2022 Annual VR outcomes were:

Position	Individual Annual VR outcomes		
	% of FR	% of Target Opportunity	% of Maximum Opportunity
Group CEO	111%	111%	74%
Group Executives	69% - 111%	92.5% - 111%	62% - 74%

The five-year overview shows modest outcomes when compared to targets set, while making good progress on strategy and delivering strong financial results.

Position	% of Annual VR maximum opportunity ⁽¹⁾				
	2022	2021	2020 ⁽²⁾	2019	2018
Group CEO	74%	81%	0%	0%	12%
Group Executives	62% - 74%	70% - 99%	0%	0%	0% - 70%

(1) The maximum opportunity was reduced in 2019 for the Group CEO and Group Executives when the current Annual VR and LTVR replaced the single VR plan in place for 2018.

(2) The Group CEO and Group Executives were not awarded any Annual VR for 2020 in recognition of the challenges faced by customers, shareholders and the community due to COVID-19.

Long-Term Variable Reward outcomes	The Board approves Long-Term Variable Reward (LTVR) awards annually to encourage long-term decision making critical to creating long-term value for shareholders. The quantum of the award and eligibility to participate is determined by the Board independently from Annual VR decisions.
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2022 LTVR award

- The Board assessed the Group CEO and all Group Executives as meeting the pre-grant individual performance and conduct requirements for 2022 and determined that each be awarded a 2022 LTVR award with a face value of 130% of their FR. LTVR awards will be granted in February 2023.

Remuneration Report (cont.)

- LTVR awards are granted at the maximum opportunity. The actual value delivered to the Group CEO and each Group Executive is subject to the level of achievement against the performance hurdle and may be zero if the performance hurdle is not achieved.
- For the Group CEO, a 2022 LTVR award of 111,645 performance rights is proposed to be granted in February 2023 (based on NAB's weighted average share price of \$29.11 over the last five trading days of the 2022 financial year). The grant of this award is subject to shareholder approval at NAB's 2022 AGM.
- Further details about the 2022 LTVR awards are presented in Section 3 of this Remuneration Report.

Long-Term Variable Reward outcomes (continued)	2017 Long-Term Incentive plan outcome				
	Plan Terms	2017	2016	2015	2014
Performance period	4 years	4 years	4 years	5 years	5 years
Date of testing	November 2021	November 2020	November 2019	November 2019	November 2018
Number of current Group Executives (including the Group CEO) who held the award ⁽¹⁾	5	3	2	4	4
% of award vested	65.7%	55.8%	37.6%	34.5%	0%
% of award lapsed	34.3%	44.2%	62.4%	65.5%	100%

(1) Number of Group Executives (including the Group CEO) who held the award and were a Group Executive on the vesting date.

2.3 Group executive appointments

The following table outlines the remuneration arrangements for Group Executives who were appointed to a new role in 2022. Further details are provided in Section 6 of this Remuneration Report.

Group Executive	Remuneration arrangement
Daniel Huggins, Managing Director and Chief Executive Officer, Bank of New Zealand (appointed 1 October 2021)	<ul style="list-style-type: none"> • Annual FR of \$1,107,773⁽¹⁾ with Annual VR maximum opportunity of 150% of FR and an LTVR maximum opportunity of 130% of FR. • Mr Huggins was an internal appointment. His previous role was Executive – Customer, Products and Services at the Bank of New Zealand (BNZ).
Angela Mentis, Group Chief Digital, Data and Analytics Officer (appointed 1 October 2021)	<ul style="list-style-type: none"> • Ms Mentis' remuneration did not change on appointment. Ms Mentis' annual FR remains at \$1,200,000 with an Annual VR maximum opportunity of 150% of FR and a LTVR maximum opportunity of 130% of FR. • Ms Mentis was an internal appointment. She was previously the Managing Director and Chief Executive Officer, Bank of New Zealand. • Relocation benefits were provided to support Ms Mentis' repatriation back to Australia.

(1) Mr Huggins' FR is presented in Australian dollars (AUD), converted from New Zealand dollars (NZD) using the average exchange rate of A\$1 = NZ\$1.083254 for the 2022 financial year. Mr Huggins' FR is NZD\$1,200,000.

2.4 Looking ahead to 2023

For 2023, the Board has considered current remuneration requirements and has determined a number of changes as summarised below.

Feature	Description
Fixed Remuneration	The FR of the Group Executives will be increased for 2023 to reflect external pay relativities. The Board has approved a FR increase of 2.5% for the Group Chief Risk Officer and 2% for the other Group Executives. The FR increases will be effective from 4 January 2023. No increase has been made to the FR of the Group CEO.
Long-Term Variable Reward	The terms of LTVR awards granted from 2023 onwards have been updated to change how those awards are treated where a participant ceases employment for any reason other than resignation prior to the end of the performance period. Where the participant ceases employment for any reason other than resignation (for example, retrenchment or retirement), they will retain all of their awards unless the Board determines a different treatment. The change relating to the treatment of awards on retirement may be applied to outstanding LTVR awards at the Board's discretion. Any LTVR awards a participant continues to hold remain subject to the performance hurdle, with that hurdle tested in accordance with the normal timetable.
Non-executive directors	On an annual basis, the Board conducts a review of the quantum of Board fees. Based on the review, the Board has determined no further changes will be made to Board fees for 2023.

2.5 CPS 511 compliance planning

The Board has made significant progress in reviewing the Group's remuneration framework against the requirements in CPS 511. Changes to the remuneration framework will address those requirements while rewarding colleagues competitively for continued performance and the delivery of the Group's strategic priorities. Changes to the remuneration framework will be communicated in the 2023 Remuneration Report.

The Group is implementing CPS 511 in two phases with Phase 1 focused on governance and compliance changes effective from 1 January 2023. Key focus areas have been:

- a holistic review of the performance management, colleague conduct and risk management frameworks. These underpin the Group remuneration framework and have been reviewed to ensure they continue to support the Group remuneration framework effectively.
- a review of the reporting process and information flows between the Board and its committees to ensure there is clear and effective reporting of performance, conduct, risk and remuneration outcomes.
- review of the compensation arrangements for, and monitoring and oversight of, the Group's third party service providers, to identify and mitigate material conflicts to the objectives of the Group's remuneration framework.

Phase 2 will focus on the review and implementation of VR related requirements which will be effective for the Group from 1 October 2023. The key VR-related changes being considered for implementation include:

- longer deferral of variable remuneration for the Group CEO and specified roles (e.g., Highly Paid Material Risk Takers) to ensure a long-term focus and shareholder alignment.
- review of Annual VR and LTVR performance measures to increase the focus on non-financial performance while ensuring that they continue to strengthen our focus on risk management in variable reward.

Remuneration Report (cont.)

2.6 Key management personnel

The list of NAB's Key Management Personnel (KMP) is assessed each year and comprises the non-executive directors of NAB, the Group CEO (an executive director of NAB) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of both NAB and the Group. KMP during 2022 were:

Name	Position	Term as KMP
Non-executive directors		
Philip Chronican	Chair	Full year
David Armstrong	Director	Full year
Kathryn Fagg	Director	Full year
Peeyush Gupta	Director	Full year
Anne Loveridge	Director	Full year
Douglas McKay	Director	Full year
Simon McKeon	Director	Full year
Ann Sherry	Director	Full year
Group CEO		
Ross McEwan	Group Chief Executive Officer and Managing Director	Full year
Group Executives		
Sharon Cook	Group Executive, Legal and Commercial Services	Full year
Shaun Dooley	Group Chief Risk Officer	Full year
Susan Ferrier	Group Executive, People and Culture	Full year
David Gall	Group Executive, Corporate and Institutional Banking	Full year
Nathan Goonan	Group Executive, Strategy and Innovation	Full year
Daniel Huggins ⁽¹⁾⁽²⁾	Managing Director and CEO of Bank of New Zealand	Full year
Andrew Irvine	Group Executive, Business and Private Banking	Full year
Gary Lennon	Group Chief Financial Officer	Full year
Les Matheson	Group Chief Operating Officer	Full year
Angela Menthis ⁽³⁾	Group Chief Digital, Data and Analytics Officer	Full year
Rachel Slade	Group Executive, Personal Banking	Full year
Patrick Wright	Group Executive, Technology and Enterprise Operations	Full year

(1) Daniel Huggins commenced as Managing Director and CEO of Bank of New Zealand from 1 October 2021. He was a KMP for the full year.

(2) All matters relating to the remuneration of Daniel Huggins including variable reward, have been approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand.

(3) Angela Menthis ceased as the Managing Director and CEO of Bank of New Zealand on 30 September 2021 and commenced as Group Chief Digital, Data & Analytics Officer on 1 October 2021. She was a KMP for the full year.

Section 3 - Our 2022 executive variable remuneration plans

3.1 Annual variable reward for 2022

The table below outlines the key features of the 2022 Annual VR plan for the Group CEO and Group Executives.

Feature	Description										
Purpose	Annual VR rewards the Group CEO and Group Executives for delivery of annual goals that drive long-term sustainable performance. It provides an appropriate level of remuneration that varies based on the Board's determination of Group and individual performance over the financial year measured against agreed targets for financial and non-financial measures that are set to drive delivery of the Group's strategy. The plan is not wholly formulaic. Judgement is applied through qualitative assessment as determined by the Board.										
Annual VR opportunity	Position Group CEO and Group Executives (excluding Group Chief Risk Officer) Target opportunity 100% of FR Maximum opportunity 150% of FR Group Chief Risk Officer 75% of FR 112.5% of FR										
Group performance	Group performance is assessed on achievement of financial and non-financial measures (Group Performance Indicators (GPI)) linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The qualitative assessment may result in the outcome being adjusted upwards or downwards (including to zero) for risk, quality of performance (including consideration of financial, sustainability, customer outcomes, environmental and social impact matters, and progress made against strategy) and any other matters as determined by the Board. Further detail on the 2022 GPI and outcome are provided in Section 5 of this Remuneration Report.										
Individual performance and measures	Individual performance is assessed against a scorecard comprised of key financial and non-financial goals. The weighting of measures reflects the responsibilities for each individual's role. The Group CEO's 2022 scorecard is aligned to the GPI.										
<table style="width: 100%; text-align: center;"> <tr> <td style="width: 20%;">Group CEO</td> <td style="width: 40%; background-color: #e74c3c; color: white;">60%</td> <td style="width: 10%;">15%</td> <td style="width: 10%;">15%</td> <td style="width: 10%;">10%</td> </tr> <tr> <td>Group Executives</td> <td style="background-color: #e74c3c; color: white;">20%</td> <td>20%</td> <td>20%</td> <td>20%</td> </tr> </table>		Group CEO	60%	15%	15%	10%	Group Executives	20%	20%	20%	20%
Group CEO	60%	15%	15%	10%							
Group Executives	20%	20%	20%	20%							
 <small>*The Board's assessment of the Group CEO's risk outcome is applied as an Individual Modifier.</small>											
Annual VR calculation	Individual Annual VR awards for the Group CEO and Group Executives ⁽¹⁾ are calculated as follows:										
											
Discretionary adjustments: Annual VR is discretionary and will vary in line with Group and individual performance and available funding. The Board may determine any amount be awarded from zero up to the maximum VR opportunity. The Group CEO's 2022 scorecard, assessment and outcomes are provided in Section 5 of this Remuneration Report.											
Award delivery and deferral	Annual VR is delivered as a combination of cash and deferred rights. Cash components of Annual VR are paid following the performance year to which they relate. Deferred rights granted are scheduled to vest pro-rata over four years from grant. Deferred rights are granted and vested by the Board at its discretion, subject to the relevant plan rules including malus and clawback provisions. A dividend equivalent payment for any vested deferred rights is paid at the end of each deferral period.										
Separation	If the Group CEO or Group Executive resigns they will not receive any Annual VR for that year and any unvested deferred rights will be forfeited. Unvested awards may be retained on separation in other circumstances prior to the end of the vesting period. The Board retains discretion to determine a different treatment. Vesting of any unvested awards retained will generally not be accelerated and will continue to be held by the individual on the same terms.										
Board discretion	The Board has extensive discretion in respect of the Annual VR awarded. Further detail on governance of Annual VR is outlined in Section 4 of this Remuneration Report.										

(1) All matters relating to the remuneration of Daniel Huggins, Managing Director and CEO BNZ, including scorecard measures and performance assessment, have been approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand. Daniel Huggins' Annual VR is calculated as VR Target Opportunity x (50% Group performance + 50% BNZ performance) x Individual Performance Score. BNZ performance is assessed based on Customer (30%); Colleagues (12.5%); Safe Growth (7.5%) and Financial (50%). The assessed overall BNZ performance for 2022 was 107%.

3.2 Long-term variable reward for 2022

The table below outlines the key features of the LTVR award in respect of 2022 for the Group CEO and Group Executives.

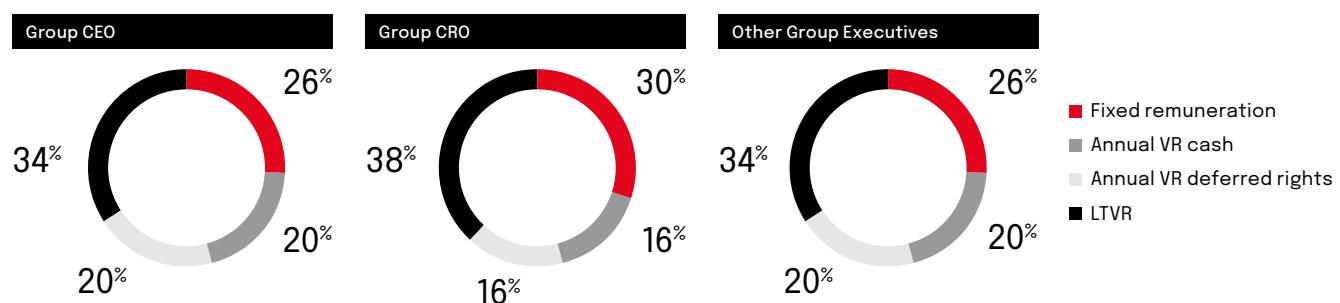
Feature	Description										
Purpose	LTVR awards are granted by the Board to encourage long-term decision making critical to creating long-term value for shareholders. They are determined and awarded independently from Annual VR decisions.										
Participants	Group CEO and Group Executives as determined by the Board.										
Award value	<p>The maximum face value of the LTVR award is 130% of FR for the Group CEO and Group Executives.</p> <p>The value of the LTVR granted is determined by the Board annually. The Board considered the Group's and the relevant participant's performance during 2022 when determining the LTVR to be granted to the participant.</p> <p>The actual value delivered to each participant is subject to the level of achievement against the performance hurdle and may be zero if the performance hurdle is not achieved.</p>										
Instrument	<p>The LTVR award is provided as performance rights.</p> <p>Each performance right entitles its holder to receive one NAB share at the end of the four year performance period, subject to the performance hurdle being satisfied.</p>										
Allocation approach	The number of performance rights to be granted is calculated by dividing the LTVR award face value by NAB's weighted average share price over the last five trading days of the financial year. The weighted average share price used for 2022 is \$29.11.										
Grant date	The award is scheduled to be granted in February 2023.										
Performance period	Four years from 15 November 2022 to 15 November 2026.										
Performance hurdle	<p>TSR measures the return that a shareholder receives through dividends (and any other distributions) together with capital gains over a specific period. For the purposes of calculating TSR over the performance period, the value of the relevant shares on the start date and the end date of the performance period are based on the volume weighted average price of those shares over the 30 trading days up to and including the relevant date.</p> <p>NAB's TSR is measured against the TSR peer group to determine the level of vesting:</p> <table border="1"> <thead> <tr> <th>NAB's relative TSR outcome</th> <th>Level of vesting</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile</td> <td>0%</td> </tr> <tr> <td>At 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentiles</td> <td>Pro-rata vesting from 50% to 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>The TSR peer group for the 2022 LTVR is AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited, Commonwealth Bank of Australia, Macquarie Group Limited, Suncorp Group Limited and Westpac Banking Corporation. This is the same as the 2021 LTVR TSR peer group.</p>	NAB's relative TSR outcome	Level of vesting	Below 50th percentile	0%	At 50th percentile	50%	Between 50th and 75th percentiles	Pro-rata vesting from 50% to 100%	At or above 75th percentile	100%
NAB's relative TSR outcome	Level of vesting										
Below 50th percentile	0%										
At 50th percentile	50%										
Between 50th and 75th percentiles	Pro-rata vesting from 50% to 100%										
At or above 75th percentile	100%										
Testing	TSR outcomes are calculated by an independent provider.										
No retesting	The performance hurdle is not retested. Any performance rights that have not vested after the end of performance period will lapse in December 2026.										
Dividends	No dividends are paid throughout the vesting period or in respect of vested performance rights.										
Separation	<p>The treatment of performance rights will depend on the reason for separation:</p> <ul style="list-style-type: none"> • Resignation: performance rights will be forfeited in full • All other circumstances including retrenchment and retirement: the performance rights will be retained in full unless otherwise determined by the Board in its absolute discretion⁽ⁱ⁾ <p>Any performance rights a participant continues to hold will remain subject to the performance hurdle, with the hurdle being tested in accordance with the normal timetable.</p>										
Board discretion	The Board has extensive discretion in respect of the LTVR, including the initial value to be granted, the amount of performance rights that vest and any forfeiture or clawback applied. Further detail is provided in Section 5 of this Remuneration Report.										

(i) For example if the participant retires prior to the end of the financial year in which the performance rights are granted, generally the Board will exercise its discretion to allow the participant to retain a pro-rata portion of the performance rights reflecting the proportion of the LTVR performance period served when the retirement occurs.

Section 5 of this Remuneration Report explains the 2017 LTI award outcome that was tested during 2022.

3.3 Remuneration mix

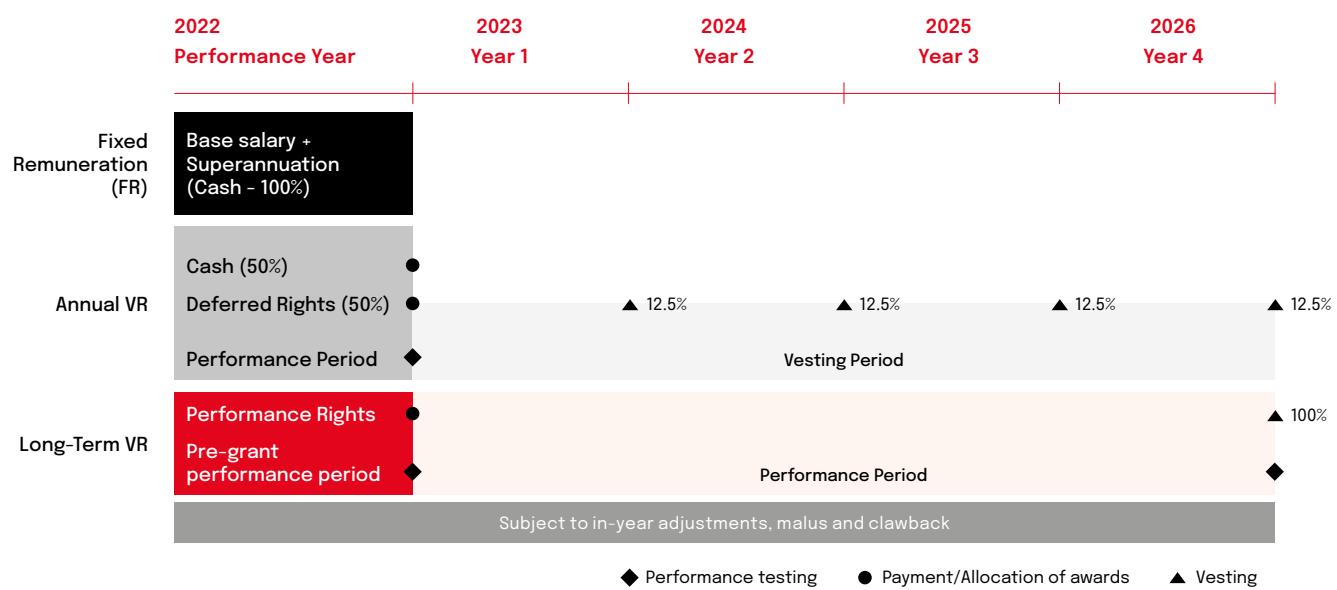
The 2022 remuneration mix for the Group CEO and Group Executives at maximum opportunity delivers approximately three-quarters of total remuneration as variable and 'at risk' remuneration. The actual remuneration mix for the Group CEO and each Group Executive is subject to Group⁽¹⁾ and individual performance each year.



The remuneration mix for the Group Chief Risk Officer, Group Executive Legal and Commercial Services, Group Executive People and Culture and Group Executive Strategy and Innovation changed in 2022 as outlined in Section 2.1 of this Remuneration Report. No other changes were made to the remuneration mix for the Group CEO or any other Group Executives.

3.4 Long-term alignment of remuneration

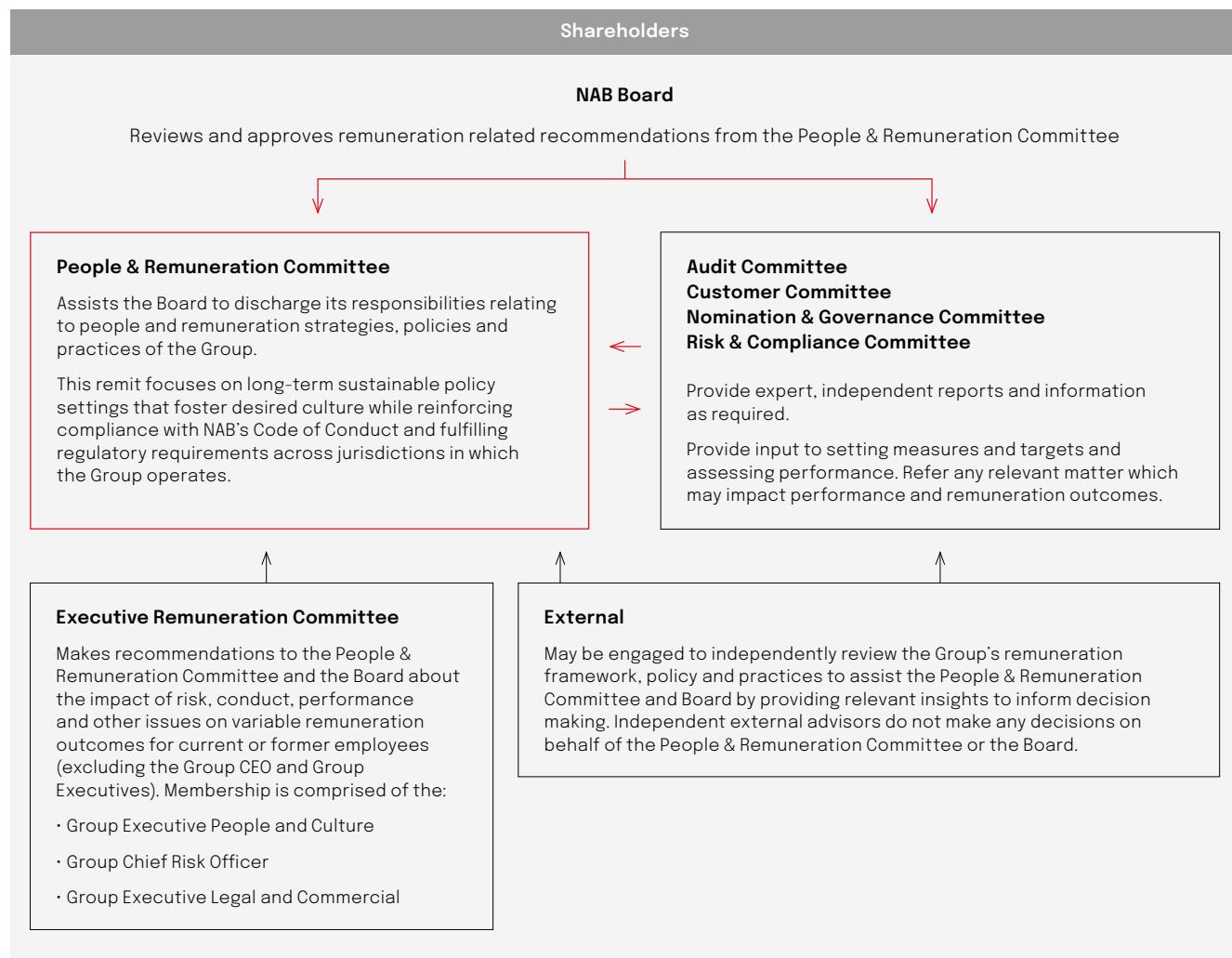
The executive remuneration framework incorporates deferral to ensure shareholder alignment and a focus on continued sustainable performance. A proportion of remuneration is deferred in the form of equity for up to four years. This encourages long-term decisions which are critical to creating sustainable value for customers and shareholders. The Board retains discretion to determine whether all or some variable reward (unvested, vested or paid) may be subject to malus and clawback. See Section 4 of this Remuneration Report for more detail.



(1) The outcome for the Managing Director and CEO BNZ will vary depending on overall Group and BNZ performance.

Section 4 - Governance, risk and consequence

4.1 Remuneration governance and oversight



4.2 People & Remuneration Committee

The Committee undertakes its activities to support the execution of the Group's strategy and in support of the Group's purpose, values and risk appetite. On behalf of the Board, the Committee's responsibilities include:

- developing and maintaining an effective Remuneration Policy and ensuring governance in its application.
- establishing robust performance measures and targets that support delivery of the Group's strategy and conduct aligned to NAB's Code of Conduct.
- ensuring performance and remuneration outcomes are responsible and consistent with the Group's strategy and risk appetite.
- making recommendations to the Board in relation to the assessment of performance and remuneration outcomes for the Group CEO, Group Executives and other persons determined by the Board.
- monitoring the effectiveness of the Colleague strategy including the attraction, retention and development of colleagues.
- oversight of culture, inclusion and diversity, talent management, leadership and succession matters.

The Committee noted the gender pay gap in 2022 was 10.9%, a slight deterioration on 2021 (10.6%). Gender equality remains a focus area for the Group.

In 2022, the Group engaged KPMG as an independent external consultant to review the effectiveness of the Group's remuneration framework in accordance with Prudential Standard CPS 510's triennial review requirement. Overall, the review found the Group remuneration framework was mostly effective in rewarding colleagues and supporting the Group's desired culture. External remuneration advisors did not make any remuneration recommendations on behalf of the Board.

Further detail about the Committee is provided in our *Corporate Governance Statement* (on page 74) and in the People & Remuneration Committee Charter which is available on NAB.com.au.

4.3 Board discretion in relation to remuneration

The Board regularly reviews Group performance during the year for risk, reputation, conduct and performance considerations. The Board's review includes the Group's quality of financial results, shareholder experience and other sustainability metrics relevant at the time.

The Board has absolute discretion to adjust the Rewards⁽¹⁾ of any employee down, or to zero, where appropriate including in circumstances where Group or individual performance outcomes have changed over time since the Reward was provided or for an act or omission that has impacted performance outcomes. Adjustments include, but are not limited to:

- determining the initial value of Rewards.
- varying the terms and conditions of Rewards, including performance measures and their weightings.
- determining that some, or all, of the unvested Rewards be forfeited during the deferral or performance period or at vesting, including due to the conduct standards - as set out in NAB's Code of Conduct - not being met.
- determining that unvested Rewards will be forfeited (including following the occurrence of a Malus Event⁽²⁾).
- extending the deferral period at any time for any Rewards.⁽³⁾
- clawing back paid and vested Rewards (to the extent legally permissible).

(1) In this Section, the term 'Rewards' refers to all forms of variable reward including cash provided under a variable reward plan, deferred variable rewards (cash and equity) to be paid or granted, LTVR performance rights and any variable rewards granted in previous years.

(2) Examples include where the executive has failed to comply with their accountability obligations under the *Banking Act 1959* (Cth); has engaged in fraud, dishonesty, gross misconduct, behaviour that may negatively impact the Group's long-term financial soundness or prudential standing or behaviour that brings NAB into disrepute; or has materially breached a representation, warranty, undertaking or obligation to the Group.

(3) For example, the Board may do so if the Board has reason to believe that an employee may not meet conduct standards or comply with their accountability obligations under the *Banking Act 1959* (Cth) or any other analogous or similar legislation or regulations.

4.4 Conduct, risk and consequence management

The People & Remuneration Committee regularly reviews the Group and individual outcomes for risk, reputation, conduct and performance considerations. This includes oversight of the Group's Employee Conduct Management framework which supports an appropriate risk culture across the Group. The Board, Group CEO and Group Executives influence culture by focusing on leadership behaviour, systems and colleagues, reinforced through performance and remuneration outcomes.

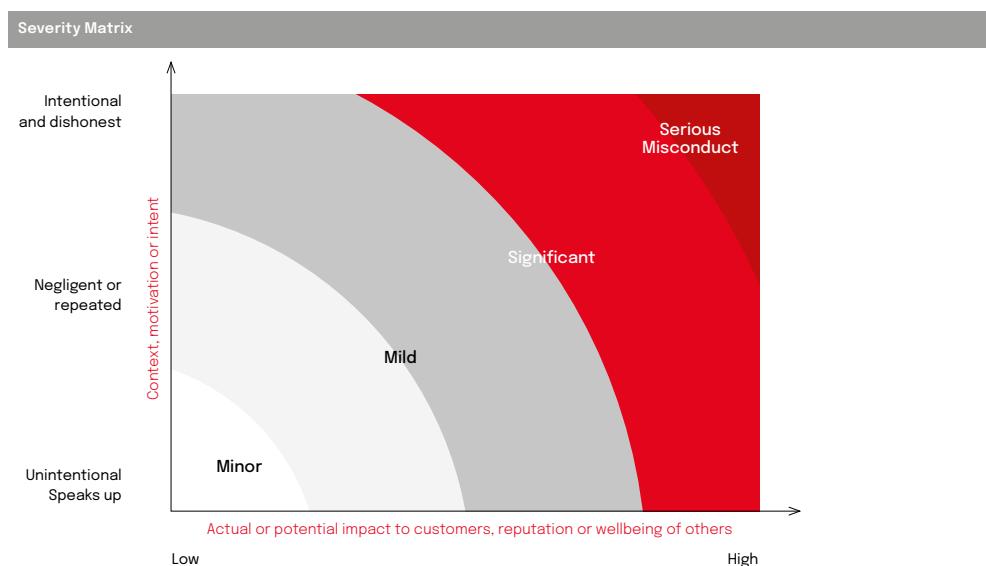
How conduct and risk are integrated in our remuneration framework

	Conduct management	Risk assessment
Scope	<ul style="list-style-type: none"> Applies to all colleagues including the Group CEO and Group Executives Colleagues are required to comply with the Code of Conduct and Colleague Conduct Framework 	<ul style="list-style-type: none"> Applies to all colleagues including the Group CEO and Group Executives All colleagues (excluding the Group CEO) have a mandatory risk goal in their annual performance scorecard. The Group CEO has a risk modifier applied to his Annual VR outcome
Assessment touch points	<ul style="list-style-type: none"> Throughout the year: Employee conduct matters are managed as they occur "in the moment" Quarterly: Conduct history is reviewed and conduct matters are discussed during quarterly performance check-ins as appropriate Annually: A comprehensive review and update is undertaken to calibrate any code of conduct breaches 	<ul style="list-style-type: none"> Throughout the year: Risk goals are monitored throughout the year along with continuous risk evaluation Quarterly: Risk goals and risk issues are discussed during quarterly performance check-ins as appropriate Annually: A comprehensive review and update is undertaken to calibrate any risk events
Individual assessment	<ul style="list-style-type: none"> Throughout the year: Leaders assess the severity of any employee conduct and risk matters and determine the appropriate consequence depending on the severity of the matter Consequences may include any combination of coaching, counselling, formal warnings, termination of employment, impacts to in-year performance assessment, reduction to variable reward outcomes and the application of malus or clawback At year end: Leaders undertake a holistic conduct history review and evaluate achievement of the risk goal. These are translated into the colleague's performance rating. Remuneration decisions are informed by the performance rating 	
Executive and Board oversight	<ul style="list-style-type: none"> In assessing conduct and consequence, each business and enabling unit maintains a professional Standards Forum which makes recommendations to the Executive Remuneration Committee (members include the Group Executive People and Culture, Group Chief Risk Officer and the Group Executive Legal and Commercial Services) The Executive Remuneration Committee oversees the effectiveness of the framework, reviews material events, accountability and the application of suitable consequences. The People & Remuneration Committee and the Board oversee consequences for the Group CEO and Group Executives 	<ul style="list-style-type: none"> Divisional Chief Risk Officers provide oversight, challenge and independent input into the performance review process The Group Chief Risk Officer prepares a detailed assessment of the risk outcomes for the Group CEO and each of the Group Executives The Risk & Compliance Committee assesses the Group Chief Risk Officer's outcomes. These assessments are used by the Board in determining individual variable reward outcomes for the Group CEO and Group Executives The Group CEO, Group Executives and employees receive higher variable reward if they are driving improvements in the management of risk and compliance. If risk is not appropriately managed, the individual's variable reward will be reduced and other consequences may be applied
Potential impacts on remuneration	<ul style="list-style-type: none"> Risk adjustment: On recommendation from the People & Remuneration Committee, the Board may adjust the "in-year" funding level of VR outcomes. The Board may also reduce VR for individuals to align with employee conduct or risk outcomes Malus: Grant and vesting of all VR is subject to the employee meeting the conduct standards outlined in NAB's Code of Conduct and risk expectations. The Board may determine that unvested awards should be adjusted or forfeited (including to zero) in circumstances where these conduct standards or risk expectations are not met Clawback: Clawback may be applied to paid and vested VR provided to any colleague including the Group CEO and Group Executives 	

Risk and conduct

Effective consequence management supports an appropriate risk culture across the Group. NAB's enhanced focus on risk and conduct management has been sustained in 2022:

- NAB's Code of Conduct (the Code) (available on [NAB.com.au](https://www.nab.com.au)) outlines what is expected of directors, leaders, colleagues and contractors who perform services on NAB's behalf. It captures not only NAB's legal and regulatory obligations, but also an expectation to act ethically and responsibly towards customers, colleagues and communities.
- The Code emphasises 'How We Work' and the key policies and guidelines which must be followed to achieve expected outcomes. There is a strong emphasis on speaking up about concerns and a guide to ethical decision making.
- The Code is supported by an approach to conduct and consequence management that focuses on fair, consistent and proportionate consequence outcomes when expectations are not met. Consequences are informed by the severity of the matter, including an assessment of intention or repetitive conduct.
- Professional Standards Forums in each business and enabling unit continue to review or note breaches of the Code at least quarterly, taking action to set the tone and reinforce NAB's standards of conduct and culture. Any material breaches or conduct that is materially inconsistent with the expected outcomes in the Code are reported to the People & Remuneration Committee.
- The Executive Remuneration Committee – a management committee – meets quarterly to make recommendations to the Board to consider applying their discretion to adjust variable remuneration for current or former employees (excluding the Group CEO and Group Executives) for material risk, conduct and reputational issues.
- Speak Up training deployed to every colleague, and a network of 158 Whistleblower champions foster psychological safety to speak up about concerns.
- NAB's performance framework (Peak performance) further embeds non-financial metrics with a stronger focus on risk, customer outcomes, and leadership and culture goals to align with Group strategy and values.
- Regular reporting, insights and data to support informed decision-making on risk and remuneration outcomes.



The Group CEO and Group Executives actively demonstrate strong risk management to set the "tone from the top" about expectations and behaviours. Risk issues that are identified are prioritised, clear accountability is defined and an action plan is created to resolve the issue. This has resulted in an improvement in conduct risk, driven by the increased use of analytical monitoring tools and implementation of assurance capabilities. Enhancements in the use of risk monitoring tools has resulted in improved identification of risk events and an increase in the number of identified risk cases relative to 2021.

Remuneration adjustments and consequence outcomes applied during 2022 are provided in the table below.

Remuneration Report (cont.)

	2022	2021
Employees recognised for their positive contribution to risk culture ⁽¹⁾	6,036	5,139
Employees identified as not having met risk expectations and accountabilities ⁽¹⁾	2,737	2,499
Code of Conduct breaches identified that resulted in formal consequences	5,788	4,843
Employees leaving due to consequence outcomes	166	209
Employees receiving coaching or other remedial actions	5,453	4,427
Employees recommended to receive an in-year performance rating and / or variable reward reduction of 5% to 100% ⁽²⁾	168	220
Equity forfeitures and in year variable reward adjustments as a result of Code of Conduct breaches and revisiting previous reward decisions	\$0.44m ⁽³⁾	\$1.05m ⁽⁴⁾

(1) The BNZ data in 2022 reflects all permanent employees eligible for an annual performance and remuneration review. Previously, only employees eligible to participate in the BNZ Deferred Variable Reward Plan (DVRP) were disclosed. This change shows the increased focus on risk management by all BNZ colleagues.

(2) Conduct outcomes are applied as conduct matters arise throughout the year. During the end of year performance and remuneration review process, governance checks and controls are applied to determine final performance and reward outcomes. Total number of cases may vary due to attrition.

(3) For 2022 this is an indicative figure as the full performance cycle has not concluded. The final figure will be reflected in the 2023 Remuneration Report.

(4) For 2021 this includes the value pertaining to in-year adjustments to variable reward as well as employees who left the organisation due to consequence outcomes (including on a voluntary basis).

Section 5 – Remuneration outcomes

5.1 Group performance

The Board determined Group performance for 2022 based on achievement against the Group Performance Indicators (GPI) outlined below. The GPI is linked to the Group's key strategic priorities, and has regard to a qualitative assessment of risk, quality of performance (including consideration of financial, sustainability, customer outcomes, environmental and social impact matters, and progress made against strategy) and any other matters as determined by the Board.

The 2022 GPI outcomes are:

Return on Total Allocated Equity (25%) (expected loss basis) ⁽¹⁾	Cash earnings (25%) (expected loss basis) ⁽¹⁾	Strategic Net Promoter Score⁽²⁾ (15%) (measures customer advocacy)
11.65% Against plan of 11.23%	\$6.60bn Against plan of \$6.15 billion	0 Consumer⁽³⁾⁽⁷⁾ Against plan of 2
 Outcome: Above Plan	 Outcome: Above Plan	-4 Business⁽⁴⁾ Against plan of 2
Colleague Engagement Score (15%) (measures colleague engagement and motivation)	Lending Market Share (10%) (composite growth across business lending, home lending and BNZ)	-3 High Net Worth & Mass Affluent⁽⁵⁾⁽⁷⁾ Against plan of 4
76 Against upper quartile target of 78–79	0.51% Against plan of 0.20%	#1 C&IB lead⁽⁶⁾⁽⁷⁾ Against plan of being #1
 Outcome: Partially Met	 Outcome: Above Plan	 Outcome: Partially Met
Intelligent Control Score (10%) (internal measure of the Group's control environment)		83 Against target of 75
		 Outcome: Above Target

(1) Calculation on an expected loss basis provides a view that is reflective of long-term underlying business performance and is less volatile than the Credit Impairment Charge view which in individual years can be impacted by large movements in economic adjustments and forward looking adjustments. Return on Total Allocated Equity on an expected loss basis remains sensitive to changes in the risk profile of the Group's portfolio.

(2) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

(3) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to August 2022. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(4) Sourced from DBM Consultants Business Atlas, results are shown as a six month rolling average to August 2022. Business NPS is now based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to \$100k turnover), Small (\$100k-\$5m turnover), Medium (\$5m-\$50m turnover), Large (\$50m+). Ranking based on absolute scores, not statistically significant differences.

(5) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to August 2022. Includes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(6) Peter Lee Associates – Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against all banks.

(7) Number one among major Australian banks.

As part of our governance process, the GPI outcome may be modified by the Board due to unsatisfactory risk or conduct findings. The Group Risk Performance assessment, undertaken by the Group Chief Risk Officer, reviewed the Group's practices, including through the lens of conduct and risk, with findings presented to the Board and the Board Risk and Compliance Committee.

The outcome of the AUSTRAC enforcement investigation, which resulted in the Group entering into an EU with AUSTRAC, was considered and reflected in the qualitative assessment by the Board of the GPI. No civil penalty proceedings were initiated by AUSTRAC.

The Board determined the final GPI outcome at 92.5% based on the level of achievement against the scorecard and their assessment of the qualitative overlay. In arriving at this outcome, the Board adjusted the GPI result down in recognition of external factors that had benefited financial performance in 2022, particularly the impact of the rising interest rate environment.

Remuneration Report (cont.)

In addition to annual performance, the long-term performance of the Group is assessed through the LTVR plan. Further detail about the LTVR plan outcomes is provided below.

Historical Group performance

The table below shows the Group's annual financial performance over the last five years and its impact on shareholder value, taking into account dividend payments, share price changes, and other capital adjustments during the period.

Financial performance measure	2022	2021	2020	2019	2018
Basic earnings per share (cents)	219.3	196.3	112.7	208.2	215.6
Cash earnings (\$m) ⁽¹⁾	7,104	6,558	3,710	5,853	5,702
Dividends paid per share (\$)	1.40	0.90	1.13	1.82	1.98
Company share price at start of year (\$)	27.83	17.75	29.70	27.81	31.50
Company share price at end of year (\$)	28.81	27.83	17.75	29.70	27.81
Absolute Total Shareholder Return - latest financial year	8.6%	61.9%	(36.4%)	13.3%	(5.4%)
Absolute Total Shareholder Return - rolling four financial year period	22.5%	6.9%	(11.5%)	29.6%	15.5%

(1) Information is presented on a continuing operations basis, unless otherwise stated. 2019 has been restated for the presentation of MLC Wealth as a discontinued operation. No other comparative periods have been restated.

The table below summarises the variable reward outcomes for the Group CEO and Group Executives over the last five years, including vesting of LTVR awards relating to prior periods.

	2022	2021	2020	2019	2018
Group CEO Annual VR (% of max. Annual VR) ⁽¹⁾	74%	81%	0%	0%	12%
Average Group Executives Annual VR (% of max. Annual VR) ⁽¹⁾	65%	83%	0%	0%	30%
LTVR award - four year performance period (% of total award vested) ⁽²⁾	66%	56%	38%	0%	0%
LTVR award - five year performance period (% of total award vested) ⁽³⁾	n/a	n/a	35%	0%	65%
NAB's four year relative TSR (S&P/ASX50) ⁽⁴⁾	n/a	n/a	23rd	20th	42nd
NAB's four year relative TSR (Top Financial Services peer group) ⁽⁴⁾⁽⁵⁾	71st	71st	57th	43rd	29th
NAB's five year relative TSR (S&P/ASX50) ⁽⁴⁾	n/a	n/a	22nd	35th	58th
NAB's five year relative TSR (Top Financial Services peer group) ⁽⁴⁾⁽⁵⁾	n/a	n/a	57th	43rd	57th

(1) The maximum Annual VR opportunity has changed over time, consistent with the relevant Annual VR plan.

(2) The amount shown for 2022 is the portion of the total 2017 LTI award that vested and for 2021 is the portion of the total 2016 LTI award that vested. Both awards were measured over a four year performance period, against relevant peer groups.

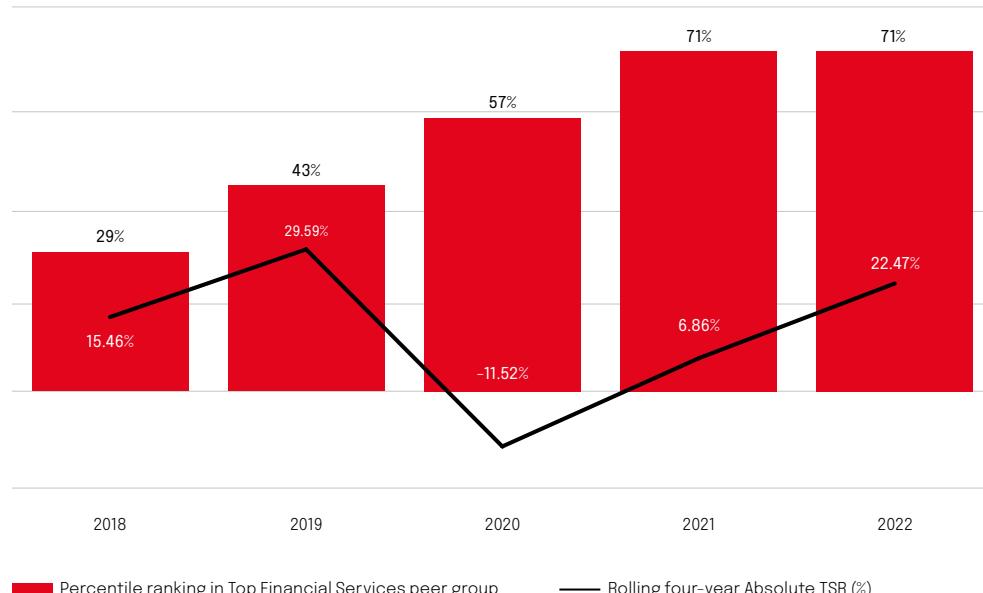
(3) The amount shown for 2020 is the percentage of the total 2014 LTI award that vested. The amount shown for 2018 is the portion of the total 2012 award that vested. Both awards were measured over a five year performance period against relevant peer groups.

(4) Measured over the performance period of the relevant LTVR award.

(5) The Top Financial Services peer group for all awards is: AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo & Adelaide Bank Limited, Commonwealth Bank of Australia, Suncorp Group Limited and Westpac Banking Corporation.

Four year TSR performance

The chart below shows the Group's Absolute TSR and Relative TSR performance for each four year period to 30 September over the last five years.



5.2 Group CEO and Group Executives' performance

The table below shows the key 2022 performance measures for the Group CEO and Group Executives and the Board's assessment of performance against those measures. The measures have been selected to support the Group strategy. The Board considers that the Group CEO and Group Executives have maintained momentum in delivering the Group strategy and have delivered strong results against the Group's business plan while also acknowledging the ongoing work to be done on financial crime remediation, prevention and risk management and improving customer advocacy.

Goal, objective and assessment	Weighting	Outcome
Financial⁽¹⁾: Deliver attractive returns, safe growth and the financial plan Strong financial performance with above plan cash earnings. The Group's balance sheet was maintained at prudent levels and the Group has maintained strong liquidity through 2022 with surpluses above regulatory requirements. <ul style="list-style-type: none">• Return on Total Allocated Equity (expected loss basis) of 11.65% was 42 basis points higher than plan reflecting higher cash earnings partially offset by higher allocated equity.• Cash earnings (expected loss basis) of \$6,598 million was \$444 million or 7.2% higher than plan due to:<ul style="list-style-type: none">- Higher revenue: \$863 million favourable to plan primarily due to higher average lending volumes, higher earnings on deposits and capital driven by the rising interest rate environment and lower funding costs.- Credit impairment charges (on an expected loss basis): \$95 million favourable to plan due to underlying asset quality improvements.- Higher expenses: \$333 million unfavourable to plan driven by costs of delivering the AUSTRAC EU, payroll and customer-related remediation and volume driven costs.• Improved weighted average market share⁽²⁾ of 21.93% or 51 basis points favourable to plan with improvements across all Australian lending segments offset by decreases in BNZ lending segments.	60%	Highly Achieved
Customers: Deliver a great customer experience and grow customer advocacy Strategic NPS ⁽³⁾ results were soft and below target in 3 out of 4 priority segments. <ul style="list-style-type: none">• Consumer NPS up 1 point from baseline (-1), with NAB ranked first of the major Australian banks. This was 2 points below target.⁽⁴⁾• Business NPS was 3 points below baseline (-1), with NAB ranked second among the major Australian banks. This was 6 points below target.⁽⁵⁾• HNW and Mass Affluent NPS was 2 points below baseline (-1), with NAB ranked equal first among the major Australian banks. This was 7 points below target.⁽⁶⁾• C&IB NPS leads peers. This was 11 points above target.⁽⁷⁾• Helping customers impacted by flooding in NSW and QLD with \$4.4 million provided in disaster relief measures in the first half of 2022.• Bolstering our climate and sustainable financing by contributing \$4.8 billion in the first half of 2022 (\$61.1 billion since 2016, to the first half of 2022) in environmental financing against a goal of \$70 billion by 2025.• Achieved highest scoring Australian bank in the 2021 Dow Jones Sustainability Index.	15%	Partially Achieved
Colleagues: Lead cultural change through energy, positivity, simplicity and engaged colleagues Employee engagement declined by 1 point falling below target compared to the prior year, reflecting work to do on realising our desired culture, including simplifying our processes while continuing to prioritise workload and wellbeing in certain areas. <ul style="list-style-type: none">• The Group's overall colleague engagement score of 76 (August 2022) was below the Group's 2022 target of 78-79 and top quartile engagement.⁽⁸⁾• Leadership score of 88 for August 2022, 3 points ahead of top quartile. 69% of leaders have completed the DLP.• Progress has been made towards gender equality with improved representation of women in Group 5 - 6 roles.• The CQIB, accredited by the Financial Services Institute of Australasia (FINSIA), has enrolled more than 14,000 colleagues into the program and has delivered over 8,000 graduates, having started the year with 2,000 graduates from 2021.	15%	Partially Achieved
Safe Growth: Deliver the Group strategy with improved processes and controls across the Group Improved management of the Group's obligations, risk and controls environment. <ul style="list-style-type: none">• Achieved an Intelligent Control Score (internal measure of the Group's control environment) of 83 against a target of 75 (and a baseline of 70).• Completion of the acquisition of the Citi consumer business and the ongoing integration of the acquired 86 400 business with ubank.	10%	Highly Achieved
Outcome before application of modifier	Achieved	
Risk modifier: Regulatory, breach management, progress on matters of interest, losses associated with operational events and remediation costs, reputation <ul style="list-style-type: none">• Strengthening of risk management practices and risk profile across the majority of Material Risk Categories driven by role modelling of effective risk management behaviours by leaders.• Improved Compliance Risk profile resulting in more obligations being rated as effective.• Reduction in losses due to operational risk driven by increased operational resilience.• Entered into an EU with AUSTRAC following its investigation into compliance with AML/CTF requirements by certain reporting entities within the Group.	Achieved	

Remuneration Report (cont.)

Goal, objective and assessment	Weighting	Outcome
How We Work modifier: <i>Individual conduct and demonstration of NAB's values</i>		Highly Achieved
The Group CEO demonstrated the Group's values and supported the Group's desired culture. <ul style="list-style-type: none"> • Continued focus on simplifying the business to achieve faster and more timely decisions. • Consistently driving accountability and performance focus with top 100 leaders. • Extensive engagement with key customers on a regular basis. • Focus on colleague wellbeing and development including ongoing training, education and support for employee mental health. 		
Overall Outcome The Group CEO's overall outcome was assessed as Highly Achieved reflecting his personal leadership contribution internally on strategic matters and externally on matters of significance, as well as role-modelling individual conduct and NAB's values.	CEO: 111% of target 74% of maximum opportunity	

(1) Calculation on an expected loss basis provides a view that is reflective of long-term underlying business performance and is less volatile than the Credit Impairment Charge view which in individual years can be impacted by large movements in economic adjustments and forward looking adjustments. Return on Total Allocated Equity on an expected loss basis remains sensitive to changes in the risk profile of the Group's portfolio.

(2) Weighted average market share is the market share growth composite across Australian Home Lending (40%) (APRA), New Zealand Home Lending (10%) and New Zealand Business Lending (10%) (RBNZ) based on August 2021 baseline combined with Australian SME Lending (40%) (RBA) based on a July 2021 baseline.

(3) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

(4) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to August 2022. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(5) Sourced from DBM Consultants Business Atlas, results are shown as a six month rolling average to August 2022. Business NPS is now based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to \$100k turnover), Small (\$100k-\$5m turnover), Medium (\$5m-\$50m turnover), Large (\$50m+). Ranking based on absolute scores, not statistically significant differences.

(6) Sourced from DBM Consultants Consumer Atlas, results are shown as a six month rolling average to August 2022. Includes consumers with Personal income of \$260k+ and/or investible assets \$1m+. Ranking based on absolute scores, not statistically significant differences.

(7) Peter Lee Associates – Large Corporate and Institutional Relationship Banking Survey Australia 2022. Ranking against all banks included in survey.

(8) Top quartile engagement score is 78. This is based on the methodology adopted by Glint (which conducts the Heartbeat survey). Top quartile is based upon Glint's client group (domestic and global, from all industries).

5.3 In-year variable reward outcomes

Group CEO and Group Executives

The table below outlines the Annual VR outcome for the Group CEO and each Group Executive for 2022 compared to each individual's maximum Annual VR opportunity. The variance in the individual scores reflects differences in individual performance.

Name	Maximum Annual VR opportunity	Total Annual VR	Annual VR cash	VR deferred rights	% of maximum Annual VR opportunity
	\$	\$	\$	\$	%
Group CEO					
Ross McEwan	3,750,000	2,775,000	1,387,500	1,387,500	74
Group Executives					
Sharon Cook	1,431,477	882,744	441,372	441,372	62
Shaun Dooley	1,350,000	832,500	416,250	416,250	62
Susan Ferrier	1,356,136	836,284	418,142	418,142	62
David Gall	1,808,182	1,282,302	641,151	641,151	71
Nathan Goonan	1,356,136	836,284	418,142	418,142	62
Andrew Irvine	1,808,182	1,338,055	669,028	669,027	74
Gary Lennon	1,657,500	1,124,338	562,169	562,169	68
Les Matheson	1,582,159	975,665	487,833	487,832	62
Angela Mantis	1,808,182	1,115,045	557,522	557,523	62
Rachel Slade	1,808,182	1,170,798	585,399	585,399	65
Patrick Wright	2,260,227	1,393,807	696,904	696,903	62
Daniel Huggins ⁽¹⁾	1,661,660	1,160,254	580,127	580,127	70
Total	23,638,023	15,723,076	7,861,539	7,861,537	67

(1) VR converted from NZD using the average exchange rate for the 2022 financial year. The Board approved VR for Daniel Huggins of \$1,138,245 based on a spot exchange rate of A\$1 = NZ\$1.1042.

5.4 Prior year long-term incentive awards

(a) 2017 LTI award testing

The performance hurdles for the 2017 LTI award were tested during 2022 following the end of the four year performance period. The performance measures were partially achieved resulting in 65.7% of the total performance rights vesting and 34.3% lapsing. The table below sets out details of the outcomes.

Performance hurdle	Performance period	% of award	Result	% of rights vested	% of rights lapsed
NAB's Cash Return On Equity growth ⁽¹⁾	2018 to 2021 financial years	40	Ranked 3rd	25%	75%
NAB's TSR relative to Top Financial Services peer group ⁽²⁾⁽³⁾	14/11/2017 to 14/11/2021	60	71st percentile ranking	93%	7%

(1) Assessed against Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Westpac Banking Corporation. For Commonwealth Bank of Australia the financial year is from July to June and for NAB and the other banks, from October to September.

(2) The peer group for this performance hurdle is: AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo & Adelaide Bank Limited, Commonwealth Bank of Australia, Suncorp Group Limited and Westpac Banking Corporation.

(3) TSR is based on the 30 trading day volume weighted average price of the relevant shares up to and including the start and end of the performance period.

(b) Overview of unvested long-term awards

The following is a summary of the unvested long-term awards held by the Group CEO and Group Executives.

Award	Grant date	Performance period	Vesting date	Performance hurdles
2019 LTVR	26/02/2020	15/11/2019 to 15/11/2023	22/12/2023	NAB's TSR performance against a financial services peer group
2020 LTVR	24/02/2021	15/11/2020 to 15/11/2024	22/12/2024	NAB's TSR performance against a financial services peer group
2021 LTVR	23/02/2022	15/11/2021 to 15/11/2025	22/12/2025	NAB's TSR performance against a financial services peer group

Details of LTI and LTVR awards granted in respect of previous years can be found in NAB's previous remuneration reports which are available at nab.com.au/about-us/shareholder-centre/financial-disclosures-and-reporting/annual-reporting-suite.

5.5 Realised remuneration

The table below is a voluntary non-statutory disclosure that shows the realised remuneration the Group CEO and each Group Executive received during 2022. The amounts shown include fixed remuneration, previous years' deferred variable reward which vested in 2022, and other equity and cash based awards that vested in 2022. The value of equity awards is calculated using NAB's closing share price on the vesting or forfeiture or lapsing date. Not all amounts have been prepared in accordance with Australian Accounting Standards and this information differs from the statutory remuneration table (in Section 6 of this Remuneration Report) which shows the expense for vested and unvested awards in accordance with Australian Accounting Standards.

Name		2022			Prior years			Total realised remuneration	Equity forfeited / lapsed ⁽⁴⁾
		Fixed remuneration ⁽¹⁾	Annual VR cash remuneration	Total 2022	LTI Performance Rights ⁽²⁾	Other vested/ paid remuneration ⁽³⁾			
Group CEO									
Ross McEwan	2022	2,502,740	1,387,500	3,890,240	-	-	3,890,240	-	
	2021	2,503,866	1,509,375	4,013,241	-	-	4,013,241	-	
Group Executives									
Sharon Cook	2022	939,001	441,372	1,380,373	557,019	13,790	1,951,182	(294,095)	
	2021	903,514	396,900	1,300,414	-	8,865	1,309,279	-	
Shaun Dooley	2022	1,174,850	416,250	1,591,100	-	-	1,591,100	-	
	2021	1,079,637	424,463	1,504,100	201,543	709	1,706,352	(201,543)	
Susan Ferrier	2022	902,116	418,142	1,320,258	-	16,198	1,336,456	-	
	2021	900,988	347,288	1,248,276	-	6,942	1,255,218	-	
David Gall	2022	1,202,821	641,151	1,843,972	905,143	-	2,749,115	(477,886)	
	2021	1,209,534	819,000	2,028,534	595,888	-	2,624,422	(472,097)	
Nathan Goonan	2022	902,116	418,142	1,320,258	-	4,667	1,324,925	-	
	2021	904,279	396,900	1,301,179	201,543	3,117	1,505,839	(201,543)	
Andrew Irvine	2022	1,202,822	669,027	1,871,849	-	767,561	2,639,410	-	
	2021	1,201,430	787,500	1,988,930	-	1,492,093	3,481,023	-	
Gary Lennon	2022	1,102,587	562,169	1,664,756	994,641	15,918	2,675,315	(525,196)	
	2021	1,109,009	577,500	1,686,509	744,849	10,233	2,441,591	(590,116)	
Les Matheson ⁽⁵⁾	2022	1,052,469	487,832	1,540,301	-	-	1,540,301	-	
	2021	761,178	397,202	1,158,380	-	-	1,158,380	-	
Angela Mantis	2022	1,205,315	692,367	1,897,682	1,193,581	44,380	3,135,643	(630,195)	
	2021	1,346,827	893,340	2,240,167	744,849	27,938	3,012,954	(590,116)	
Rachel Slade	2022	1,202,822	585,399	1,788,221	-	15,785	1,804,006	-	
	2021	1,203,746	787,500	1,991,246	201,543	10,857	2,203,646	(201,543)	
Patrick Wright	2022	1,503,527	696,903	2,200,430	1,293,065	81,400	3,574,895	(682,694)	
	2021	1,503,141	984,375	2,487,516	-	52,329	2,539,845	-	
Daniel Huggins	2022	1,124,003	580,127	1,704,130	-	696,728⁽⁶⁾	2,400,858	-	

(1) Includes cash salary and superannuation consistent with the statutory remuneration table in Section 6.1, excluding accrued annual leave entitlements.

(2) Amounts relate to 2017 LTI Performance Rights granted on 19 December 2017 and vesting on 20 December 2021 (2022 financial year). Further information about the performance hurdles and performance period for this award is provided in Section 5.4. Details of the vested equity awards are provided in Section 6.

(3) Amounts related to other vested equity or cash based remuneration from prior years (excluding LTI performance rights). This includes VR deferred rights, commencement awards, shares received under the General Employee Share Offer and dividends paid during 2022 in relation to any deferred share awards. Details of the vested equity awards are provided in Section 6.

(4) Awards or remuneration lapsed or forfeited during 2022. Details of the awards are provided in Section 6.

(5) Les Matheson was a part-year KMP in 2021, commencing in his role on 11 January 2021.

(6) Daniel Huggins' remuneration includes VR paid during the year relating to the period before he was a KMP.

Section 6 - Group CEO and Group Executive statutory remuneration disclosures

6.1 Group CEO and Group Executive statutory remuneration

The following table has been prepared in accordance with Australian Accounting Standards and Section 300A of the *Corporations Act 2001* (Cth). The table shows details of the nature and amount of each element of remuneration paid or awarded to the Group CEO and Group Executives for services provided during the year while they were KMP (including variable reward amounts in respect of performance during the year which are paid following the end of the year). In addition to the remuneration benefits below, NAB paid an insurance premium for a contract insuring the Group CEO and Group Executives as officers. It is not possible to allocate the benefit of this premium between individuals. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the premium paid.

Name		Short-term benefits				Post-employment benefits	Equity-based benefits				Total ⁽⁹⁾
		Cash salary ⁽¹⁾		Annual VR cash ⁽²⁾	Non-monetary ⁽³⁾		Other long-term benefits ⁽⁵⁾		Shares ⁽⁶⁾	Rights ⁽⁷⁾	
		\$	\$	\$	\$		\$	\$	\$	\$	
Group CEO											
Ross McEwan	2022	2,450,563	1,387,500	-		23,410	17,170	-	2,392,323	-	6,270,966
	2021	2,480,543	1,509,375	-		23,323	14,278	-	1,265,716	-	5,293,235
Group Executives											
Sharon Cook	2022	882,372	441,372	585		23,685	8,886	53,093	680,593	-	2,090,586
	2021	873,563	396,900	-		23,047	7,289	53,093	555,234	-	1,909,126
Shaun Dooley	2022	1,123,618	416,250	585		23,616	40,042	-	1,012,079	-	2,616,190
	2021	1,043,862	424,463	-		23,117	39,280	43	324,667	-	1,855,432
Susan Ferrier	2022	833,168	418,142	585		23,685	6,209	109,365	783,776	-	2,174,930
	2021	874,489	347,288	-		23,047	5,140	62,310	383,864	-	1,696,138
David Gall	2022	1,151,208	641,151	2,842		28,495	19,370	-	946,763	-	2,789,829
	2021	1,183,492	819,000	2,257		26,042	21,384	-	535,355	-	2,587,530
Nathan Goonan	2022	808,894	418,142	585		23,685	14,776	17,211	815,077	-	2,098,370
	2021	801,835	396,900	-		23,047	13,982	17,405	219,729	-	1,472,898
Andrew Irvine	2022	1,146,875	669,027	117,079		23,581	6,800	496,345	1,221,057	-	3,680,764
	2021	1,201,292	787,500	378,543		23,152	5,577	1,033,703	584,174	870,000	4,883,941
Gary Lennon	2022	1,062,018	562,169	585		23,616	17,823	61,286	748,848	-	2,476,345
	2021	1,081,673	577,500	-		23,117	19,670	61,286	346,078	-	2,109,324
Les Matheson ⁽¹⁰⁾	2022	1,012,014	487,832	585		23,633	5,950	-	967,032	-	2,497,046
	2021	777,665	397,202	261,174		17,676	3,516	-	354,116	-	1,811,349
Angela Mantis	2022	1,163,359	692,367	13,977		23,461	19,103	167,181	938,526	-	3,017,974
	2021	1,443,847	893,340	238,391		35,816	34,284	167,333	518,543	-	3,331,554

Remuneration Report (cont.)

Name		Short-term benefits			Post-employment benefits	Equity-based benefits					Total ⁽⁹⁾
		Annual VR cash ⁽²⁾		Non-monetary ⁽³⁾		Other long-term benefits ⁽⁵⁾		Shares ⁽⁶⁾		Rights ⁽⁷⁾	
		Cash salary ⁽¹⁾	\$	\$		\$	\$	\$	\$	\$	\$
Rachel Slade	2022	1,160,503	585,399	585	23,581	12,832	60,774	1,213,405	-	3,057,079	
	2021	1,139,169	787,500	-	23,152	11,224	60,817	524,602	-	2,546,464	
Patrick Wright	2022	1,555,186	696,903	134,929	23,476	14,030	313,399	1,082,488	-	3,820,411	
	2021	1,520,158	984,375	274,890	23,257	12,148	313,399	1,137,646	-	4,265,873	
Daniel Huggins	2022	1,050,508	580,127	-	94,514	-	198,570	631,168	-	2,554,887	
Total	2022	15,400,286	7,996,381	272,922	382,438	182,991	1,477,224	13,433,135	-	39,145,377	
Total	2021	14,421,588	8,321,343	1,155,255	287,793	187,772	1,769,389	6,749,724	870,000	33,762,864	

(1) Includes cash allowances, payroll remediation payments, motor vehicle benefits, parking and short-term compensated absences, such as annual leave entitlements accrued. Any related fringe benefits tax is included.

(2) The VR cash received in respect of 2022 is scheduled to be paid on 21 December 2022 in Australia and 23 November 2022 in New Zealand.

(3) Includes relocation costs considered to provide a benefit to the individual (including temporary accommodation, furniture rental, utility costs, dependant travel costs, insurance, stamp duty, associated fringe benefit tax and other benefits). For international assignees this may also include the provision of health fund benefits and tax advisory services.

(4) Includes company contributions to superannuation and allocations by employees made by way of salary sacrifice of post-tax fixed remuneration. Superannuation contributions are not required to be paid to individuals based in New Zealand but such payments may be made as part of cash salary.

(5) Includes long service leave entitlements accrued based on an actuarial calculation.

(6) 2022 expense based on the grant date fair value, amortised on a straight line basis over the vesting period for:

(a) General Employee shares granted in December 2018 to Nathan Goonan and Angela Menthis, and in December 2019 to Nathan Goonan.

(b) Recognition shares granted to Susan Ferrier in February 2021, restricted until December 2023. The shares are subject to continued employment, malus and clawback provisions.

(c) Commencement shares granted to Andrew Irvine in November 2020. 21% of the shares were restricted until December 2020, 21% until December 2021, 24% until December 2022, 31% until December 2023 and 3% in December 2024. The shares are subject to continued employment, malus and clawback provisions. Commencement shares granted to Daniel Huggins in August 2020 restricted until September 2022.

(d) 2018 VR deferred shares granted in February 2019 to Sharon Cook, Gary Lennon, Angela Menthis, Rachel Slade and Patrick Wright. The shares are restricted for approximately four years, subject to performance and service conditions. 2019 VR deferred shares granted in February 2020 to Nathan Goonan for performance in his previous role. The shares are restricted for approximately three years, subject to performance and service conditions. 2022 VR deferred shares granted in February 2022 to Daniel Huggins for performance in his previous role, restricted until November 2022.

(7) 2022 expense based on the grant date fair value, amortised on a straight line basis over the vesting period for:

(a) 2022 VR deferred rights scheduled to be granted in February 2023. The VR deferred rights are restricted for up to four years, with 25% scheduled to vest in November 2023, 25% in November 2024, 25% in November 2025 and 25% in November 2026. The deferred rights are subject to continued employment, malus and clawback.

(b) 2021 VR deferred rights granted in February 2022, with 25% scheduled to vest in November 2022, 25% in November 2023, 25% in November 2024 and 25% in November 2025. The deferred rights are subject to continued employment, malus and clawback.

(c) 2017 LTI performance rights granted in December 2017 under the Group's previous LTI program. The 2017 LTI was tested in 2021 and 65.7% of the performance rights vested and the remaining 34.3% lapsed. The associated expense for the lapsed rights were reversed.

(d) 2019, 2020 and 2021 LTVR performance rights granted in February 2020, February 2021 and February 2022 respectively and 2022 LTVR performance rights scheduled to be granted in February 2023 as described in Section 1.2 and Section 3.2.

The increase for 2022 is due to expensing of new performance rights allocated in respect of the 2022 financial year, in addition to continued expensing of existing performance rights not yet vested.

(8) For Andrew Irvine, the 2021 amount shown is a portion of his commencement award paid in cash in December 2020. In accordance with Australian Accounting Standards this amount has been expensed in 2020 and 2021. Andrew received a commencement award to compensate for the loss of deferred benefits and current year variable reward on leaving his former employer. The award consists of \$630,000 cash paid in December 2020 and \$2,060,000 in restricted shares. The remaining \$450,000 was paid in May 2021 to compensate Andrew for an incentive related pension entitlement lost on leaving his former Canadian employer.

(9) The percentage of 2022 total remuneration which was performance-based was: Ross McEwan 60%, Sharon Cook 56%, Shaun Dooley 55%, Susan Ferrier 60%, David Gall 57%, Nathan Goonan 60%, Andrew Irvine 65%, Gary Lennon 55%, Les Matheson 58%, Angela Menthis 60%, Rachel Slade 61%, Daniel Huggins 55%, Patrick Wright 55%.

(10) Les Matheson was a part-year KMP in 2021, commencing in his role on 11 January 2021.

6.2 Value of shares and rights

The following table shows the number and value of shares and rights that were granted by NAB and held by the Group CEO and each Group Executive under NAB's employee equity plans during the year to 30 September 2022. Rights refers to VR deferred rights, LTI performance rights, LTVR performance rights and any other deferred rights or performance rights provided under a current or previous VR plan. A right is a right to receive one NAB share subject to the satisfaction of the relevant performance and service conditions. The grant value shown is the full accounting value to be expensed over the vesting period, which is generally longer than the current year. The Group CEO and Group Executives did not pay any amounts for rights that vested and were exercised during 2022. There are no amounts unpaid on any of the shares exercised.

There have been no changes to the terms and conditions of these awards, or any other awards since the awards were granted.

All rights that vest are automatically exercised when they vest. For the awards allocated during the year to 30 September 2022, the maximum number of shares or rights that may vest is shown for the Group CEO and each Group Executive. The maximum value of the equity awards is the number of shares or rights subject to NAB's share price at the time of vesting. The minimum number of shares or rights and the value of the equity awards is zero if the equity is fully forfeited or lapsed.

Name		Total		2022				
		Granted ⁽¹⁾	Grant date	Granted	Forfeited / lapsed ⁽²⁾	Forfeited / lapsed ⁽³⁾	Vested ⁽⁴⁾	
No.		\$	No.	\$	No	\$		
Group CEO								
Ross McEwan	LTVR rights	180,655	24-02-2021	-	-	-	-	
	Deferred VRD rights	54,806	23-02-2022	1,509,357	-	-	-	
	LTVR rights	118,010	23-02-2022	2,041,573	-	-	-	
Group Executives								
Sharon Cook	LTI rights	29,725	19-12-2017	-	(10,201)	(294,095)	19,524	
	Variable Reward Deferral	9,850	27-02-2019	-	-	-	-	
	LTVR rights	30,150	26-02-2020	-	-	-	-	
	LTVR rights	65,036	24-02-2021	-	-	-	-	
	Deferred VRD rights	14,411	23-02-2022	396,879	-	-	-	
	LTVR rights	42,483	23-02-2022	734,956	-	-	-	
Shaun Dooley	LTVR rights	33,500	26-02-2020	-	-	-	-	
	LTVR rights	72,262	24-02-2021	-	-	-	-	
	Deferred VRD rights	15,412	23-02-2022	424,446	-	-	-	
	LTVR rights	51,924	23-02-2022	898,285	-	-	-	
Susan Ferrier	Recognition shares	11,570	24-02-2021	-	-	-	-	
	LTVR rights	65,036	24-02-2021	-	-	-	-	
	Deferred VRD rights	12,610	23-02-2022	347,279	-	-	-	
	LTVR rights	42,483	23-02-2022	734,956	-	-	-	
David Gall	LTI rights	48,302	19-12-2017	-	(16,576)	(477,886)	31,726	
	LTVR rights	52,261	26-2-2020	-	-	-	-	
	LTVR rights	86,714	24-2-2021	-	-	-	-	
	Deferred VRD rights	29,738	23-02-2022	818,985	-	-	-	
	LTVR rights	56,644	23-02-2022	979,941	-	-	-	
Nathan Goonan	General employee shares	33	12-12-2018	-	-	-	33	
	General employee shares	39	11-12-2019	-	-	-	945	
	Variable Reward Deferral	2,604	26-02-2020	-	-	-	-	
	LTVR rights	65,036	24-02-2021	-	-	-	-	
	Deferred VRD rights	14,411	23-02-2022	396,879	-	-	-	
	LTVR rights	42,483	23-02-2022	734,956	-	-	-	

Remuneration Report (cont.)

Name		Total		2022				
		Granted ⁽¹⁾	Grant date	Granted	Forfeited / lapsed ⁽²⁾	Forfeited / lapsed ⁽³⁾	Vested ⁽⁴⁾	
		No.	\$	No.	\$	No.	\$	
Andrew Irvine	Commencement shares	86,371	6-11-2020	-	-	-	23,004	663,435
	LTVR rights	86,714	24-02-2021	-	-	-	-	-
	Deferred VRD rights	28,594	23-02-2022	787,479	-	-	-	-
	LTVR rights	56,644	23-02-2022	979,941	-	-	-	-
Gary Lennon	LTI rights	53,080	19-12-2017	-	(18,217)	(525,196)	34,863	994,641
	Variable Reward Deferral	11,370	27-02-2019	-	-	-	-	-
	LTVR rights	47,906	26-02-2020	-	-	-	-	-
	LTVR rights	79,488	24-02-2021	-	-	-	-	-
	Deferred VRD rights	20,969	23-02-2022	577,486	-	-	-	-
	LTVR rights	51,924	23-02-2022	898,285	-	-	-	-
Les Matheson	LTVR rights	75,875	24-02-2021	-	-	-	-	-
	Deferred VRD rights	14,422	23-02-2022	397,182	-	-	-	-
	LTVR rights	49,564	23-02-2022	857,457	-	-	-	-
Angela Mantis	General employee shares	33	12-12-2018	-	-	-	33	945
	LTI rights	63,695	19-12-2017	-	(21,859)	(630,195)	41,836	1,193,581
	Variable Reward Deferral	31,009	27-02-2019	-	-	-	-	-
	LTVR rights	52,261	26-02-2020	-	-	-	-	-
	LTVR rights	86,714	24-02-2021	-	-	-	-	-
	Deferred VRD rights	32,437	23-02-2022	893,315	-	-	-	-
Rachel Slade	LTVR rights	56,644	23-02-2022	979,941	-	-	-	-
	Variable Reward Deferral	11,275	27-02-2019	-	-	-	-	-
	LTVR rights	39,195	26-02-2020	-	-	-	-	-
	LTVR rights	86,714	24-02-2021	-	-	-	-	-
	Deferred VRD rights	28,594	23-02-2022	787,479	-	-	-	-
Patrick Wright	LTVR rights	56,644	23-02-2022	979,941	-	-	-	-
	LTI rights	69,003	19-12-2017	-	(23,680)	(682,694)	45,323	1,293,065
	Variable Reward Deferral	58,143	27-02-2019	-	-	-	-	-
	LTVR rights	65,326	26-02-2020	-	-	-	-	-
	LTVR rights	108,393	24-02-2021	-	-	-	-	-
	Deferred VRD rights	35,743	23-02-2022	984,362	-	-	-	-
Daniel Huggins	LTVR rights	70,806	23-02-2022	1,224,944	-	-	-	-
	Commencement shares	6,115	19-08-2020	-	-	-	6,115	185,285
	LTVR rights	54,019	23-02-2022	934,529	-	-	-	-
	Variable reward deferral	6,005	23-02-2022	174,085	-	-	-	-

(1) The following securities have been granted during 2022:

a) LTVR performance rights allocated in February 2022 (in respect of 2021) to the Group CEO and all Group Executives. The performance rights are restricted until December 2025 and subject to service and performance hurdles.

(2) The following securities have lapsed during 2022:

a) LTI performance rights allocated in December 2017 were partially lapsed in December 2021 for Sharon Cook, David Gall, Gary Lennon, Angela Mantis and Patrick Wright. Further details are provided in Section 5.4.

(3) Calculated using NAB's closing share price on the forfeiture / lapsing date.

(4) The following securities have vested during 2022:

a) General employee shares granted to Nathan Goonan and Angela Mantis in December 2018, fully vested in December 2021.

b) LTI performance rights allocated in December 2017 partially vested in December 2021 for Sharon Cook, David Gall, Gary Lennon, Angela Mantis and Patrick Wright. Further details are provided in Section 5.4.

c) Commencement Shares granted in November 2020 partially vested in February 2022 for Andrew Irvine.

d) Commencement Shares granted in November 2020 vested in September 2022 for Daniel Huggins.

(5) Calculated using NAB's closing share price on the vesting date.

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6.3 Determining the value of equity remuneration

The number of shares and rights provided to the Group CEO and Group Executives by NAB are determined using a face value methodology. The table below shows the fair value of shares and rights granted by NAB during 2022 in accordance with statutory requirements. The grant date fair value of each share is determined by the market value of NAB shares and is generally a five day weighted average share price. The grant date fair value of shares and rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.

No performance options have been granted during the year. Shares and rights granted during 2022 were granted at no cost to the Group CEO or Group Executive and have a zero exercise price.

Type of allocation	Award type	Grant date	Grant share price ⁽¹⁾ \$	Fair value \$	Restriction period end ⁽²⁾
Deferred Variable Reward ⁽³⁾	Performance rights	23 February 2022	27.54		15 November 2022 – 15 November 2025
Deferred Variable Reward ⁽⁴⁾	Shares	23 February 2022	28.99		15 November 2022
Long-Term Variable Reward ⁽⁵⁾	Performance rights	23 February 2022	30.13	17.30	22 December 2025

(1) The Grant share price is NAB's closing share price at the date of valuation (being the grant date of the relevant award). The Grant share price was used to determine the fair value for the LTVR performance rights.

(2) Any performance rights that vest are automatically exercised at the end of the restriction period. The end of the restriction period for the performance rights is also the expiry date for those performance rights.

(3) The number of deferred rights allocated to each eligible participant was calculated using the weighted average share price over the five trading days up to 30 September 2021, inclusive. The deferred rights are split across four equal tranches vesting on 15 November in 2022, 2023, 2024 and 2025.

(4) Deferred shares were provided to Daniel Huggins relating to the period prior to becoming a KMP.

(5) The number of LTVR performance rights allocated to each eligible participant was calculated using the weighted average share price over the five trading days up to 30 September 2021, inclusive.

Hedging policy

Directors and employees are prohibited from protecting the value of their equity awards by hedging. Further details are available in the Group Securities Trading Policy.

NAB's Group Securities Trading Policy explains the law and the Policy our colleagues must comply with when trading in NAB securities. All employees are prohibited from using derivatives in relation to elements of their remuneration that are unvested. In addition, closely related parties of KMP are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested or which have vested but remain subject to forfeiture conditions.

The Group Securities Trading Policy is available at nab.com.au/content/dam/nabrwd/documents/policy/corporate/group-securities-trading-policy.pdf.

Remuneration Report (cont.)

6.4 Rights holdings

Rights were granted to the Group CEO and Group Executives in 2022 under the Annual VR and LTVR plans. No rights or performance options (i.e. entitlements to NAB shares) are granted to the Group CEO or Group Executives' related parties.

No performance options (i.e. a right requiring payment of a subscription price on vesting) are currently held by the Group CEO or Group Executives. The number of rights that vested during the year was equivalent to the number of rights that were exercised during the year. As at 30 September 2022, no rights held by the Group CEO or Group Executives were: (i) vested and exercisable; nor (ii) vested but not exercisable.

Name	Balance at beginning of year ⁽¹⁾ No.	Granted during year as remuneration No.	Exercised during year No.	Forfeited / lapsed or expired during year No.	Balance at end of year No.
Group CEO					
Ross McEwan	180,655	172,816	-	-	353,471
Group Executives					
Sharon Cook	124,911	56,894	(19,524)	(10,201)	152,080
Shaun Dooley	105,762	67,336	-	-	173,098
Susan Ferrier	65,036	55,093	-	-	120,129
David Gall	187,277	86,382	(31,726)	(16,576)	225,357
Nathan Goonan	65,036	56,894	-	-	121,930
Andrew Irvine	86,714	85,238	-	-	171,952
Gary Lennon	180,474	72,893	(34,863)	(18,217)	200,287
Les Matheson	75,875	63,986	-	-	139,861
Angela Mantis	202,670	89,081	(41,836)	(21,859)	228,056
Rachel Slade	125,909	85,238	-	-	211,147
Patrick Wright	242,722	106,549	(45,323)	(23,680)	280,268
Daniel Huggins	-	54,019	-	-	54,019

(1) Balance may include rights granted prior to individuals becoming KMP. For individuals who became KMP during 2022, the balance is at the date they became KMP.

Remuneration Report (cont.)

6.5 Group CEO and Group Executives' share ownership

The number of NAB shares held (directly and nominally) by the Group CEO and each Group Executive or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below:

Name	Balance at beginning of year ⁽¹⁾	Granted during year as remuneration	Received during year on exercise of rights	Other changes during year	Balance at end of year
	No.	No.	No.	No.	No.
Group CEO					
Ross McEwan	53,897	-	-	-	53,897
Group Executives					
Sharon Cook	13,446	-	19,524	454	33,424
Shaun Dooley	71,104	-	-	-	71,104
Susan Ferrier	11,570	-	-	-	11,570
David Gall	119,848	-	31,726	(31,726)	119,848
Nathan Goonan	3,590	-	-	-	3,590
Andrew Irvine	86,371	-	-	-	86,371
Gary Lennon	136,913	-	34,863	(34,863)	136,913
Les Matheson	-	-	-	-	-
Angela Menthis	154,468	-	41,836	-	196,304
Rachel Slade	48,435	-	-	-	48,435
Patrick Wright	79,818	-	45,323	-	125,141
Daniel Huggins	16,448	6,005	-	(16,448)	6,005

(1) Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during 2022, the balance is at the date they became KMP.

6.6 Group CEO and Group Executive contract terms

The Group CEO and Group Executives are employed on the following contractual terms:

Contractual term	Arrangement
Duration	<ul style="list-style-type: none"> Permanent ongoing employment
Notice period⁽¹⁾	<ul style="list-style-type: none"> 26 weeks⁽²⁾
Other key arrangements on separation	<ul style="list-style-type: none"> If the Group CEO or Group Executive resigns they do not receive any annual or long-term variable reward in that year and any unvested awards are forfeited. If the Group CEO or Group Executive ceases employment for any reason other than resignation (for example, retrenchment or retirement), they will retain all of their unvested awards unless the Board exercises its discretion to determine a different treatment.⁽³⁾ All statutory entitlements are paid.
Change of Control	<ul style="list-style-type: none"> If a change of control occurs, the Board has discretion to determine the treatment of unvested shares and rights. Vesting of shares and rights will not be automatic or accelerated and the Board will retain discretion in relation to the vesting outcome including absolute discretion to forfeit all shares and rights.
Post-employment obligations	<ul style="list-style-type: none"> Non-compete and non-solicitation obligations apply.
Minimum shareholding policy	<ul style="list-style-type: none"> The Group CEO is required to hold NAB shares to the value of two times FR and Group Executives are required to hold NAB shares equal to their individual FR. The Group CEO and Group Executives are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role. Holdings included in meeting the minimum shareholding requirement are NAB shares, unvested deferred shares and deferred rights not subject to further performance conditions held by the executive and shares held by a closely related party or self-managed superannuation fund for the benefit of the executive.

(1) Payment in lieu of notice for some or all of the notice period may be approved by the Board in certain circumstances. Termination payments are not paid on resignation, summary termination or termination for unsatisfactory performance, although the Board may determine exceptions to this.

(2) Subject to the terms of the Group policy on resignation.

(3) Any unvested awards retained will be held by the Group CEO or Group Executive on the same terms. Unvested LTVR awards retained will remain subject to the performance hurdle, with that hurdle tested in accordance with the normal timetable.

Section 7 - Non-executive director remuneration

7.1 Fee policy and pool

Non-executive directors receive fees to recognise their contribution to the work of the Board. Additional fees are paid, where applicable, for serving on Board Committees, on Boards of controlled entities and internal advisory boards. Fees include NAB's compulsory contributions to superannuation. Fees are set to reflect the time commitment and responsibilities of the role. To maintain independence and objectivity, non-executive directors do not receive any performance related remuneration. Non-executive directors do not receive any termination payments.

The total amount of non-executive directors' remuneration is capped at a maximum aggregate fee pool that is approved by shareholders. The current aggregate fee pool of \$4.5 million per annum was approved by shareholders at NAB's 2008 AGM. The total Board and Committee fees, including superannuation, paid to non-executive directors in 2022 is within the approved aggregate fee pool.

The following table shows the 2022 non-executive director Board and Committee fee policy structure.

	Chair (\$pa)	Non-executive director (\$pa)
Board	825,000	240,000
Audit Committee	65,000	32,500
Risk & Compliance Committee	65,000	32,500
People & Remuneration Committee	55,000	27,500
Customer Committee	40,000	20,000
Nomination & Governance Committee	-	10,000

7.2 Minimum shareholding policy

To align with shareholder interests, NAB's Constitution requires that within six months of appointment, a non-executive director must hold at least 2,000 fully paid NAB shares. The Board has also adopted a policy that within five years of appointment, non-executive directors must hold ordinary shares equal in value of the annual Chair fee for the Chair and base fee for all other non-executive directors.

The value of a non-executive director's shareholding is based on the share price at the time the shares were acquired. All current non-executive directors have met their minimum shareholding requirement.

Remuneration Report (cont.)

7.3 Statutory remuneration

The fees paid to the non-executive directors are set out in the table below.

Name		Short-term benefits	Post-employment benefits		Total
			Cash salary and fees ⁽¹⁾	Superannuation ⁽²⁾	
Non-executive directors					
Philip Chronican (Chair)	2022	801,001	23,999		825,000
	2021	767,837	22,163		790,000
David Armstrong	2022	313,501	23,999		337,500
	2021	302,837	22,163		325,000
Kathryn Fagg	2022	281,001	23,999		305,000
	2021	270,337	22,163		292,500
Peeyush Gupta ⁽³⁾	2022	329,543	23,999		353,542
	2021	467,801	22,163		489,964
Anne Loveridge	2022	325,000	-		325,000
	2021	308,333	-		308,333
Douglas McKay ⁽⁴⁾	2022	545,444	23,999		569,443
	2021	541,693	22,163		563,856
Simon McKeon	2022	308,677	6,323		315,000
	2021	277,837	22,163		300,000
Ann Sherry	2022	283,501	23,999		307,500
	2021	275,337	22,163		297,500
Former non-executive directors					
Geraldine McBride (for part year)	2021	56,085	5,328		61,413
Total	2022	3,187,668	150,317		3,337,985
Total	2021	3,268,097	160,469		3,428,566

(1) The portion of fees in connection with their roles, duties and responsibilities as a non-executive director, and includes attendance at meetings of the Board, Board committees and boards of controlled entities, received as cash.

(2) Reflects compulsory company contributions to superannuation. Anne Loveridge and Simon McKeon elected to receive all or part of their payments in fees and therefore received reduced or nil superannuation contributions during this period.

(3) Peeyush Gupta received fees of \$58,000 in his capacity as a non-executive director on the board of a number of Group subsidiaries, including as a non executive director of BNZ Life. The director fees relating to BNZ Life were paid in NZD.

(4) Douglas McKay received fees of \$300,000 in his capacity as Chair of Bank of New Zealand, which were paid in NZD.

7.4 Non-executive directors' share ownership and other interests

The number of NAB shares held (directly and nominally) by each non-executive director of NAB and the Group or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below. No rights or performance options are granted to non-executive directors or their related parties.

Name	Balance at beginning of year ⁽¹⁾	Acquired	Other changes during year		Balance at end of year ⁽²⁾
			No.	No.	
Non-executive directors					
Philip Chronican (Chair)	42,120	-	-	-	42,120
David Armstrong	19,795	945	-	-	20,740
Kathryn Fagg	9,426	-	-	-	9,426
Peeyush Gupta	9,571	-	-	-	9,571
Anne Loveridge	12,120	-	-	-	12,120
Douglas McKay	11,972	-	-	-	11,972
Simon McKeon	15,000	-	-	-	15,000
Ann Sherry	12,698	-	-	-	12,698

(1) Balance may include shares held prior to individuals becoming a non-executive director.

(2) All non-executive directors met minimum shareholding requirements for the year.

Section 8 - Loans, other transactions and other interests

8.1 Loans

Loans made to non-executive directors of NAB are made in the ordinary course of business on terms equivalent to those that prevail in arm's length transactions. Loans to the Group CEO and Group Executives may be made on similar terms and conditions generally available to other employees of the Group. Loans to KMP of NAB and the Group may be subject to restrictions under applicable laws and regulations including the *Corporations Act 2001* (Cth). The opening balance is 1 October and closing balance is 30 September, or the date of commencement or cessation of a KMP.

Total aggregated loans provided to KMP and their related parties

	Terms and conditions	Balance at beginning of year	Interest charged ⁽¹⁾	Interest not charged ⁽¹⁾	Write-off ⁽¹⁾	Balance at end of year
NAB and the Group		\$	\$	\$	\$	\$
KMP⁽²⁾	Normal	13,702,702	306,401	-	-	11,223,360
	Employee	17,249,175	380,402	-	-	18,672,181
Other related parties⁽³⁾	Normal	14,192,542	334,421	-	-	16,985,313

(1) Relates to the period during which the Group Executive was KMP.

(2) The aggregated loan balance at the end of the year includes loans issued to 17 KMP.

(3) Includes the KMP's related parties, which includes their close family members or any entity they or their close family members control, jointly control or significantly influence.

Aggregated loans to KMP and their related parties above \$100,000

	Balance at beginning of year	Interest charged ⁽¹⁾	Interest not charged	Write-off	Balance at end of year	KMP highest indebtedness during year ⁽²⁾
NAB and the Group	\$	\$	\$	\$	\$	\$
Non-executive directors						
David Armstrong	1,040,373	29,621	-	-	959,296	-
Kathryn Fagg	2,930,750	76,159	-	-	2,843,867	2,934,284
Douglas McKay	1,282,862	40,173	-	-	1,067,314	3,366
Group CEO						
Ross McEwan	1,736,289	19,727	-	-	1,306,449	1,225,976
Group Executives						
Sharon Cook	1,035,595	48,669	-	-	3,438,081	1,020,738
Shaun Dooley	5,218	11,799	-	-	594,739	610,063
Susan Ferrier	820,175	15,573	-	-	456,103	488,281
David Gall	4,392,579	45,561	-	-	4,169,411	808,609
Nathan Goonan	6,493,470	172,508	-	-	4,381,817	6,942,965
Andrew Irvine	11,831,913	225,090	-	-	11,533,558	11,832,189
Gary Lennon	2,956,470	83,360	-	-	3,006,775	3,169,759
Les Matheson	4,413,206	108,433	-	-	5,051,657	1,925,971
Angela Mantis	525,935	24,742	-	-	699,377	31,704
Rachel Slade	2,391,907	36,070	-	-	2,250,667	2,392,003
Patrick Wright	3,235,693	58,858	-	-	3,131,905	66,360
Daniel Huggins	-	24,881	-	-	1,989,223	2,108,681

(1) The interest charged may include the impact of interest offset facilities and only relates to the period during which the non-executive director, Group CEO or Group Executive was KMP.

(2) Represents aggregate highest indebtedness of the KMP during 2022. All other items in this table relate to the KMP and their related parties.

8.2 Other transactions

From time to time various KMP and their related parties will hold investments in funds that are either managed, related to or controlled by the Group. All such transactions with KMP and their related parties are made on terms equivalent to those that prevail in arm's length transactions.

All other transactions that have occurred with KMP are made on terms equivalent to those that prevail in arm's length transactions. These transactions generally involve the provision of financial and investment services including services to eligible international assignees ensuring they are neither financially advantaged nor disadvantaged by their relocation. All such transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are trivial in nature when they are considered of little or no interest to the users of the Remuneration Report in making and evaluating decisions about the allocation of scarce resources. Transactions are domestic in nature when they relate to personal household activities.

8.3 Other equity instrument holdings

In the year ending 30 September 2022, no KMP or their related parties held or transacted any equity instruments (either directly or indirectly) other than the NAB shares and equity-based compensation disclosed in Sections 6 and 7 of this Remuneration Report.

8.4 Other relevant interests

Each KMP or their related parties from time to time invest in various debentures, registered schemes and securities offered by NAB and certain subsidiaries of NAB. The level of interests held directly and indirectly as at 30 September 2022 were:

Name	Nature of product	Relevant Interest (Units)
Non-executive directors		
Ann Sherry	NAB Capital Notes 3	1,500
Group Executives		
Sharon Cook	NAB Capital Notes 3	2,000
	NAB Subordinated Notes 2	820
David Gall	NAB Capital Notes 5	700

There are no contracts, other than those disclosed in table 8.4 immediately above, to which directors are a party, or under which the directors are entitled to a benefit and that confer the right to call for, or deliver shares in, debentures of, or interests in, a registered scheme made available by NAB or a related body corporate. All of the directors have disclosed interests in organisations not related to the Group and are to be regarded as interested in any contract or proposed contract that may be made between NAB and any such organisations.

Directors' signatures

This report of directors is signed in accordance with a resolution of the directors:



Philip Chronican

Chair

9 November 2022



Ross McEwan CBE

Group Chief Executive Officer

9 November 2022



**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 audit of the financial report of National Australia Bank Limited for the financial year ended 30 September 2022, I declare to the best of my knowledge and belief, there have been:

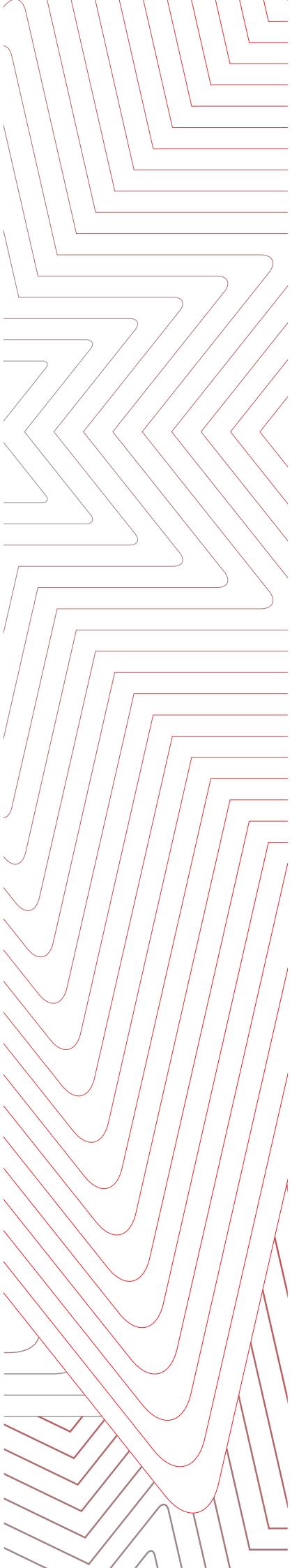
- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Sarah Lowe
Partner
9 November 2022

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Income statements

For the year ended 30 September	Note	Group		Company	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Interest income					
Effective interest income		21,465	17,148	19,167	15,433
Fair value through profit or loss		913	886	805	815
Interest expense		(7,538)	(4,241)	(8,799)	(6,241)
Net interest income	3	14,840	13,793	11,173	10,007
Other income	4	3,730	2,936	4,478	3,506
Operating expenses	5	(8,702)	(7,863)	(7,765)	(6,946)
Credit Impairment (charge) / write-back	17	(124)	202	(48)	192
Profit before income tax		9,744	9,068	7,838	6,759
Income tax expense	6	(2,684)	(2,597)	(1,893)	(1,696)
Net profit for the year from continued operations		7,060	6,471	5,945	5,063
Net loss after tax for the year from discontinued operations	37	(169)	(104)	-	-
Net profit for the year		6,891	6,367	5,945	5,063
Attributable to non-controlling interests		-	3	-	-
Attributable to owners of NAB		6,891	6,364	5,945	5,063
Earnings per share		cents	cents		
Basic	7	214.1	193.0		
Diluted	7	205.6	185.2		
Basic from continuing operations	7	219.3	196.3		
Diluted from continuing operations	7	210.5	188.2		

Statements of comprehensive income

For the year ended 30 September	Note	Group		Company	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Net profit for the year from continuing operations		7,060	6,471	5,945	5,063
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains on defined benefit superannuation plans		-	1	-	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		149	(78)	88	(63)
Revaluation of land and buildings		1	-	-	-
Equity instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		11	3	(4)	-
Tax on items transferred directly to equity		(43)	22	(26)	18
Total items that will not be reclassified to profit or loss		118	(52)	58	(45)
Items that will be reclassified subsequently to profit or loss					
Cash flow hedge reserve:					
Losses on cash flow hedging instruments		(2,510)	(318)	(2,813)	(395)
Cost of hedging reserve		488	185	283	127
Foreign currency translation reserve:					
Currency adjustments on translation of foreign operations, net of hedging		(776)	301	(22)	27
Transfer to the income statement on disposal or partial disposal of foreign operations ⁽¹⁾		(29)	(14)	-	(14)
Debt instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		(125)	377	(125)	377
Transferred to the income statement		(199)	(102)	(199)	(102)
Tax on items transferred directly to equity		705	(47)	852	(6)
Total items that will be reclassified subsequently to profit or loss		(2,446)	382	(2,024)	14
Other comprehensive income for the year, net of income tax		(2,328)	330	(1,966)	(31)
Total comprehensive income for the year from continuing operations		4,732	6,801	3,979	5,032
Net loss after tax for the year from discontinued operations	37	(169)	(104)	-	-
Other comprehensive income for the year from discontinued operations, net of income tax		-	8	-	-
Total comprehensive income for the year		4,563	6,705	3,979	5,032
Attributable to non-controlling interests	37	-	3	-	-
Total comprehensive income attributable to owners of NAB		4,563	6,702	3,979	5,032

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

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Balance sheets

As at 30 September	Note	Group		Company	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Assets					
Cash and liquid assets	8	56,451	50,832	56,121	50,336
Due from other banks	8	141,861	107,546	133,144	98,207
Collateral placed		13,115	6,430	10,636	5,919
Trading securities	9	40,573	50,020	34,043	42,916
Debt instruments	10	42,080	41,878	42,094	41,849
Other financial assets	11	2,061	2,794	2,749	3,305
Derivative assets	18	61,016	27,474	60,651	26,811
Loans and advances	12	680,434	621,156	592,679	529,546
Current tax assets		16	36	15	36
Due from controlled entities		-	-	38,226	38,599
Deferred tax assets	6	3,385	2,953	2,975	2,454
Property, plant and equipment		3,009	2,814	2,091	1,838
Investments in controlled entities		-	-	4,670	4,402
Goodwill and other intangible assets	22	4,652	4,113	2,172	1,757
Other assets	23	6,473	7,922	5,562	6,858
Total assets		1,055,126	925,968	987,828	854,833
Liabilities					
Due to other banks	8	74,679	74,160	69,295	68,715
Collateral received		17,245	4,664	15,365	4,120
Other financial liabilities	16	23,286	27,046	8,960	7,136
Derivative liabilities	18	57,486	24,031	57,494	26,178
Deposits and other borrowings	13	683,526	605,043	616,961	535,551
Current tax liabilities		1,011	271	716	115
Provisions	24	2,096	2,834	1,897	2,620
Due to controlled entities		-	-	41,639	38,682
Bonds, notes and subordinated debt	14	119,283	109,154	109,674	102,501
Other debt issues	15	7,318	6,831	7,318	6,831
Deferred tax liabilities	6	-	29	-	-
Other liabilities	25	10,164	9,126	8,381	7,925
Total liabilities		996,094	863,189	937,700	800,374
Net assets		59,032	62,779	50,128	54,459
Equity					
Contributed equity	27	39,399	43,247	38,613	42,461
Reserves	28	(1,839)	550	(1,874)	99
Retained profits		21,472	18,982	13,389	11,899
Total equity		59,032	62,779	50,128	54,459

Statements of cash flows

For the year ended 30 September	Note	Group		Company	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash flows from operating activities					
Interest received		21,518	18,194	19,164	16,429
Interest paid		(6,544)	(4,589)	(7,906)	(6,489)
Dividends received		28	22	2,052	1,573
Net trading income received		5,370	107	4,995	964
Other income received		2,527	3,210	1,955	2,047
Operating expenses paid		(6,207)	(6,130)	(5,591)	(4,873)
Income tax paid		(1,641)	(1,833)	(956)	(1,251)
Cash flows from operating activities before changes in operating assets and liabilities		15,051	8,981	13,713	8,400
Changes in operating assets and liabilities					
Net (increase) / decrease in					
Collateral placed		(6,720)	(2,813)	(4,713)	(3,217)
Deposits with central banks and other regulatory authorities		(19,703)	(62,430)	(19,703)	(62,430)
Trading securities		6,273	12,453	6,661	10,167
Other financial assets designated at fair value		624	1,166	491	680
Loans and advances		(53,384)	(34,370)	(50,274)	(26,385)
Other assets		3,173	(985)	2,641	(564)
Net increase / (decrease) in					
Collateral received		12,624	3,100	11,245	2,578
Deposits and other borrowings		75,530	55,944	73,298	50,682
Other financial liabilities designated at fair value		(352)	1,173	2,910	(1,374)
Other liabilities		(2,667)	(1,133)	(2,169)	(1,527)
Net funds advanced to and receipts from other banks		5,121	21,027	4,452	18,965
Net movement in derivative assets and liabilities		(7,349)	(1,354)	(9,971)	(1,844)
Changes in operating assets and liabilities arising from cash flow movements		13,170	(8,222)	14,868	(14,269)
Net cash provided by / (used in) operating activities	36	28,221	759	28,581	(5,869)
Cash flows from investing activities					
Movement in debt instruments					
Purchases		(33,697)	(29,740)	(33,697)	(29,724)
Proceeds from disposal and maturity		29,084	26,301	29,071	26,284
Net movement in other debt and equity instruments		(2)	190	(80)	(685)
Net movement in amounts due from controlled entities		-	-	3,162	434
Net movement in shares in controlled entities		-	-	(159)	62
Net movement in shares in associates and joint ventures		(4)	(124)	-	(106)
Purchase of controlled entities and business combinations, net of cash acquired		(3,183)	(211)	(3,138)	(216)
Proceeds from sale of controlled entities, net of costs and cash disposed		176	747	-	1,132
Purchase of property, plant, equipment and software		(1,076)	(858)	(784)	(589)
Proceeds from sale of property, plant, equipment and software, net of costs		(1)	1	(1)	-
Net cash provided by / (used in) investing activities		(8,703)	(3,694)	(5,626)	(3,408)

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For the year ended 30 September	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt	(27,640)	(30,062)	(24,319)	(24,813)
Proceeds from issue of bonds, notes and subordinated debt, net of costs	41,932	13,098	35,188	10,053
Payments for share buy-back	(3,917)	(486)	(3,917)	(486)
Purchase of shares for dividend reinvestment plan neutralisation	(500)	(164)	(500)	(164)
Repayments of other contributed equity	-	(2,000)	-	(2,000)
Proceeds from other debt issues, net of costs	1,983	2,365	1,983	2,365
Repayments of other debt issues	(1,504)	(1,731)	(1,504)	(1,731)
Dividends and distributions paid (excluding dividend reinvestment plan)	(4,006)	(2,682)	(4,006)	(2,678)
Repayments of other financing activities	(339)	(383)	(299)	(337)
Net cash provided by / (used in) financing activities	6,009	(22,045)	2,626	(19,791)
Net increase / (decrease) in cash and cash equivalents	25,527	(24,980)	25,581	(29,068)
Cash and cash equivalents at beginning of period	37,881	62,041	30,462	58,806
Effects of exchange rate changes on balance of cash held in foreign currencies	(1,229)	820	(860)	724
Cash and cash equivalents at end of year	36	62,179	37,881	55,183

Statements of changes in equity

Group	\$m	\$m	\$m	\$m	Non-controlling interest in controlled entities		Total equity \$m		
					Contributed equity ⁽¹⁾	Reserves ⁽²⁾	Retained profits	Total	\$m
Year to 30 September 2021									
Balance at 1 October 2020	45,476	99	15,717	61,292				1	61,293
Net profit for the year from continuing operations	-	-	6,471	6,471				-	6,471
Net loss for the year from discontinued operations	-	-	(107)	(107)				3	(104)
Other comprehensive income for the year from continuing operations	-	385	(55)	330				-	330
Other comprehensive income for the year from discontinued operations	-	3	5	8				-	8
Total comprehensive income for the year	-	388	6,314	6,702				3	6,705
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of ordinary shares	274	-	-	274				-	274
Tax on deductible transaction costs	13	-	-	13				-	13
On-market purchase of shares for dividend reinvestment plan neutralisation	(164)	-	-	(164)				-	(164)
Share buy-back	(486)	-	-	(486)				-	(486)
Transfer from / (to) retained profits	-	27	(27)	-				-	-
Transfer from equity-based compensation reserve	79	(79)	-	-				-	-
Equity-based compensation	-	100	-	100				-	100
Dividends paid ⁽³⁾	-	-	(2,939)	(2,939)				(4)	(2,943)
Distributions on other equity instruments ⁽³⁾	-	-	(13)	(13)				-	(13)
Redemption of National Income Securities	(1,945)	15	(70)	(2,000)				-	(2,000)
Balance as at 30 September 2021	43,247	550	18,982	62,779				-	62,779
Year to 30 September 2022									
Net profit for the year from continuing operations	-	-	7,060	7,060				-	7,060
Net loss for the year from discontinued operations	-	-	(169)	(169)				-	(169)
Other comprehensive income for the year from continuing operations	-	(2,429)	101	(2,328)				-	(2,328)
Other comprehensive income for the year from discontinued operations	-	-	-	-				-	-
Total comprehensive income for the year	-	(2,429)	6,992	4,563				-	4,563
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of ordinary shares	500	-	-	500				-	500
On-market purchase of shares for dividend reinvestment plan neutralisation	(500)	-	-	(500)				-	(500)
Share buy-back	(3,917)	-	-	(3,917)				-	(3,917)
Transfer from / (to) retained profits	-	(4)	4	-				-	-
Transfer from / (to) equity-based compensation reserve	69	(69)	-	-				-	-
Equity-based compensation	-	113	-	113				-	113
Dividends paid	-	-	(4,506)	(4,506)				-	(4,506)
Balance as at 30 September 2022	39,399	(1,839)	21,472	59,032				-	59,032

(1) Refer to Note 27 Contributed equity for further details.

(2) Refer to Note 28 Reserves for further details.

(3) Refer to Note 29 Dividends and distributions for further details.

Statements of changes in equity

Company	Contributed equity ⁽¹⁾ \$m	Reserves ⁽²⁾ \$m	Retained profits \$m	Total equity \$m
Year to 30 September 2021				
Balance at 1 October 2020	44,690	34	9,918	54,642
Net profit for the year from continuing operations	-	-	5,063	5,063
Other comprehensive income for the year from continuing operations	-	14	(45)	(31)
Total comprehensive income for the year	-	14	5,018	5,032
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	274	-	-	274
Tax on deductible transaction costs	13	-	-	13
On-market purchase of shares for dividend reinvestment plan neutralisation	(164)	-	-	(164)
Share buy-back	(486)	-	-	(486)
Transfer from / (to) retained profits	-	15	(15)	-
Transfer from / (to) equity-based compensation reserve	79	(79)	-	-
Equity-based compensation	-	100	-	100
Dividends paid	-	-	(2,939)	(2,939)
Distributions on other equity instruments	-	-	(13)	(13)
Redemption of National Income Securities	(1,945)	15	(70)	(2,000)
Balance as at 30 September 2021	42,461	99	11,899	54,459
Year to 30 September 2022				
Net profit for the year from continuing operations	-	-	5,945	5,945
Other comprehensive income for the year from continuing operations	-	(2,023)	57	(1,966)
Total comprehensive income for the year	-	(2,023)	6,002	3,979
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	500	-	-	500
On-market purchase of shares for dividend reinvestment plan neutralisation	(500)	-	-	(500)
Share buy-back	(3,917)	-	-	(3,917)
Transfer from / (to) retained profits	-	6	(6)	-
Transfer from / (to) equity-based compensation reserve	69	(69)	-	-
Equity-based compensation	-	113	-	113
Dividends paid ⁽³⁾	-	-	(4,506)	(4,506)
Balance as at 30 September 2022	38,613	(1,874)	13,389	50,128

(1) Refer to Note 27 Contributed equity for further details.

(2) Refer to Note 28 Reserves for further details.

(3) Refer to Note 29 Dividends and distributions for further details.

Introduction

Note 1

Basis of preparation

This is the financial report of National Australia Bank Limited (NAB or the Company) together with its controlled entities (Group) for the year ended 30 September 2022. National Australia Bank Limited, incorporated and domiciled in Australia, is a for-profit company limited by shares which are publicly traded on the Australian Securities Exchange.

The directors resolved to authorise the issue of the financial report on 9 November 2022. The directors have the power to amend and reissue the financial report.

The financial report includes information to the extent the Group considers it material and relevant to the understanding of users. Disclosed information is considered material and relevant if, for example:

- The dollar amount is significant in size or by nature.
- The Group's results cannot be understood by users without the specific disclosure.
- The information is important to help users understand the impact of significant changes in the Group's business during the financial year, for example, a business acquisition, disposal, or an impairment / write-down.
- The information relates to an aspect of the Group's operations which is important to its future performance.
- The information is required under legislative requirements of the *Corporations Act 2001* (Cth), the *Banking Act 1959* (Cth) or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

Basis of preparation

This general purpose financial report has been prepared by a for-profit company, in accordance with the requirements of the *Corporations Act 2001* (Cth) and accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Compliance with standards and interpretations issued by the AASB ensures that this financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Amounts are presented in Australian dollars (unless otherwise stated), which is the Company's functional and presentation currency. These amounts have been rounded to the nearest million dollars (\$m), except where indicated, as allowed by ASIC Corporations Instrument 2016/191.

Unless otherwise stated, comparative information has been restated for any changes to presentation made in the current year. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the Group's income statement and statement of comprehensive income.

To comply with its obligations as an Australian Financial Services Licence holder, the Group includes the separate financial statements of the Company in this financial report, which is permitted by ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195.

Basis of measurement

The financial report has been prepared under the historical cost convention, except for:

- Certain assets and liabilities (including derivative instruments) measured at fair value through profit or loss, or at fair value through other comprehensive income.
- Financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships.

Critical accounting judgements and estimates

In the process of applying the Group's accounting policies, management have made a number of judgements and assumptions and applied estimates of future events. Some of these areas include:

- Impairment charges on loans and advances.
- Fair value of financial assets and liabilities.
- Impairment assessment of goodwill and other intangible assets.
- Determination of income tax.
- Provisions for customer-related and payroll remediation and other regulatory matters.

Further details of these critical accounting judgements and estimates are provided in the respective notes to the financial statements.

New and amended accounting standards and interpretations

There were no new or amended accounting standards or interpretations adopted during the period that had a material impact on the Group.

Note 1 Basis of preparation (cont.)

Other developments

Interest rate benchmark reform

Following the development of alternative risk-free rates, evolving market practice for fallback rates and the cessation of relevant Interbank Offered Rates (IBOR) benchmark rates, the Group ceased prospectively applying the Phase 1 (AASB 2019-3 *Amendments to Australian Accounting Standards - Interest rate Benchmark Reform*) relief under section 6.8 of AASB 9 *Financial Instruments* (AASB 9) as uncertainty arising from interest rate benchmark reform for hedged items and hedging instruments in hedge accounting relationships is no longer present.

The Group continues to adopt the relief measures provided by Phase 2 (AASB 2020-8 *Amendments to Australian Accounting Standards - Interest rate Benchmark Reform - Phase 2*).

Over the 2022 financial year the Group has transitioned materially all contracts referencing IBORs subject to cessation at 31 December 2021. Additionally, fallback language continues to be updated for contracts referencing IBOR benchmarks subject to cessation in 2023 and 2024.

The Group continues to meet jurisdictional regulatory guidance and national working group timelines to cease referencing the London Interbank Offered Rate (LIBOR) in new transactions and actively transition legacy contracts to alternative risk-free rates. The Group continues to manage the risk arising from transition to ensure a low probability of occurrence and impact to the Group and its customers. Following cessation of some benchmarks on 31 December 2021 and adoption of fallback rates in contracts with major counterparties (in particular, central clearing counterparties), there has been a reduction in transition risk since 30 September 2021. Risks arising from the Group's IBOR transition have not resulted in changes to the Group's Risk Management Strategy for hedge accounting.

The following table shows financial instruments yet to transition to an alternative benchmark rate.

	Group							
	2022				2021			
	USD Libor	GBP Libor	JPY Libor	Others	USD Libor	GBP Libor	JPY Libor	Others
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Non-derivative financial assets	11,281	107	3	32	11,099	4,129	75	6
Non-derivative financial liabilities	(37)	-	-	-	(5)	-	-	-
Derivative assets (carrying value)	20,048	-	-	11	11,590	4,128	152	259
Derivative liabilities (carrying value)	(21,013)	(3)	-	(10)	(9,744)	(3,974)	(147)	(177)

	Company							
	2022				2021			
	USD Libor	GBP Libor	JPY Libor	Others	USD Libor	GBP Libor	JPY Libor	Others
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Non-derivative financial assets	11,280	107	3	32	11,099	4,129	75	6
Non-derivative financial liabilities	(37)	-	-	-	(5)	-	-	-
Derivative assets (carrying value)	20,948	-	-	11	11,475	4,128	153	259
Derivative liabilities (carrying value)	(20,072)	(3)	-	(10)	(9,722)	(3,974)	(154)	(177)

The following significant assumptions and judgements have been made in compiling the above disclosures:

- The disclosure only includes financial instrument contracts where contractual cash flows reference an IBOR subject to cessation (for example, this does not include AUD BBSW, NZD BKBM etc.). The disclosure also excludes fixed rate financial instruments with no variability in contractual cash flows.
- The population disclosed includes financial instrument contracts where fallback language is updated and awaiting benchmark cessation before transition to an alternative risk-free rate occurs.
- A cross currency swap referencing two benchmarks subject to cessation (for example, USD/GBP) has its AUD equivalent carrying value disclosed twice (for example, in both the USD and GBP column).
- A cross currency swap referencing only one benchmark subject to cessation (for example, USD/AUD) has its AUD equivalent carrying value disclosed once (for example, in the USD column).
- Financial instruments that mature before cessation date are excluded from the above disclosure.
- The carrying value disclosed for derivatives is pre-netting.

Future accounting developments

There are no new standards or amendments to existing standards that are not yet effective which are expected to have a material impact on the Group's financial statements.

Financial performance

Overview

The Group's reportable segments are unchanged from the 2021 Annual Financial Report.

A description of the operating activities of each reportable segment is provided below:

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

The Group evaluates performance on the basis of cash earnings as it better reflects what is considered to be the underlying performance of the Group. Cash earnings is a non-IFRS key financial performance measure used by the Group and the investment community.

Cash earnings is calculated by adjusting statutory net profit from continuing operations for certain non-cash earnings items. Non-cash earnings items are those items which are considered separately when assessing performance and analysing the underlying trends in the business. Cash earnings for the year ended 30 September 2022 has been adjusted for hedging and fair value volatility, amortisation of acquired intangible assets, and certain other items associated with acquisitions, disposals and business closures. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a statement of cash flows.

The Group earns the vast majority of its revenue in the form of net interest income, being the difference between interest earned on financial assets and interest paid on financial liabilities and other financing costs.

Note 2

Segment information

	2022					
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other ⁽¹⁾	Total Group
	\$m	\$m	\$m	\$m	\$m	\$m
Reportable segment information						
Net interest income	6,074	4,055	2,058	2,302	363	14,852
Other income	962	524	1,413	518	27	3,444
Net operating income	7,036	4,579	3,471	2,820	390	18,296
Operating expenses	(2,664)	(2,311)	(1,377)	(971)	(951)	(8,274)
Underlying profit / (loss)	4,372	2,268	2,094	1,849	(561)	10,022
Credit Impairment (charge) / write-back	(60)	5	26	(47)	(49)	(125)
Cash earnings before tax and distributions	4,312	2,273	2,120	1,802	(610)	9,897
Income tax (expense) / benefit	(1,299)	(682)	(492)	(507)	187	(2,793)
Cash earnings	3,013	1,591	1,628	1,295	(423)	7,104
Hedging and fair value volatility	(2)	9	90	40	(68)	69
Other non-cash earnings items	(2)	(7)	-	-	(104)	(113)
Net profit / (loss) for the year from continuing operations	3,009	1,593	1,718	1,335	(595)	7,060
Net loss attributable to the owners of NAB from discontinued operations	-	-	-	-	(169)	(169)
Net profit / (loss) attributable to the owners of NAB	3,009	1,593	1,718	1,335	(764)	6,891
Reportable segment assets⁽²⁾	235,322	244,822	348,035	93,243	133,704	1,055,126

(1) Corporate Functions and Other includes eliminations.

(2) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

Note 2 Segment information (cont.)

	2021						
	Business and Private Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other ⁽¹⁾	MLC Wealth	Total Group	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reportable segment information							
Net interest income	5,339	3,962	1,918	2,017	561	-	13,797
Other income	877	483	1,304	505	(160)	-	3,009
Net operating income	6,216	4,445	3,222	2,522	401	-	16,806
Operating expenses	(2,547)	(2,197)	(1,369)	(933)	(771)	-	(7,817)
Underlying profit / (loss)	3,669	2,248	1,853	1,589	(370)	-	8,989
Credit Impairment (charge) / write-back	(109)	95	(186)	12	405	-	217
Cash earnings before tax and distributions	3,560	2,343	1,667	1,601	35	-	9,206
Income tax (expense) / benefit	(1,080)	(693)	(460)	(447)	45	-	(2,635)
Cash earnings before distributions	2,480	1,650	1,207	1,154	80	-	6,571
Distributions	-	-	-	-	(13)	-	(13)
Cash earnings	2,480	1,650	1,207	1,154	67	-	6,558
Hedging and fair value volatility	(4)	-	22	18	(99)	-	(63)
Other non-cash earnings items	-	-	-	(1)	(23)	-	(24)
Net profit / (loss) for the year from continuing operations	2,476	1,650	1,229	1,171	(55)	-	6,471
Net loss attributable to the owners of NAB from discontinued operations	-	-	-	-	(131)	24	(107)
Net profit / (loss) attributable to the owners of NAB	2,476	1,650	1,229	1,171	(186)	24	6,364
Reportable segment assets⁽²⁾	208,189	222,510	276,448	96,734	122,087	-	925,968

(1) Corporate Functions and Other includes eliminations.

(2) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

Major customers

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

Geographical information

The Group has operations in Australia (the Company's country of domicile), New Zealand, Europe, the United States and Asia. The allocation of income and non-current assets is based on the geographical location in which transactions are booked.

	Group			
	Income		Non-current assets ⁽¹⁾	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Australia	14,746	13,206	7,081	6,363
New Zealand	2,953	2,741	986	982
Other International	936	843	108	97
Total before inter-geographic eliminations	18,635	16,790	8,175	7,442
Elimination of inter-geographic items	(65)	(61)	-	-
Total	18,570	16,729	8,175	7,442

(1) Consists of goodwill and other intangible assets, property, plant and equipment and investments in joint ventures and associates.

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Note 3

Net interest income

Accounting policy

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest method measures the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial instrument.

Fees and costs which form an integral part of the effective interest rate of a financial instrument (for example, loan origination fees) are recognised using the effective interest method and recorded in interest income or expense depending on whether the underlying instrument is a financial asset or liability.

Included in net interest income are interest income and expense on trading securities, hedging instruments and financial instruments measured at fair value through profit or loss.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Interest income				
Effective interest method				
Amortised cost				
Due from other banks	930	60	767	38
Loans and advances	19,542	16,754	16,264	14,122
Due from controlled entities	-	-	1,183	987
Other interest income ⁽¹⁾	592	148	553	101
Fair value through other comprehensive income				
Debt instruments	401	186	400	185
Total effective interest method	21,465	17,148	19,167	15,433
Fair value through profit or loss				
Due from other banks	-	-	-	-
Trading instruments	803	733	712	692
Other financial assets	110	153	93	123
Total fair value through profit or loss	913	886	805	815
Total interest income	22,378	18,034	19,972	16,248
Interest expense				
Effective interest method				
Due to other banks	375	91	343	86
Deposits and other borrowings	3,832	1,662	3,191	1,269
Bonds, notes and subordinated debt	1,726	1,157	1,598	1,084
Due to controlled entities	-	-	2,527	2,700
Other debt issues	224	195	224	195
Other interest expense	394	329	371	324
Total effective interest method	6,551	3,434	8,254	5,658
Fair value through profit or loss				
Trading instruments	5	17	5	17
Other financial liabilities	635	426	193	202
Total fair value through profit or loss	640	443	198	219
Bank levy	347	364	347	364
Total interest expense	7,538	4,241	8,799	6,241
Net interest income	14,840	13,793	11,173	10,007

(1) In the 2022 financial year, the Group and Company recognised customer-related remediation charges of \$2 million (2021: \$18 million) as a reduction in other interest income. These costs primarily relate to the refund of interest from various banking-related matters.

Note 4

Other income

Accounting policy

Categories of other income are measured as follows:

Item	Measurement basis
Trading instruments	Trading derivatives - Total fair value change (including interest income or expense), with the exception of some instruments that form part of an economic hedge relationship. Trading securities - All fair value changes except for interest income or expense, which is recognised within net interest income.
Hedge ineffectiveness	Represents hedge ineffectiveness arising from hedge accounting, which are the fair value movements (excluding interest income or expense) that do not offset the hedged risk.
Financial instruments designated at fair value	Includes fair value movements on such items, other than interest income or expense and movements attributable to the Group's own credit risk.
Dividend revenue	Dividend revenue is recognised in the income statement on an accruals basis when the Group's right to receive the dividend is established.
Lending fees and other fees and commissions	Unless included in the effective interest rate, fees and commissions are recognised on an accruals basis when the service has been provided or on completion of the underlying transaction. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided. When a third party is involved in providing goods or services to the Group's customer, the Group assesses whether the nature of the arrangement with its customer is as a principal or an agent of the third party. When the Group is not acting in a principal capacity, the income earned by the Group is net of the amounts paid to the third party provider. The net consideration represents the Group's income for facilitating the transaction.
Net investment management income	Investment management income is recognised on an accruals basis as the services are provided and is presented net of direct and incremental investment management expenses incurred in the provision of these services.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Fees and commissions				
Lending fees ⁽¹⁾	1,125	1,054	925	872
Other fees and commissions ⁽¹⁾⁽²⁾	838	908	618	444
Net investment management income				
Investment management income	296	278	-	-
Investment management expense	(140)	(152)	-	-
Total fees and commissions	2,119	2,088	1,543	1,316
Gains less losses on financial instruments at fair value				
Trading instruments	(196)	470	30	393
Hedge ineffectiveness ⁽³⁾	58	(233)	31	(19)
Financial instruments designated at fair value	1,205	372	592	107
Total gains less losses on financial instruments at fair value	1,067	609	653	481
Other operating income				
Dividend revenue	28	12	2,053	1,573
Other income ⁽⁴⁾	516	227	229	136
Total other operating income	544	239	2,282	1,709
Total other income	3,730	2,936	4,478	3,506

- (1) Comparative information has been restated for the presentation of fees and commissions income. Lending fees was previously labelled as banking fees, and other fees and commissions incorporates both money transfer fees and fees and commissions.
- (2) The Group recognised customer-related remediation charges of \$71 million (2021: \$60 million charge) and the Company recognised customer-related remediation charges of \$40 million (2021: \$211 million charge) in other fees and commissions. Customer-related remediation charges in the Company includes MLC Wealth-related matters which are presented in discontinued operations at a Group level. Refer to Note 37 Discontinued Operations for further details.
- (3) Represents hedge ineffectiveness of designated hedging relationships. In the 2021 financial year, operational enhancements were implemented to reduce future volatility in earnings related to hedge accounting. This resulted in a one-off \$245 million charge.
- (4) On 30 September 2022, the Group completed the disposal of the BNZ Life business (BNZ Life), resulting in an overall gain on disposal of \$197 million in other income. Refer to Note 38 Acquisition and disposal of subsidiaries for further details.

Note 5

Operating expenses

Accounting policy

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed or once a liability is created.

Amounts received by the Group as a reimbursement for costs incurred are recognised as a reduction of the related expense.

Annual leave, long service leave and other personnel expenses

Salaries, annual leave and other employee entitlements expected to be paid or settled within 12 months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled. A liability is recognised for the amount expected to be paid under short-term cash bonuses when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. All other employee entitlements that are not expected to be paid or settled within 12 months of the reporting date are measured at the present value of net future cash flows. Employee entitlements to long service leave are accrued using an actuarial calculation, which includes assumptions regarding employee departures, leave utilisation and future salary increases.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Refer to Note 24 Provisions for balances of provisions for employee entitlements.

	Group		Company ⁽¹⁾	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Personnel expenses				
Salaries and related on-costs	3,964	3,483	3,355	2,956
Superannuation costs—defined contribution plans	319	302	302	288
Performance-based compensation	517	590	471	561
Other expenses	177	202	166	195
Total personnel expenses	4,977	4,577	4,294	4,000
Occupancy and depreciation expenses				
Rental expense	103	64	203	158
Depreciation and impairment	577	628	411	461
Other expenses	42	70	39	59
Total occupancy and depreciation expenses	722	762	653	678
General expenses				
Fees and commissions expense	44	47	29	46
Amortisation of intangible assets	535	417	460	417
Advertising and marketing	187	160	142	135
Charge to provide for operational risk event losses	107	85	328	4
Communications, postage and stationery	137	152	114	126
Computer equipment and software	789	740	694	656
Data communication and processing charges	90	77	78	65
Professional fees	729	558	689	539
Impairment losses recognised	10	16	18	89
Other expenses	375	272	266	191
Total general expenses	3,003	2,524	2,818	2,268
Total operating expenses	8,702	7,863	7,765	6,946

(1) Operating expenses of the Company includes amounts which are presented in the discontinued operations at a Group level. In the September 2022 financial year these relate to costs associated with managing the run-off of the MLC Wealth retained entities and changes in customer-related and payroll remediation. The September 2021 financial year includes customer-related and payroll remediation, amortisation of software and changes in the provision for litigation. Refer to Note 37 Discontinued operations for further details.

Note 5 Operating expenses (cont.)

Customer-related and payroll remediation

Customer-related remediation recognised by the Group relates to costs for executing the remediation programs for banking-related matters. Payroll remediation relates to costs to address potential payroll issues relating to both current and former Australian colleagues, comprising payments to colleagues and costs to execute the remediation program. The charges recognised by the Company include both costs related to the remediation programs for banking and MLC Wealth-related matters. Further details about MLC Wealth-related matters are included in *Note 37 Discontinued operations*.

In the September 2022 financial year, the Group recognised a charge of \$100 million (2021: \$5 million write-back) and a charge of \$291 million (2021: \$20 million charge) for the Company in operational risk event losses.

Impairment losses recognised

In the September 2021 financial year, the Company recognised an impairment loss of \$70 million in respect of its investment in MLC Life. The recoverable amount of the investment has been determined with reference to its value in use.

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Income tax

Accounting policy

Income tax expense (or benefit) is the tax payable (or receivable) on the current year's taxable income based on the applicable tax rate in each jurisdiction, adjusted by changes in deferred tax assets and liabilities. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in the statement of comprehensive income. The tax associated with these transactions will be recognised in the income statement at the same time as the underlying transaction.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to offset current tax assets and current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

The Company and its wholly owned Australian subsidiaries are part of a tax consolidated group. The Company is the head entity in the tax consolidated group. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members. Any current tax liabilities / assets and deferred tax assets from unused tax losses of subsidiaries in the tax consolidated group are recognised by the Company and funded in line with the tax funding arrangements.

Critical accounting judgements and estimates

The Group undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Group estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws. The effect of uncertainty over income tax treatments is reflected in determining the relevant taxable profit or tax loss, tax bases, unused tax losses and unused tax credits or tax rates. Uncertain tax positions are presented as current or deferred tax assets or liabilities as appropriate.

Income tax expense

The income tax expense for the year reconciles to the profit before income tax as follows:

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Profit before income tax	9,744	9,068	7,838	6,759
Prima facie income tax expense at 30%	2,923	2,720	2,351	2,028
Tax effect of permanent differences:				
Assessable foreign income	7	7	7	7
Foreign tax rate differences	(65)	(78)	(25)	(37)
Losses not tax effected	(24)	(13)	(24)	(15)
Foreign branch income not assessable	(12)	(35)	(12)	(35)
Over provision in prior years	(5)	(8)	(5)	3
Offshore banking unit adjustment	(97)	(46)	(57)	(37)
Restatement of deferred tax balances for tax rate changes	(5)	(1)	4	(11)
Non-deductible interest on convertible instruments	67	58	67	58
Dividend income adjustments	-	-	(345)	(181)
Impairment of investment in MLC Life	-	-	-	21
Gain on disposal of BNZ Life	(59)	-	-	-
Other	(46)	(7)	(68)	(105)
Income tax expense	2,684	2,597	1,893	1,696
Current tax expense	2,365	1,986	1,569	1,273
Deferred tax expense / (benefit)	319	611	324	423
Total income tax expense	2,684	2,597	1,893	1,696

Notes to the financial statements

Note 6 Income tax (cont.)

Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Deferred tax assets				
Specific provision for credit impairment	148	187	129	154
Collective provision for credit impairment	1,281	1,276	1,078	1,091
Employee entitlements	286	306	269	290
Tax losses	50	42	47	28
Unrealised derivatives in funding vehicles	90	149	-	-
Other provisions	169	373	168	371
Depreciation	309	360	240	284
Reserves				
Cash flow hedge reserve	821	(26)	814	(30)
Other reserves	4	126	23	91
Other	353	352	321	312
Total deferred tax assets	3,511	3,145	3,089	2,591
Set-off of deferred tax liabilities pursuant to set-off provisions	(126)	(192)	(114)	(137)
Net deferred tax assets	3,385	2,953	2,975	2,454
Deferred tax liabilities				
Intangible assets	27	5	23	-
Depreciation	-	71	-	-
Defined benefit superannuation plan assets	11	11	9	9
Reserves				
Other reserves	63	114	63	113
Other	25	20	19	15
Total deferred tax liabilities	126	221	114	137
Deferred tax liabilities set-off against deferred tax assets pursuant to set-off provisions	(126)	(192)	(114)	(137)
Net deferred tax liability	-	29	-	-

Deferred tax assets not brought to account

Deferred tax assets have not been brought to account for the following realised losses as the utilisation of the losses is not regarded as probable:

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Capital gains tax losses	1,910	1,829	1,910	1,829
Income tax losses	239	314	239	314

Notes to the financial statements

Note 7

Earnings per share

	Group			
	Basic		Diluted	
	2022	2021	2022	2021
Earnings (\$m)				
Net profit attributable to owners of NAB	6,891	6,364	6,891	6,364
Distributions on other equity instruments	-	(13)	-	(13)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	-	-	232	194
Interest expense on convertible preference shares ⁽¹⁾	-	-	-	9
Adjusted earnings	6,891	6,351	7,123	6,554
Net loss attributable to owners of NAB from discontinued operations	169	107	169	107
Adjusted earnings from continuing operations	7,060	6,458	7,292	6,661
 Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	3,219	3,290	3,219	3,290
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	240	229
Convertible preference shares ⁽¹⁾	-	-	-	16
Share-based payments	-	-	6	5
Total weighted average number of ordinary shares	3,219	3,290	3,465	3,540
 Earnings per share (cents) attributable to owners of NAB				
Earnings per share (cents) from continuing operations	214.1	193.0	205.6	185.2
Earnings per share (cents) from discontinued operations	219.3	196.3	210.5	188.2
	(5.2)	(3.3)	(4.9)	(3.0)

(1) On 17 December 2020, the Group redeemed the \$1,717 million Convertible Preference Shares II issued on 17 December 2013, in accordance with the redemption notice issued on 5 November 2020.

Financial instruments

Overview

Financial instruments represent the majority of the Group's balance sheet, including loans and advances, deposits, trading securities and derivatives.

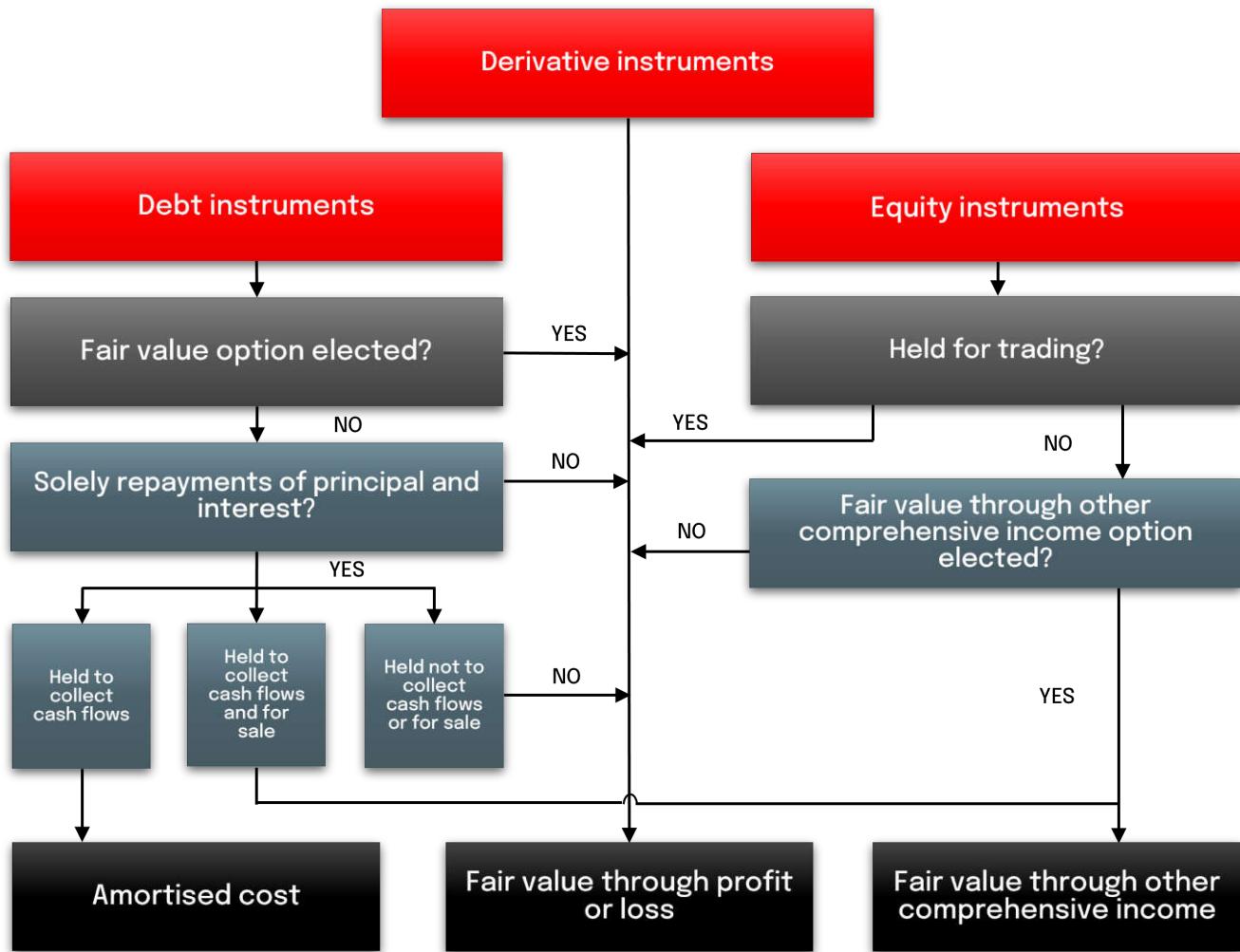
Initial recognition of financial instruments

A financial asset or financial liability is recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group recognises regular way transactions on the trade date.

All financial instruments are initially recognised at fair value. Directly attributable transaction costs are added to or deducted from the carrying value of the asset or liability on initial recognition, unless the instrument is measured at fair value through profit or loss, in which case they are recognised in profit or loss.

Classification

Subsequently, financial instruments are measured either at amortised cost or fair value depending on their classification. Classification of financial assets is driven by the Group's business model for managing the asset and the contractual cash flows of the asset. The Group uses the following flowchart to determine the appropriate classification for financial assets.



Non-derivative financial liabilities are measured at amortised cost unless the Group elects to measure the financial liability at fair value through profit or loss. The Group will elect to measure a financial liability at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Refer to the table at the end of this section for a summary of the classification of the Group's financial instruments.

Overview (cont.)

Measurement

Financial instruments measured at amortised cost

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of transaction costs, premiums or discounts using the effective interest method, and for financial assets, adjusted for any loss allowance.

Financial assets measured at fair value through other comprehensive income

Gains or losses arising from changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognised in other comprehensive income and accumulated in a separate component of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

Investments in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 *Business Combinations* applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts recognised in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial instruments at fair value through profit or loss

Changes in the fair value of financial assets are recognised in profit or loss.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit risk is calculated by determining the changes in own credit spreads and is recognised separately in other comprehensive income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from an underlying price, index or other variable, and include instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognised initially on the balance sheet at fair value and are subsequently measured at fair value through profit or loss, except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Refer to Note 18 *Derivatives and hedge accounting*.

Derecognition of financial instruments

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements

Overview (cont.)

Summary of classification and measurement basis

Financial assets

Type of instrument	Classification and measurement	Reason	Note
Loans and advances (customer loans and facilities)	Amortised cost	Cash flows represent solely payments of principal and interest, held with the objective to collect contractual cash flows	Note 12 Loans and advances
Trading securities (bonds, notes or securities issued by government, financial institutions or other corporates)	Fair value through profit or loss	Principal purpose is selling or repurchasing in the near term, or part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking	Note 9 Trading securities
Other financial assets	Fair value through profit or loss	Cash flows are not solely payments of principal and interest or designated at fair value through profit or loss to eliminate an accounting mismatch	Note 11 Other financial assets
Debt instruments (bonds, notes or securities issued by government, financial institutions or other corporates)	Fair value through other comprehensive income	Cash flows represent solely payments of principal and interest, held with the objective to both collect contractual cash flows or to sell	Note 10 Debt instruments
Derivatives (forwards, swaps, futures, options)	Fair value ⁽¹⁾	Trading derivatives - not in a qualifying hedging relationship Hedging derivatives - designated in a qualifying hedging relationship	Note 18 Derivatives and hedge accounting

Financial liabilities

Type of instrument	Classification and measurement	Reason	Note
Deposits and other borrowings (deposits, commercial paper, repurchase agreements)	Amortised cost	Not designated at fair value through profit or loss	Note 13 Deposits and other borrowings
Bonds and notes			Note 14 Bonds, notes and subordinated debt
Perpetual notes and convertible notes			Note 15 Other debt issues
Certain bonds, notes and deposits	Fair value through profit or loss ⁽²⁾	Designated at fair value through profit or loss to eliminate an accounting mismatch	Note 16 Other financial liabilities
Derivatives (forwards, swaps, futures, options)	Fair value ⁽¹⁾	Trading derivatives - not in a qualifying hedging relationship Hedging derivatives - designated in a qualifying hedging relationship	Note 18 Derivatives and hedge accounting

(1) Fair value movements on trading derivatives are recognised in profit or loss. The recognition of the fair value movements on hedging derivatives will depend on the type of hedge (i.e. fair value hedge, cash flow hedge, or hedge of a net investment). Refer to Note 18 Derivatives and hedge accounting.

(2) Except for changes in own credit risk which are recognised in other comprehensive income.

Notes to the financial statements

Note 8

Cash and balances with other banks

Accounting policy

Cash and liquid assets, and balances with other banks are initially measured at fair value and subsequently at amortised cost.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and liquid assets (including reverse repurchase agreements and short-term government securities) and amounts due from other banks net of amounts due to other banks that are highly liquid, readily convertible to known amounts of cash within three months and are subject to an insignificant risk of changes in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes).

Refer to Note 36 Notes to the statement of cash flows for a detailed reconciliation of cash and cash equivalents.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash and liquid assets				
Coins, notes and cash at bank	1,147	1,094	1,021	939
Reverse repurchase agreements	53,785	49,164	53,725	48,982
Other (including bills receivable and remittances in transit)	1,519	574	1,375	415
Total cash and liquid assets	56,451	50,832	56,121	50,336
Due from other banks				
Central banks	113,232	89,708	105,857	81,297
Other banks	28,629	17,838	27,287	16,910
Total due from other banks	141,861	107,546	133,144	98,207
Due to other banks				
Central banks ⁽¹⁾	40,824	42,486	37,713	39,849
Other banks	33,855	31,674	31,582	28,866
Total due to other banks	74,679	74,160	69,295	68,715

(1) Included within amounts due to central banks is \$35,316 million (2021: \$34,409 million) for the Group and \$32,275 million (2021: \$31,866 million) for the Company relating to the Term Funding Facility provided by the RBA and the Term Lending Facility, Funding for Lending Program provided by the RBNZ.

Note 9

Trading securities

Accounting policy

Trading securities comprise securities that are classified as held for trading because they are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking. Trading securities are measured at fair value through profit or loss.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Trading securities				
Government bonds, notes and securities	26,127	31,660	23,036	27,199
Semi-government bonds, notes and securities	5,346	4,153	2,989	2,878
Corporate / financial institution bonds, notes and securities	8,681	12,240	7,598	10,961
Other bonds, notes, securities, equities and other assets	419	1,967	420	1,878
Total trading securities	40,573	50,020	34,043	42,916

Note 10

Debt instruments

Accounting policy

Debt instruments are measured at fair value through other comprehensive income as they are held in a business model with the objective of both collecting contractual cash flows and realising assets through sale and they have contractual cash flows which are considered to be solely payments of principal and interest.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Debt instruments				
Government bonds, notes and securities	3,626	3,280	3,626	3,279
Semi-government bonds, notes and securities	25,275	25,027	25,275	25,027
Corporate / financial institution bonds, notes and securities	6,933	6,642	6,933	6,642
Other bonds, notes and securities	6,246	6,929	6,260	6,901
Total debt instruments	42,080	41,878	42,094	41,849

Note 11

Other financial assets

Accounting policy

Other financial assets are measured at fair value through profit or loss. Changes in fair value and transaction costs are recognised in the income statement. Financial assets are measured at fair value through profit or loss when they have contractual cash flow characteristics that are not considered to be solely payments of principal and interest or they have been designated as such to eliminate or reduce an accounting mismatch.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Other financial assets				
Loans at fair value	1,876	2,556	1,305	1,678
Other financial assets at fair value	185	238	1,444	1,627
Total other financial assets	2,061	2,794	2,749	3,305

The maximum credit exposure of loans (excluding any undrawn facility limits) included in other financial assets is \$1,876 million (2021: \$2,556 million) for the Group and \$1,305 million (2021: \$1,678 million) for the Company. The cumulative change in fair value of the loans attributable to changes in credit risk amounted to a \$49 million loss (2021: \$52 million loss) for the Group and a \$28 million loss (2021: \$33 million loss) for the Company.

Note 12

Loans and advances

Accounting policy

Loans and advances are financial assets for which the contractual cash flows are solely payments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Loans and advances				
Housing loans	389,124	360,000	340,278	308,041
Other term lending	260,487	236,156	224,128	199,102
Asset and lease financing	14,988	13,879	14,937	13,474
Overdrafts	4,689	4,588	2,819	2,801
Credit card outstandings	8,684	4,871	7,816	4,158
Other lending	7,867	7,006	7,467	6,650
Total gross loans and advances	685,839	626,500	597,445	534,226
Deduct:				
Unearned income and deferred net fee income	(349)	(173)	(434)	(273)
Provision for credit impairment	(5,056)	(5,171)	(4,332)	(4,407)
Total net loans and advances	680,434	621,156	592,679	529,546

Note 13

Deposits and other borrowings

Accounting policy

Deposits and other borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Deposits and other borrowings				
Term deposits	156,049	108,494	131,275	85,217
On-demand and short-term deposits	310,347	302,414	281,021	268,838
Certificates of deposit	48,555	45,193	48,555	45,193
Deposits not bearing interest	100,289	89,350	89,029	77,715
Commercial paper and other borrowings	44,346	29,244	43,150	28,357
Repurchase agreements	23,940	30,348	23,931	30,231
Total deposits and other borrowings	683,526	605,043	616,961	535,551

Note 14**Bonds, notes and subordinated debt****Accounting policy**

Bonds, notes and subordinated debt are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Premiums, discounts and associated issue expenses are recognised using the effective interest method through the income statement from the date of issue.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Bonds, notes and subordinated debt				
Medium-term notes	74,076	67,278	69,042	64,759
Securitisation notes	3,504	2,264	-	-
Covered bonds	23,511	23,715	22,440	21,845
Subordinated medium-term notes	18,192	15,897	18,192	15,897
Total bonds, notes and subordinated debt	119,283	109,154	109,674	102,501
Issued bonds, notes and subordinated debt by currency				
AUD	37,972	33,721	34,432	31,361
USD	37,002	29,512	32,727	27,334
EUR	23,463	27,555	22,289	25,902
GBP	8,240	6,371	8,298	6,356
JPY	4,285	4,297	4,285	4,297
CHF	3,589	3,655	2,908	3,208
Other	4,732	4,043	4,735	4,043
Total bonds, notes and subordinated debt	119,283	109,154	109,674	102,501

Note 14 Bonds, notes and subordinated debt (cont.)

Subordinated medium-term notes

Currency	Notional amount Currency amount (m) ⁽¹⁾	Rate	First optional call date ⁽²⁾	Maturity date ⁽³⁾	Group		Company	
					2022 \$m	2021 \$m	2022 \$m	2021 \$m
JPY	10,000	Fixed	2021 (redeemed)	2026	-	124	-	124
SGD	450	Fixed	2023	2028	479	470	479	470
AUD	943	Floating	2023	2028	942	940	942	940
AUD	1,000	Floating	2024	2029	1,000	1,000	1,000	1,000
CAD	1,000	Fixed ⁽⁴⁾	2025	2030	1,061	1,110	1,061	1,110
AUD	1,250	Floating	2025	2030	1,250	1,250	1,250	1,250
GBP	600	Fixed	2026	2031	858	1,104	858	1,104
AUD	1,175	Floating	2026	2031	1,175	1,178	1,175	1,178
AUD	225	Fixed	2026	2031	201	225	201	225
AUD	275	Fixed	2027	2032	260	300	260	300
JPY	17,000	Fixed	2027	2032	180	-	180	-
AUD	1,000	Fixed ⁽⁴⁾	2027	2032	1,000	-	1,000	-
AUD	250	Floating	2027	2032	250	-	250	-
HKD	382	Fixed	2027	2032	71	-	71	-
AUD	20	Fixed	n/a	2027	23	27	23	27
AUD	20	Fixed	n/a	2028	23	28	23	28
USD	1,500	Fixed	2029	2034	2,037	2,165	2,037	2,165
USD	1,500	Fixed	n/a	2030	1,806	1,933	1,806	1,933
USD	1,250	Fixed	n/a	2031	1,603	1,740	1,603	1,740
USD	1,250	Fixed	2032	2037	1,602	-	1,602	-
AUD	205	Fixed	n/a	2035	205	205	205	205
AUD	85	Fixed	n/a	2037	85	-	85	-
AUD	215	Fixed	n/a	2040	129	186	129	186
AUD	245	Fixed	n/a	2040	148	212	148	212
AUD	100	Fixed	n/a	2040	60	86	60	86
USD	1,250	Fixed	n/a	2041	1,346	1,614	1,346	1,614
AUD	195	Fixed	n/a	2041	195	-	195	-
AUD	203	Fixed	n/a	2042	203	-	203	-
Total					18,192	15,897	18,192	15,897

(1) Subordinated medium-term notes qualify as Tier 2 capital, in some cases subject to transitional Basel III treatment.

(2) Reflects calendar year of first optional call date (subject to APRA's prior written approval).

(3) Reflects calendar year of maturity date.

(4) From the first optional call date, the rate will reset from fixed to floating.

Note 15**Other debt issues****Accounting policy**

Perpetual notes and convertible notes are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Other debt issues				
Perpetual floating rate notes	-	5	-	5
Convertible notes	7,318	6,826	7,318	6,826
Total other debt issues	7,318	6,831	7,318	6,831

The table below highlights the key features of the Group's other debt issuances.

	Perpetual floating rate notes	Convertible notes
Outstanding amount	Nil	NAB Capital Notes 2 - Nil NAB Capital Notes 3 - \$1.87 billion NAB Capital Notes 5 - \$2.39 billion NAB Capital Notes 6 - \$2.00 billion NAB Wholesale Capital Notes - \$500 million NAB Wholesale Capital Notes 2 - \$600 million
Issued date	9 October 1986	NAB Capital Notes 2 - 7 July 2016 NAB Capital Notes 3 - 20 March 2019 NAB Capital Notes 5 - 17 December 2020 NAB Capital Notes 6 - 7 July 2022 NAB Wholesale Capital Notes - 12 December 2019 NAB Wholesale Capital Notes 2 - 17 July 2020
Interest payment frequency	Semi-annually in arrears	NAB Capital Notes 2 - Quarterly in arrears NAB Capital Notes 3 - Quarterly in arrears NAB Capital Notes 5 - Quarterly in arrears NAB Capital Notes 6 - Quarterly in arrears NAB Wholesale Capital Notes - Semi-annually in arrears until the optional call date. Quarterly in arrears thereafter. NAB Wholesale Capital Notes 2 - Quarterly in arrears
Interest rate	0.15% per annum above 6 month USD LIBOR	NAB Capital Notes 2 - 4.95% per annum above 3 month BBSW NAB Capital Notes 3 - 4.00% per annum above 3 month BBSW NAB Capital Notes 5 - 3.50% per annum above 3 month BBSW NAB Capital Notes 6 - 3.15% per annum above 3 month BBSW NAB Wholesale Capital Notes - 4.95% per annum until the optional call date. 3.75% per annum above 3 month BBSW thereafter. NAB Wholesale Capital Notes 2 - 4.00% per annum above 3 month BBSW
Maturity / Conversion	The perpetual floating rate notes were redeemed on 27 April 2022	NAB Capital Notes 2 were redeemed on 7 July 2022 Mandatory conversion: NAB Capital Notes 3 - 19 June 2028 NAB Capital Notes 5 - 17 December 2029 NAB Capital Notes 6 - 17 September 2032 NAB Wholesale Capital Notes - 12 December 2031 NAB Wholesale Capital Notes 2 - 17 July 2027 Issuer conversion option: NAB Capital Notes 3 - 17 June 2026 NAB Capital Notes 5 - 17 December 2027 NAB Capital Notes 6 - 17 December 2029 ⁽¹⁾ NAB Wholesale Capital Notes - 12 December 2029 NAB Wholesale Capital Notes 2 - 17 July 2025
Capital treatment	Tier 2 capital, subject to transitional Basel III arrangements	Additional Tier 1 capital

(1) First optional conversion date of 17 December 2029, with subsequent optional conversion dates on 17 March 2030, 17 June 2030 and 17 September 2030.

Note 16**Other financial liabilities****Accounting policy**

In certain circumstances, the Group applies the fair value measurement option to financial liabilities. This option is applied where an accounting mismatch is significantly reduced or eliminated by measuring the financial liability at fair value through profit or loss.

Where liabilities are designated at fair value through profit or loss, they are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses (except for changes in own credit risk that are recognised in other comprehensive income) are recognised in the income statement as they arise.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Other financial liabilities at fair value				
Bonds, notes and subordinated debt	15,061	18,416	4,479	5,570
Deposits and other borrowings				
Certificates of deposit	1,463	2,324	-	-
Commercial paper and other borrowings	2,016	4,228	-	-
Securities sold short	3,575	2,059	3,310	1,547
Other financial liabilities	1,171	19	1,171	19
Total other financial liabilities	23,286	27,046	8,960	7,136

The change in fair value of bonds, notes and subordinated debt attributable to changes in the Group's credit risk amounts to a gain for the 2022 financial year of \$149 million (2021: \$78 million loss) for the Group and a gain of \$88 million (2021: \$63 million loss) for the Company. The cumulative change in fair value of bonds, notes and subordinated debt attributable to changes in the Group's credit risk amounts to a loss of \$12 million (2021: \$161 million loss) for the Group and a gain of \$35 million (2021: \$53 million loss) for the Company. The contractual amount to be paid at the maturity of the bonds, notes and subordinated debt is \$15,958 million (2021: \$17,707 million) for the Group and \$5,079 million (2021: \$5,222 million) for the Company.

Note 17**Provision for credit impairment on loans at amortised cost****Accounting policy**

The Group applies a three-stage approach to measuring expected credit losses (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income.
- Loan commitments.
- Financial guarantee contracts.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

Stage	Measurement basis
12-months ECL (Stage 1)	The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
Lifetime ECL – not credit impaired (Stage 2)	ECL associated with the probability of default events occurring throughout the life of an instrument.
Lifetime ECL – credit impaired (Stage 3)	Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

At each reporting date, the Group assesses the default risk of exposures in comparison to the default risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If no significant increase in default risk is observed, the exposure will remain in Stage 1. If the default risk of an exposure has increased significantly since initial recognition, the exposure will migrate to Stage 2. Should an exposure become credit impaired it will migrate to Stage 3.

For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and also forward looking analysis.

ECL are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit quality of financial assets

The Group's internally developed credit rating system utilises historical default data drawn from a number of sources to assess the potential default risk of lending, or other financial services products, provided to counterparties or customers. The Group has defined counterparty probabilities of default across retail and non-retail loans and advances, including performing (pre-default) and non-performing (post-default) rating grades. In assessing for credit impairment of financial assets under the expected credit loss model, the Group aligns impairment with the definition of default prescribed in its Credit Policy and Procedures.

Assessment of significant increase in credit risk

When determining whether the default risk has increased significantly since initial recognition, the Group considers both quantitative and qualitative information, including expert credit risk assessment, forward looking information and analysis based on the Group's historical default experience.

- For non-retail facilities, internally derived credit ratings, as described above, represent a key determinant of default risk. The Group assigns each customer a credit rating at initial recognition based on available information. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date, relative to the credit rating at the date of initial recognition.

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

- Retail facilities use the number of days past due (DPD) or the relative change in probability of default at an account level, to determine whether or not there has been a significant increase in credit risk.
- In addition, the Group considers that significant increase in credit risk occurs when a facility is more than 30 DPD.

Definition of default

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

Calculation of ECL

- ECL are calculated using three main parameters being probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward looking information, including macro-economic data.
- For accounting purposes, the 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining expected lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.
- The 12-month ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the expected remaining life multiplied by LGD and EAD.

Incorporation of forward looking information

- The Group uses internal subject matter experts from Risk, Economics and Business Divisions to consider a range of relevant forward looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments and any idiosyncratic or targeted portfolio / industry adjustments, to support the calculation of ECL.
- Forward looking adjustments (FLAs) for both general macro-economic adjustments and more targeted portfolio / industry adjustments, reflect reasonable and supportable forecasts of potential future conditions that are not captured within the base ECL calculations.
- Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, GDP, inflation, commercial and residential property prices, and require an evaluation of both the current and forecast direction of the macro-economic cycle.
- Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECL. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Critical accounting judgements and estimates

Judgement is applied in determining ECL using objective, reasonable and supportable information about current and forecast economic conditions. Macro-economic variables used in these scenarios include (but are not limited to) the cash rate, unemployment rates, GDP growth rates and residential and commercial property price indices. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's historical loss experience.

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Credit impairment charge on loans at amortised cost				
New and increased provisions (net of collective provision releases)	355	122	257	19
Write-backs of specific provisions	(161)	(270)	(147)	(169)
Recoveries of specific provisions	(70)	(54)	(62)	(42)
Total charge / (write-back) to the income statement	124	(202)	48	(192)

Group	Stage 1	Stage 2	Stage 3		
	12-mth ECL Collective provision	Lifetime ECL not credit impaired Collective provision	Lifetime ECL credit impaired		
		Collective provision	Specific provision	Total	
\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 October 2020	470	3,897	824	820	6,011
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	213	(197)	(16)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(69)	240	(171)	-	-
Transferred to Lifetime ECL credit impaired - collective provision	(2)	(59)	61	-	-
Transferred to Lifetime ECL credit impaired - specific provision	(1)	(31)	(93)	125	-
New and increased provisions (net of collective provision releases)	(358)	(188)	281	387	122
Write-backs of specific provisions	-	-	-	(270)	(270)
Write-offs from specific provisions	-	-	-	(413)	(413)
Derecognised in respect of a sale of loans	-	(299)	-	-	(299)
Foreign currency translation and other adjustments	3	13	3	1	20
Balance as at 30 September 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	238	(221)	(17)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(39)	155	(116)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(47)	48	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(25)	(45)	70	-
New and increased provisions (net of collective provision releases)	(42)	22	47	328	355
Write-backs of specific provisions	-	-	-	(161)	(161)
Write-offs from specific provisions	-	-	-	(362)	(362)
Foreign currency translation and other adjustments ⁽¹⁾	36	16	11	(10)	53
Balance as at 30 September 2022	448	3,276	817	515	5,056

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

Impact of movements in gross carrying amount on provision for ECL for the Group

Provision for credit impairment reflects ECL measured using the three-stage approach. The following explains how significant changes in the gross carrying amount of loans and advances during the 2022 financial year have contributed to the changes in the provision for credit impairment for the Group under the ECL model.

Overall, the total provision for credit impairment decreased by \$115 million compared to the balance as at 30 September 2021.

Specific provisions decreased by \$135 million compared to the balance as at 30 September 2021, primarily due to work-outs in the business lending portfolio in Australia and New Zealand.

Notes to the financial statements

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

Collective provisions increased by \$20 million compared to the balance as at 30 September 2021, comprised of:

Collective provision 12-months ECL (Stage 1) increased by \$192 million as a result of:

- An increase in the forward looking economic adjustment raised for uncertainty in the economic outlook including the potential impact of higher inflation and interest rates.
- An increase in collective provisions for the Australian retail portfolio due to the impact of the acquisition of the Citi consumer business.
- \$180 billion of loans and advances that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.
- Partially offset by \$120 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.

Collective provision Lifetime ECL – not credit impaired (Stage 2) decreased by \$100 million as a result of:

- Decrease in net collective provision FLAs raised for targeted sectors.
- \$92 billion of loans and advances that migrated to Stage 1 as a result of improved credit quality or into Stage 3 due to deterioration in credit quality, were repaid or experienced movement in underlying account balances during the period.

This was partially offset by:

- \$93 billion of loans and advances that were originated and migrated over the year to Stage 2, including the impact of forward looking economic information applied in the ECL model or migrating into Stage 2 as a result of loans and advances transferred from Stage 1 or Stage 3.
- An increase in the forward looking economic adjustment raised for uncertainty in the economic outlook including the potential impact of higher inflation and interest rates.

Collective provision Lifetime ECL – credit impaired (Stage 3) decreased by \$72 million as a result of:

- \$5 billion of loans and advances that were repaid or migrated to Stage 1 or Stage 2 due to credit quality improvement or migrated to individually credit assessed with specific provisions raised.
- Partially offset by \$4 billion of loans and advances that experienced movement in underlying account balances during the period or were transferred into Stage 3 from Stage 1 and Stage 2 due to credit quality deterioration.

ECL scenario analysis

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

The following table shows the key macro-economic variables for the Australian economy used in the base case and downside scenario as at 30 September 2022.

	Base case			Downside		
	Financial year			Financial year		
	2023	2024	2025	2023	2024	2025
	%	%	%	%	%	%
GDP change (year ended September)	1.7	1.7	2.3	(4.4)	0.8	2.7
Unemployment (as at 30 September)	4.0	4.2	4.2	8.5	10.1	9.7
House price change (year ended September)	(14.3)	3.0	3.0	(21.9)	(10.4)	1.5

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

	Group	
	2022 \$m	2021 \$m
Total provisions for ECL		
Probability weighted	5,056	5,171
100% Base case	4,292	4,291
100% Downside	6,008	6,984

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

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

	2022 %	2021 %
Macro-economics scenario weightings		
Upside	2.5	5.0
Base case	52.5	62.5
Downside	45.0	32.5

- The September 2022 total provisions for ECL in the 100% base case are broadly stable with September 2021, with a more severe base case economic outlook offset by an improvement in the underlying portfolio provision balances and a net release of FLAs held for target sectors.
- The September 2022 total provisions for ECL in the 100% downside scenario have decreased since September 2021, primarily due to a reduction in the severity of the stress applied to the Australian business lending portfolio, improvement in the underlying portfolio provision balances and a net release of FLAs held for target sectors.
- The downside scenario weighting for the Australian portfolio has increased from 32.5% as at September 2021 to 45% as at September 2022, reflecting increased downside risks including the potential impact of higher inflation and interest rates.

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

	Group		2021 \$m
	2022 \$m		
Total provision for ECL for key portfolios			
Housing	1,296		1,248
Business	3,429		3,770
Others	331		153
Total	5,056		5,171

Company	Stage 1		Stage 2		Stage 3		Total	
	12-mth ECL	Collective provision	Lifetime ECL not credit impaired		Lifetime ECL credit impaired			
			\$m	\$m	\$m	\$m		
Balance at 1 October 2020	414		3,434		722	609	5,179	
Changes due to financial assets recognised in the opening balance that have:								
Transferred to 12-months ECL - collective provision	192		(180)		(12)	-	-	
Transferred to Lifetime ECL not credit impaired - collective provision	(18)		175		(157)	-	-	
Transferred to Lifetime ECL credit impaired - collective provision	(1)		(53)		54	-	-	
Transferred to Lifetime ECL credit impaired - specific provision	(1)		(26)		(85)	112	-	
New and increased provisions (net of collective provision releases)	(382)		(179)		283	297	19	
Write-backs of specific provisions	-		-		-	(169)	(169)	
Write-offs from specific provisions	-		-		-	(322)	(322)	
Derecognised in respect of a sale of loans	-		(299)		-	-	(299)	
Foreign currency translation and other adjustments	(1)		-		1	(1)	(1)	
Balance as at 30 September 2021	203		2,872		806	526	4,407	
Changes due to financial assets recognised in the opening balance that have:								
Transferred to 12-months ECL - collective provision	210		(196)		(14)	-	-	
Transferred to Lifetime ECL not credit impaired - collective provision	(31)		143		(112)	-	-	
Transferred to Lifetime ECL credit impaired - collective provision	(1)		(38)		39	-	-	
Transferred to Lifetime ECL credit impaired - specific provision	-		(23)		(39)	62	-	
New and increased provisions (net of collective provision releases)	(39)		(54)		51	299	257	
Write-backs of specific provisions	-		-		-	(147)	(147)	
Write-offs from specific provisions	-		-		-	(294)	(294)	
Foreign currency translation and other adjustments ⁽¹⁾	43		54		16	(4)	109	
Balance as at 30 September 2022	385		2,758		747	442	4,332	

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

Notes to the financial statements

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

Impact of movements in gross carrying amount on provision for ECL for the Company

Provision for credit impairment reflects ECL measured using the three-stage approach. The following explains how significant changes in the gross carrying amount of loans and advances during the 2022 financial year have contributed to the changes in the provision for credit impairment for the Company under the ECL model.

Overall, the total provision for credit impairment decreased by \$75 million compared to the balance as at 30 September 2021.

Specific provisions decreased by \$84 million compared to the balance as at 30 September 2021, primarily due to work-outs in the business lending portfolio.

Collective provisions increased by \$9 million compared to the balance as at 30 September 2021, comprised of:

Collective provision 12-months ECL (Stage 1) increased by \$182 million due to:

- An increase in the forward looking economic adjustment raised for uncertainty in the economic outlook including the potential impact of higher inflation and interest rates.
- An increase in collective provisions for the Australian retail portfolio due to the impact of the acquisition of the Citi consumer business.
- \$161 billion of loans and advances that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.
- Partially offset by \$101 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.

Collective provision Lifetime ECL – not credit impaired (Stage 2) decreased by \$114 million due to:

- Decrease in net collective provision FLAs raised for targeted sectors.
- \$81 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period, migrated to Stage 1 as a result of improved credit quality or into Stage 3 due to deterioration in credit quality.

This was partially offset by:

- \$79 billion of loans and advances that were originated and migrated over the year to Stage 2, including the impact of forward looking economic information applied in the ECL model or migrating into Stage 2 as a result of loans and advances transferred from Stage 1 or Stage 3.
- An increase in the forward looking economic adjustment raised for uncertainty in the economic outlook including the potential impact of higher inflation and interest rates.

Collective provision Lifetime ECL – credit impaired (Stage 3) decreased by \$59 million due to:

- \$4 billion of loan and advances that were repaid, migrated to Stage 1 or Stage 2 due to credit quality improvement or migrated to individually credit assessed with specific provisions raised.
- Partially offset by \$3 billion of existing loans and advances that were transferred into Stage 3 from Stage 1 and Stage 2 due to credit quality deterioration or experienced movement in underlying account balances during the period.

Write-offs still under enforcement activity

The contractual amount outstanding on loans and advances that were written off during the 2022 financial year, which are still subject to enforcement activity was \$68 million (2021: \$32 million) for the Group and \$45 million (2021: \$10 million) for the Company.

Information about total impaired assets

The following table provides details on impaired assets. Gross amounts are shown before taking into account any collateral held or other credit enhancements. Refer to Note 19 *Financial risk management* for analysis of the credit quality of the Group's loans and advances.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Summary of total impaired assets				
Gross impaired assets ⁽¹⁾	1,029	1,258	878	1,031
Specific provision for credit impairment ⁽²⁾	(531)	(664)	(442)	(526)
Net impaired assets⁽³⁾	498	594	436	505

(1) Gross impaired assets include \$29 million (2021: \$30 million) for the Group and \$nil (2021: \$nil) for the Company of gross impaired loans at fair value, \$7 million (2021: \$9 million) of impaired off-balance sheet credit exposures for the Group and \$6 million (2021: \$7 million) for the Company.

(2) Specific provision for credit impairment includes \$16 million (2021: \$14 million) for the Group and \$nil (2021: \$nil) for the Company of fair value credit adjustments on loans at fair value.

(3) The fair value of security in respect of impaired assets is \$499 million (2021: \$638 million) for the Group and \$444 million (2021: \$560 million) for the Company. Fair value amounts of security held in excess of the outstanding balance of individual impaired assets are not included in these amounts.

Note 18**Derivatives and hedge accounting****Accounting policy*****Trading derivatives***

Trading derivatives are not in a qualifying hedging relationship and are measured at fair value through profit or loss.

Hedge accounting

The Group utilises the following three types of hedge relationships in managing its exposure to risk. At inception of all hedge relationships the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship.

	Cash flow hedge	Fair value hedge	Net investment hedge
Objective	To hedge changes to cash flows arising from interest rate and foreign currency risk.	To hedge fair value changes to recognised assets and liabilities arising from interest rate and foreign currency risk.	To hedge foreign currency exposure arising from foreign operations of the Group.
Methods for testing hedge effectiveness	Critical terms matching, regression or cumulative dollar offset.	Critical terms matching and the cumulative dollar offset method.	Cumulative dollar offset method.
Potential sources of ineffectiveness	Primarily mismatches in terms of the hedged item and the hedging instrument. Discounting basis between the hedged item and hedging instrument.	Primarily mismatches in terms of the hedged item and the hedging instrument, prepayment risk and reset risk. Discounting basis between the hedged item and hedging instrument.	None expected as the net investment is only hedged to the extent of the notional or carrying amount of the hedging instrument.
Recognition of effective hedge portion	Fair value changes of the hedging instrument associated with the hedged risk are recognised in the cash flow hedge reserve in equity.	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the income statement.	Fair value changes of the hedging instrument are recognised in the foreign currency translation reserve within equity.
Recognition of ineffective hedge portion	Recognised in the income statement as ineffectiveness arises.		
Hedging instrument expires, is sold, or when hedging criteria are no longer met	Transferred to the income statement as / when the hedged item affects the income statement. If the hedged item is no longer expected to occur the effective portion accumulated in equity is transferred to the income statement immediately.	Cumulative hedge adjustment to the hedged item is amortised to the income statement on an effective yield basis.	Cumulative fair value changes arising from the hedging instrument will remain in equity until the foreign operation is disposed.
Cost of hedging reserve	For qualifying hedging instruments, the Group excludes foreign currency basis spreads from hedge designations. Any change in the fair value of these hedging instruments for changes in cross currency basis spreads is deferred to the cost of hedging reserve and released to profit or loss either when the hedged exposure affects profit or loss or on a systematic basis over the life of the hedge. The cumulative movements are expected to be nil by maturity of the hedging instruments.		

Note 18 Derivatives and hedge accounting (cont.)

Derivative assets and liabilities

The tables below set out total derivative assets and liabilities disclosed as trading and hedging derivatives.

Total derivatives

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
Trading derivatives	53,429	24,254	50,729	22,084	54,932	24,658	53,397	24,948
Hedging derivatives	7,587	3,220	6,757	1,947	5,719	2,153	4,097	1,230
Total derivatives	61,016	27,474	57,486	24,031	60,651	26,811	57,494	26,178

Trading derivatives

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
Foreign exchange rate-related contracts								
Spot and forward contracts	26,167	7,218	21,887	6,178	24,668	6,867	20,612	5,854
Cross currency swaps	15,825	4,697	14,418	6,674	19,941	5,875	19,076	9,667
Options / swaptions	427	222	400	201	431	222	400	201
Total foreign exchange rate-related contracts	42,419	12,137	36,705	13,053	45,040	12,964	40,088	15,722
Interest rate-related contracts								
Forward rate agreements	-	12	1	12	-	12	-	12
Swaps	8,444	10,360	10,902	7,330	7,320	9,914	10,184	7,502
Options / swaptions	1,045	870	1,356	932	1,045	870	1,352	931
Total interest rate-related contracts	9,489	11,242	12,259	8,274	8,365	10,796	11,536	8,445
Credit derivatives	234	2	157	85	234	5	157	88
Commodity derivatives	1,268	822	1,592	642	1,274	842	1,600	664
Other derivatives	19	51	16	30	19	51	16	29
Total trading derivatives	53,429	24,254	50,729	22,084	54,932	24,658	53,397	24,948

Note 18 Derivatives and hedge accounting (cont.)

Risk management strategy for hedge accounting

Overview

The Group's hedging strategy is to manage its exposure to interest rate risk on a net variable basis in Australian or New Zealand dollars. For Australian and New Zealand denominated exposures the Group will enter into interest rate swaps where the exposure is to a fixed interest rate. In some instances, cash flow hedges of interest rate risk are also used to arrive at a net variable rate position. Foreign currency exposures are swapped to Australian or New Zealand dollars using cross-currency swaps and interest rate swaps. The material risks and the risk management strategy are explained further below.

Cash flow hedges - interest rate risk

The Group manages interest rate risk exposure on deposits and loans via interest rate derivatives. The Group accounts for these hedge relationships as a macro cash flow hedge. The gross exposures are allocated to time buckets based on expected repricing dates, with interest rate derivatives allocated to hedge accordingly. The benchmark interest rate is hedged which represents the largest component of changes in fair value and is observable in relevant financial markets.

Cash flow hedges - foreign currency risk

The Group is exposed to foreign currency risk on credit margin cash flows and foreign currency risk on the principal cash flows, both of which arise from foreign currency debt issuances. The Group uses foreign currency derivatives to manage changes between the foreign currency and Australian and New Zealand dollars for the above mentioned cash flows.

Fair value hedges - interest rate risk

Interest rate risk arises on fixed rate bonds, notes and subordinated debt issuances, fixed rate debt instruments held for liquidity purposes and fixed rate loans and advances. The Group hedges its interest rate risk on these instruments with relevant interest rate derivatives to reduce its exposure to changes in fair value due to interest rate fluctuations.

Hedging relationships are predominantly one-to-one, with the exception of fixed rate housing loans which were previously designated on a macro basis until de-designation in the September 2022 financial year.

With all the fair value hedges, the benchmark interest rate is hedged which represents the largest component of changes in fair value and is observable in relevant financial markets.

Note 18 Derivatives and hedge accounting (cont.)

Hedging derivatives

Hedging derivative assets and liabilities are disclosed by the hedged risk and type of hedge relationship in which they are designated. The Group may designate separate derivatives to hedge different risk components of one hedged item. In such scenario the notional amount of hedging derivatives will, in sum, exceed the notional amount of the hedged item. In the case of cross-currency swaps, the Group can designate a single instrument to hedge both interest rate risk in a fair value hedge and currency risk in a cash flow hedge.

	Hedging instrument	Risk	Group				Company			
			2022		2021		2022		2021	
			Carrying amount \$m	Notional \$m						
Derivative assets										
Cash flow hedges	Interest rate swaps	Interest	-	160,449	-	137,799	-	144,670	-	127,152
Cash flow hedges	Cross-currency swaps	Currency	7,340	119,820	2,609	103,037	5,493	93,038	1,788	79,426
Cash flow hedges	Foreign exchange contracts	Currency	212	6,257	49	6,340	212	6,257	49	6,340
Fair value hedges	Interest rate swaps	Interest	19	75,768	209	72,029	11	73,012	137	58,868
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	16	475	352	5,530	3	167	178	2,646
Cash flow hedges	Futures ⁽¹⁾	Interest	-	59	1	3,092	-	59	1	1,221
Total derivative assets			7,587	362,828	3,220	327,827	5,719	317,203	2,153	275,653
Derivative liabilities										
Cash flow hedges	Interest rate swaps	Interest	5	206,451	15	106,774	5	201,808	15	99,476
Cash flow hedges	Cross-currency swaps	Currency	4,152	64,945	1,288	64,408	3,513	49,626	1,072	55,180
Cash flow hedges	Foreign exchange contracts	Currency	1	506	7	1,492	1	506	7	1,492
Fair value hedges	Interest rate swaps	Interest	383	108,169	19	58,864	279	90,448	12	46,290
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	2,209	8,589	618	8,643	292	2,612	124	4,366
Cash flow hedges	Futures ⁽¹⁾	Interest	7	1,440	-	1,047	7	1,128	-	1,047
Total derivative liabilities			6,757	390,100	1,947	241,228	4,097	346,128	1,230	207,851

(1) Futures notional amounts are netted for presentation purposes.

Notes to the financial statements

Note 18 Derivatives and hedge accounting (cont.)

The following table shows the maturity profile of hedging instruments based on their notional amounts.

	2022				2021			
	0 to 12 months	1 to 5 years	Over 5 years	Total	0 to 12 months	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Group								
Interest rate swaps	247,746	245,893	57,198	550,837	91,837	235,087	48,542	375,466
Foreign exchange contracts	6,622	141	-	6,763	7,832	-	-	7,832
Futures ⁽¹⁾	1,204	295	-	1,499	3,342	797	-	4,139
Cross-currency swaps - interest and currency	3,178	5,144	742	9,064	5,872	5,700	2,601	14,173
Cross-currency swaps - currency	37,059	104,868	42,838	184,765	39,830	91,543	36,072	167,445
Company								
Interest rate swaps	241,175	216,746	52,017	509,938	77,379	209,176	45,231	331,786
Foreign exchange contracts	6,622	141	-	6,763	7,832	-	-	7,832
Futures ⁽¹⁾	892	295	-	1,187	1,471	797	-	2,268
Cross-currency swaps - interest and currency	1,358	982	439	2,779	5,376	1,287	349	7,012
Cross-currency swaps - currency	33,441	75,627	33,596	142,664	32,524	73,551	28,531	134,606

(1) Futures notional amounts are netted for presentation purposes.

Notes to the financial statements

Note 18 Derivatives and hedge accounting (cont.)

The average rate for major currencies of the final exchange of cross-currency swaps designated in hedge accounting relationships is as follows:

	Group		Company	
	2022	2021	2022	2021
USD:AUD	1.362	1.352	1.361	1.349
EUR:AUD	1.497	1.466	1.551	1.491
GBP:AUD	1.868	1.803	1.863	1.815
USD:NZD	1.458	1.458	n/a	n/a
CHF:NZD	1.554	1.440	n/a	n/a
EUR:NZD	1.683	1.696	n/a	n/a

The average executed rate for interest rate swaps in hedge accounting relationships for major currencies is as follows:

	Group				Company			
	2022		2021		2022		2021	
	Fair value hedges %	Cash flow hedges %	Fair value hedges %	Cash flow hedges %	Fair value hedges %	Cash flow hedges %	Fair value hedges %	Cash flow hedges %
NZD interest rates	1.95 - 4.50	(0.01) - 4.87	0.11 - 4.50	(0.01) - 3.20	1.95 - 3.05	-	1.95 - 3.05	-
USD interest rates	0.61 - 2.96	-	0.61 - 2.96	-	0.61 - 2.73	-	0.61 - 2.73	-
AUD interest rates	0.40 - 7.13	0.06 - 7.29	0.40 - 7.13	0.02 - 7.29	0.40 - 7.13	0.06 - 7.29	0.40 - 7.13	0.02 - 7.29
EUR interest rates	(0.22) - 2.61	-	(0.22) - 2.61	-	(0.22) - 2.61	-	(0.22) - 2.61	-

Notes to the financial statements

Note 18 Derivatives and hedge accounting (cont.)

Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in *Note 28 Reserves*. The movements in hedging instruments recognised in other comprehensive income are reported in the Group's statement of other comprehensive income. As at 30 September, the amounts recognised in the cash flow hedge reserve for which hedge accounting is no longer applied is \$14 million (2021: \$nil).

The following table shows the carrying amount of fair value hedged items in hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes. The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses is a loss of \$26 million (2021: \$nil) for the Group and \$nil (2021: \$nil) for the Company.

	Group				Company			
	2022		2021		2022		2021	
	Carrying amount \$m	Fair value hedge adjustments \$m						
Debt instruments⁽¹⁾								
Semi-government bonds, notes and securities	19,075	-	21,513	-	19,075	-	21,513	-
Loans and advances								
Housing loans ⁽²⁾	(26)	(26)	7,581	(27)	-	-	-	-
Other term lending	984	(55)	1,423	47	984	(55)	1,423	47
Bonds, notes and subordinated debt								
Medium-term notes	41,765	(2,698)	42,059	781	36,730	(2,204)	39,539	773
Covered bonds ⁽³⁾	18,126	(1,219)	20,803	696	-	-	-	-
Subordinated medium-term notes	11,887	(2,464)	11,327	(160)	11,887	(2,464)	11,327	(160)

(1) The carrying amount of debt instruments at fair value through other comprehensive income does not include a fair value hedge adjustment as the hedged asset is measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement.

(2) On 1 April 2022, BNZ discontinued portfolio fair value hedge accounting for its housing loans. The carrying amount represents the accumulated unamortised portion of the fair value hedge adjustment which will be amortised to profit or loss over the remaining term of the loans.

(3) The Company does not apply hedge accounting to covered bonds, however these are designated for hedge accounting purposes at the Group level.

Note 18 Derivatives and hedge accounting (cont.)

Hedge ineffectiveness

Fair value and cash flow hedge relationships result in the following changes in value used as the basis for recognising hedge ineffectiveness for the years ended 30 September:

	Change in fair value on hedging instruments		Change in fair value on hedged items		Hedge ineffectiveness recognised in income statement ⁽¹⁾	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Group						
Fair value hedges (interest rate risk)	(4,259)	(3)	4,286	10	27	7
Cash flow hedges (interest rate risk)	(2,748)	(447)	2,749	445	1	(2)
Cash flow hedges (currency risk)	2,836	(927)	(2,806)	689	30	(238)
Fair value and Cash flow hedges (interest rate and currency risk)	(73)	(37)	73	37	-	-
Total	(4,244)	(1,414)	4,302	1,181	58	(233)
Company						
Fair value hedges (interest rate risk)	(1,966)	334	1,970	(318)	4	16
Cash flow hedges (interest rate risk)	(3,004)	(380)	3,004	380	-	-
Cash flow hedges (currency risk)	2,701	(756)	(2,674)	720	27	(35)
Total	(2,269)	(802)	2,300	782	31	(19)

(1) In the 2021 financial year, operational enhancements were implemented to reduce future volatility in earnings related to hedge accounting. This resulted in a one-off \$245 million charge.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash flow hedge (interest rate risk)				
Cash flow hedges - gains or losses recognised in other comprehensive income	(2,709)	(444)	(3,004)	(380)
Amount reclassified from the cash flow hedge reserve to income statement	(5)	(55)	-	(9)
Cash flow hedge (currency risk)				
Cash flow hedges - gains or losses recognised in other comprehensive income	2,787	(724)	2,674	(720)
Amount reclassified from the cash flow hedge reserve to income statement	(2,583)	887	(2,483)	714

Note 19

Financial risk management

Overview of Risk Management Framework

Risk is the potential for harm and an inherent part of the Group's business. The Group's ability to manage risk effectively is critical to being a safe and secure bank that can serve customers well and help our communities prosper. The Group's risk management is in line with APRA Prudential Standard CPS 220 *Risk Management*.

The Group's Risk Management Framework consists of systems, structures, policies, processes and people within the Group that manage the Group's material risks. The RMF is comprehensively reviewed every three years for appropriateness, effectiveness and adequacy by an operationally independent party. The Board is ultimately responsible for the Risk Management Framework and oversees its operation by management. In addition, directors and senior executives are held accountable for the parts of the Group's operations they manage or control.

The Group applies a 'Three Lines of Accountability' operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

- First Line - Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.
- Second Line - A functionally segregated Risk function develops risk management frameworks, defines risk boundaries, provides objective review and challenge regarding the effectiveness of risk management within the first line businesses, and executes specific risk management activities where a functional segregation of duties and/or specific risk capability is required.
- Third Line - An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the RMF.

Further risk management information for the Group is disclosed in the *Corporate Governance* section of the Group's website at nab.com.au/about-us/corporate-governance.

Credit risk

Credit risk overview, management and control responsibilities

Credit is any transaction that creates an actual or potential obligation for a counterparty or a customer to pay the Group. Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with agreed terms. Bank lending activities account for most of the Group's credit risk, however other sources of credit risk also exist throughout the activities of the Group. These activities include the banking book, the trading book, and other financial instruments and loans (including, but not limited to, acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps, bonds and options), as well as in the extension of commitments and guarantees and the settlement of transactions.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to existing or potential counterparties or customers, groups of related counterparties or groups of related customers, and to geographical and industry segments. Such risks are monitored on an ongoing basis and are subject to annual or more frequent review.

In general, the Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on the balance sheet.

Exposure to credit risk is managed through regular analysis of the ability of existing or potential counterparties, customers, groups of related counterparties or groups of related customers to meet repayment obligations, primarily interest and principal, and by changing credit limits where appropriate. Exposure to credit risk is also managed in part, by obtaining collateral and corporate and personal guarantees.

The Group further restricts its exposure to credit losses by entering into master netting arrangements with derivatives counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if any counterparty failed to meet its obligations in accordance with agreed terms, all amounts with a counterparty are terminated and settled on a net basis.

ESG risks

The Group is exposed to ESG and other emerging risks. The following items are examples of how these risks may impact the Group:

- Increases in the frequency and severity of climatic events could impact customers' ability to service their loans or the value of the collateral held to secure the loans.
- Action taken by governments, regulators and society more generally, to transition to a low-carbon economy, could impact the ability of some customers to generate long-term returns in a sustainable way or lead to certain assets being stranded in the future.
- Failure to comply with environmental and social legislation (emerging and current) may impact customers' ability to generate sustainable returns and service their loans.
- If in future customers don't hold appropriate levels of insurance for physical assets against certain risks, this may impact the value the Group can recover in the event of certain natural disasters.

The Group considers these risks as part of the credit risk assessment and due diligence process before a customer is granted credit and for new product development. The Group also manages its total credit portfolio within established risk appetite and limits, particularly for specific industries or regions that are more exposed to these types of risks. As at 30 September 2022, the

Note 19 Financial risk management (cont.)

Group holds FLAs in its credit impairment provisions reflecting the potential impact of emerging ESG risks. This includes \$14 million (2021: \$nil) for the potential impact of the Lismore floods.

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances, there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For irrevocable loan commitments and other credit-related commitments, the maximum exposure to credit risk is the full amount of committed facilities.

The table below shows the Group's maximum exposure to credit risk for on-balance sheet and off-balance sheet positions before taking into account any collateral held or other credit enhancements.

	Footnote	Group		Company	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Financial assets					
Cash and liquid assets	(a)	55,304	49,738	55,100	49,397
Due from other banks	(b)	141,861	107,546	133,144	98,207
Collateral placed	(c)	13,115	6,430	10,636	5,919
Trading securities	(d)	40,573	50,020	34,043	42,916
Debt instruments	(e)	42,080	41,878	42,094	41,849
Other financial assets	(f)	2,061	2,794	2,749	3,305
Derivative assets	(d)	61,016	27,474	60,651	26,811
Gross loans and advances	(f)	685,839	626,500	597,445	534,226
Due from controlled entities	(g)	-	-	38,226	38,599
Other assets	(g)	4,861	6,261	4,181	5,519
Total		1,046,710	918,641	978,269	846,748
Bank guarantees and letters of credit	(h)	22,045	21,409	20,831	20,633
Credit commitments	(h)	204,785	185,369	185,794	163,196
Total		226,830	206,778	206,625	183,829
Total credit risk exposure		1,273,540	1,125,419	1,184,894	1,030,577

- (a) The balance of **Cash and liquid assets** that is exposed to credit risk is comprised primarily of reverse repurchase agreements and securities borrowing agreements.
- (b) The balance of **Due from other banks** that is exposed to credit risk is comprised primarily of securities borrowing agreements and reverse repurchase agreements, as well as balances held with central supervisory banks and other interest earning assets. Securities borrowing agreements and reverse repurchase agreements are collateralised with highly liquid securities and the collateral is in excess of the borrowed or loaned amount.
Balances held with central supervisory banks and other interest earning assets that are due from other banks are managed based on the counterparty's creditworthiness. The Group will utilise master netting arrangements where possible to reduce its exposure to credit risk.
- (c) The maximum exposure to credit risk from **Collateral placed** is the collateral placed with the counterparty before consideration of any netting arrangements.
- (d) At any one time, the maximum exposure to credit risk from **Trading securities** and **Derivative assets** is limited to the current fair value of instruments that are favourable to the Group less collateral obtained. This credit risk is managed as part of the overall lending limits with customers, together with potential exposures from market movements.
The Group uses documentation including International Swaps and Derivatives Association (ISDA) Master Agreements to document derivative activities. Under ISDA Master Agreements, if a default of a counterparty occurs, all contracts with the counterparty are terminated. They are then settled on a net basis at market levels current at the time of default. The Group also executes Credit Support Annexes in conjunction with ISDA Master Agreements.
Credit risk from over-the-counter trading and hedging derivatives is mitigated where possible through netting arrangements whereby derivative assets and liabilities with the same counterparty can be offset in certain circumstances. Derivatives that are cleared through a central clearing counterparty or an exchange have less credit risk than over-the-counter derivatives and are subject to relevant netting and collateral agreements.
- (e) **Debt instruments** are generally comprised of government, semi-government, corporate and financial institution bonds, notes and securities. The amount of collateral held against such instruments will depend on the counterparty and the nature of the specific financial instrument.

Note 19 Financial risk management (cont.)

The Group may utilise credit default swaps, guarantees provided by central banks, other forms of credit enhancements or collateral to minimise the Group's exposure to credit risk.

- (f) **Gross loans and advances and Other financial assets** primarily comprise general lending and line of credit products. The distinction of classification is due to an accounting designation. These lending products will generally have a significant level of collateralisation depending on the nature of the product.

Other lending to non-retail customers may be provided on an unsecured basis or secured (partially or fully) by acceptable collateral defined in specific Group credit policy and business unit procedures. Collateral is generally comprised of business assets, inventories and in some cases personal assets of the borrower. The Group manages its exposure to these products by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments without distress. Collateral provides a secondary source of repayment for funds advanced in the event that a customer cannot meet their contractual repayment obligations. For amounts due from customers on acceptances the Group generally has recourse to guarantees, underlying inventories or other assets in the event of default which significantly mitigates the credit risk associated with accepting the customer's credit facility with a third party.

Housing loans are secured against residential property as collateral and, where applicable, Lenders Mortgage Insurance (LMI) is obtained by the Group (mostly in Australia) to cover any shortfall in outstanding loan principal and accrued interest. LMI is generally obtained for residential mortgages with a Loan to Valuation Ratio (LVR) in excess of 80%. The financial effect of these measures is that remaining credit risk on residential mortgage loans is minimal. Other retail lending products are mostly unsecured (e.g. credit card outstandings and other personal lending).

- (g) The balance of **Other assets** which is exposed to credit risk includes securities sold not delivered, interest receivable accruals and other receivables. Interest receivable accruals are subject to the same collateral as the underlying borrowings. Other receivables will mostly be unsecured. There are typically no collateral or other credit enhancements obtained in respect of amounts **Due from controlled entities**.

- (h) **Bank guarantees and letters of credit** are comprised primarily of guarantees to customers, standby or documentary letters of credit and performance related contingencies. The Group will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group has guaranteed its obligations to a third party and therefore tend to carry the same credit risk as loans.

Credit commitments represent binding commitments to extend credit where the Group is potentially exposed to loss of an amount equal to the total unused commitments. However, the likely amount of loss is generally less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because, in general, longer-term commitments have a greater degree of credit risk than shorter term commitments.

Note 19 Financial risk management (cont.)

Offsetting financial assets and liabilities

The tables below present the amounts of financial instruments that have been offset on the balance sheet, as well as those amounts that are subject to enforceable master netting arrangements or similar agreements. The tables exclude financial instruments that are not subject to offsetting arrangements but are instead only subject to collateral arrangements.

The 'Net amounts' presented in the tables are not intended to represent the Group's actual exposure to credit risk. The Group utilises a wide range of strategies to mitigate credit risk in addition to netting and collateral arrangements, including placing limits on the amount of risk accepted in relation to counterparties, customers, groups of related counterparties or customers and geographical and industry segments.

The amounts recognised on the balance sheet are presented in the 'Total balance sheet amount' column in the tables below, and comprise the sum of the 'Net amount reported on balance sheet' and 'Amounts not subject to enforceable netting arrangements'.

Group	2022									
	Subject to enforceable netting arrangements									
	Amounts offset on balance sheet		Amounts not offset on balance sheet							
	Gross amount	Amount offset	Net amount reported on balance sheet	Financial Instruments	Non-cash collateral	Cash collateral	Net Amount	Amounts not subject to enforceable netting arrangements	Total balance sheet amount	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Derivative assets⁽ⁱ⁾	171,721	(117,807)	53,914	(33,670)	(956)	(8,386)	10,902	7,102	61,016	
Reverse repurchase agreements	95,371	(18,831)	76,540	-	(76,540)	-	-	-	-	76,540
Loans and advances	1,096	(1,041)	55	-	-	-	55	687,660	687,715	
Total assets	268,188	(137,679)	130,509	(33,670)	(77,496)	(8,386)	10,957	694,762	825,271	
Derivative liabilities⁽ⁱ⁾	(165,410)	117,807	(47,603)	33,670	503	3,661	(9,769)	(9,883)	(57,486)	
Repurchase agreements	(104,094)	18,831	(85,263)	-	85,263	-	-	-	-	(85,263)
Deposits and other borrowings	(3,178)	1,041	(2,137)	-	-	-	(2,137)	(684,868)	(687,005)	
Total liabilities	(272,682)	137,679	(135,003)	33,670	85,766	3,661	(11,906)	(694,751)	(829,754)	
Company										
Derivative assets ⁽ⁱ⁾	160,532	(106,481)	54,051	(34,420)	(814)	(6,632)	12,185	6,600	60,651	
Reverse repurchase agreements	95,092	(18,831)	76,261	-	(76,261)	-	-	-	76,261	
Loans and advances	279	(253)	26	-	-	-	26	598,724	598,750	
Total assets	255,903	(125,565)	130,338	(34,420)	(77,075)	(6,632)	12,211	605,324	735,662	
Derivative liabilities⁽ⁱ⁾	(154,789)	106,481	(48,308)	34,420	503	2,121	(11,264)	(9,186)	(57,494)	
Repurchase agreements	(100,922)	18,831	(82,091)	-	82,091	-	-	-	-	(82,091)
Deposits and other borrowings	(1,231)	253	(978)	-	-	-	(978)	(615,983)	(616,961)	
Total liabilities	(256,942)	125,565	(131,377)	34,420	82,594	2,121	(12,242)	(625,169)	(756,546)	

(i) As at 30 September 2022, the amount offset for derivative assets includes \$7,663 million (Company: \$6,667 million) of cash collateral netting and the amount offset for derivative liabilities includes \$4,097 million (Company: \$3,994 million) of cash collateral netting.

Note 19 Financial risk management (cont.)

	2021									
	Subject to enforceable netting arrangements									
	Amounts offset on balance sheet			Amounts not offset on balance sheet						
	Gross amount			Net amount reported on balance sheet						
Group	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	Total balance sheet amount
Derivative assets ⁽¹⁾	75,219	(52,723)	22,496	(11,115)	(245)	(4,531)	6,605	4,978	27,474	
Reverse repurchase agreements	72,172	(9,865)	62,307	-	(62,307)	-	-	-	62,307	
Loans and advances	1,106	(1,035)	71	-	-	-	71	628,985	629,056	
Total assets	148,497	(63,623)	84,874	(11,115)	(62,552)	(4,531)	6,676	633,963	718,837	
Derivative liabilities ⁽¹⁾	(73,803)	52,723	(21,080)	11,115	179	5,928	(3,858)	(2,951)	(24,031)	
Repurchase agreements	(98,801)	9,865	(88,936)	-	88,936	-	-	-	(88,936)	
Deposits and other borrowings	(4,562)	1,035	(3,527)	-	-	-	(3,527)	(608,068)	(611,595)	
Total liabilities	(177,166)	63,623	(113,543)	11,115	89,115	5,928	(7,385)	(611,019)	(724,562)	
Company										
Derivative assets ⁽¹⁾	69,026	(46,823)	22,203	(8,406)	(245)	(4,116)	9,436	4,608	26,811	
Reverse repurchase agreements	71,603	(9,865)	61,738	-	(61,738)	-	-	-	61,738	
Loans and advances	491	(454)	37	-	-	-	37	535,867	535,904	
Total assets	141,120	(57,142)	83,978	(8,406)	(61,983)	(4,116)	9,473	540,475	624,453	
Derivative liabilities ⁽¹⁾	(70,236)	46,823	(23,413)	8,406	179	5,789	(9,039)	(2,765)	(26,178)	
Repurchase agreements	(95,737)	9,865	(85,872)	-	85,872	-	-	-	(85,872)	
Deposits and other borrowings	(3,341)	454	(2,887)	-	-	-	(2,887)	(532,664)	(535,551)	
Total liabilities	(169,314)	57,142	(112,172)	8,406	86,051	5,789	(11,926)	(535,429)	(647,601)	

(1) As at 30 September 2021, the amount offset for derivative assets includes \$1,340 million (Company: \$1,005 million) of cash collateral netting and the amount offset for derivative liabilities includes \$2,082 million (Company: \$1,852 million) of cash collateral netting.

Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are only offset on the balance sheet where the Group has a legally enforceable right to offset in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The Group has applied offsetting to certain centrally cleared derivatives and their associated collateral amounts which satisfy the AASB 132 *Financial Instruments: Presentation* requirements.

Reverse repurchase and repurchase agreements

Reverse repurchase and repurchase agreements will typically be subject to Global Master Repurchase Agreements or similar agreements whereby all outstanding transactions with the same counterparty can only be offset and closed out upon a default or insolvency event. In some instances, the agreement provides the Group with a legally enforceable right to offset in all circumstances. In such a case and where there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously, the amounts with that counterparty are offset on the balance sheet.

Where the Group has a right to offset on default or insolvency only, the related non-cash collateral amounts comprise highly liquid securities, either obtained or pledged, which can be realised in the event of a default or insolvency by one of the counterparties. The value of such securities obtained or pledged must at least equate to the value of the exposure to the counterparty, therefore the net exposure is considered to be nil.

Loans and advances, deposits and other borrowings

The amounts offset for loans and advances and deposits and other borrowings represent amounts subject to set-off agreements that satisfy the AASB 132 requirements. The 'Net amounts reported on balance sheet' are included within 'Overdrafts' in Note 12 *Loans and Advances* and 'On-demand and short-term deposits' and 'Deposits not bearing interest' in Note 13 *Deposits and other borrowings*. The 'Amounts not subject to enforceable netting arrangements' represent all other loans and advances and deposits and other borrowings of the Group, including those measured at fair value.

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Note 19 Financial risk management (cont.)

Credit risk exposure by risk grade

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

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

Notional stage allocations (Stage 1 and Stage 2) for credit risk exposures incorporate the impact of forward looking economic information applied in the expected credit loss model. Refer Accounting Policy section of *Note 17 Provision for credit impairment on loans at amortised cost* for further details.

Group	Stage 1		Stage 2		Stage 3		Total	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Gross loans and advances								
Senior investment grade	127,878	99,145	4,376	14,675	-	-	132,254	113,820
Investment grade	270,812	242,260	33,614	35,567	-	-	304,426	277,827
Sub-investment grade	99,753	93,082	143,291	134,784	-	-	243,044	227,866
Default ⁽¹⁾	-	-	-	-	6,115	6,987	6,115	6,987
Total gross loans and advances	498,443	434,487	181,281	185,026	6,115	6,987	685,839	626,500
Contingent liabilities and credit commitments								
Senior investment grade	85,149	66,797	4,196	15,872	-	-	89,345	82,669
Investment grade	70,260	57,722	15,775	18,770	-	-	86,035	76,492
Sub-investment grade	18,517	17,478	32,577	29,918	-	-	51,094	47,396
Default ⁽¹⁾	-	-	-	-	356	221	356	221
Total contingent liabilities and credit commitments	173,926	141,997	52,548	64,560	356	221	226,830	206,778
Total gross loans and advances, contingent liabilities and credit commitments	672,369	576,484	233,829	249,586	6,471	7,208	912,669	833,278
Debt instruments								
Senior investment grade	41,644	41,615	-	-	-	-	41,644	41,615
Investment grade	436	263	-	-	-	-	436	263
Sub-investment grade	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Total debt instruments	42,080	41,878	-	-	-	-	42,080	41,878

(1) Comparative information has been restated to align with the presentation in the current period where classifications have been revised per the definitions in APS 220 *Credit Risk Management*.

Note 19 Financial risk management (cont.)

Company	Stage 1		Stage 2		Stage 3		Total	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Gross loans and advances								
Senior investment grade	96,635	71,933	2,842	13,626	-	-	99,477	85,559
Investment grade	250,467	217,280	26,761	29,640	-	-	277,228	246,920
Sub-investment grade	89,083	78,255	126,225	117,082	-	-	215,308	195,337
Default ⁽¹⁾	-	-	-	-	5,432	6,410	5,432	6,410
Total gross loans and advances	436,185	367,468	155,828	160,348	5,432	6,410	597,445	534,226
Contingent liabilities and credit commitments								
Senior investment grade	80,614	61,763	3,326	15,202	-	-	83,940	76,965
Investment grade	65,389	51,853	12,291	15,520	-	-	77,680	67,373
Sub-investment grade	16,103	14,176	28,553	25,102	-	-	44,656	39,278
Default ⁽¹⁾	-	-	-	-	349	213	349	213
Total contingent liabilities and credit commitments	162,106	127,792	44,170	55,824	349	213	206,625	183,829
Total gross loans and advances, contingent liabilities and credit commitments	598,291	495,260	199,998	216,172	5,781	6,623	804,070	718,055
Debt instruments								
Senior investment grade	41,658	41,586	-	-	-	-	41,658	41,586
Investment grade	436	263	-	-	-	-	436	263
Sub-investment grade	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Total debt instruments	42,094	41,849	-	-	-	-	42,094	41,849

(1) Comparative information has been restated to align with the presentation in the current period where classifications have been revised per the definitions in APS 220 *Credit Risk Management*.

Concentration of exposure

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries it serves.

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Note 19 Financial risk management (cont.)

Industry concentration of financial assets

	Net loans and advances ⁽¹⁾		Other financial assets ⁽²⁾		Contingent liabilities and credit commitments		Total	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Group								
Accommodation and hospitality	8,712	8,038	-	-	1,771	1,359	10,483	9,397
Agriculture, forestry, fishing & mining	51,518	47,576	-	-	13,280	12,253	64,798	59,829
Business services and property services	18,502	17,298	-	-	8,023	7,149	26,525	24,447
Commercial property	69,148	62,918	-	-	14,168	13,163	83,316	76,081
Construction	7,777	7,013	-	-	6,306	6,217	14,083	13,230
Financial & insurance	46,554	39,828	161,724	121,260	48,952	45,998	257,230	207,086
Government & public authorities	2,794	2,347	28,773	27,773	3,769	2,413	35,336	32,533
Manufacturing	12,497	11,344	-	-	7,373	7,679	19,870	19,023
Personal	11,097	6,873	-	-	18,062	14,590	29,159	21,463
Residential mortgages	387,817	358,736	6,166	6,719	66,554	62,187	460,537	427,642
Retail and wholesale trade	20,385	18,426	-	-	12,124	11,864	32,509	30,290
Transport and storage	15,514	16,162	-	-	8,471	6,762	23,985	22,924
Utilities	9,984	9,193	203	98	5,919	4,709	16,106	14,000
Other	20,360	18,133	190	4	12,058	10,435	32,608	28,572
Total	682,659	623,885	197,056	155,854	226,830	206,778	1,106,545	986,517
Company								
Accommodation and hospitality	7,557	6,921	-	-	1,630	1,162	9,187	8,083
Agriculture, forestry, fishing & mining	38,099	33,392	-	-	11,290	10,027	49,389	43,419
Business services and property services	17,029	15,788	-	-	7,273	6,379	24,302	22,167
Commercial property	61,707	55,097	-	-	12,439	11,052	74,146	66,149
Construction	6,651	5,974	-	-	5,382	5,238	12,033	11,212
Financial & insurance	43,821	37,375	150,572	111,439	47,325	44,678	241,718	193,492
Government & public authorities	2,734	2,292	28,759	27,742	3,122	1,689	34,615	31,723
Manufacturing	9,562	8,320	-	-	5,713	5,718	15,275	14,038
Personal	10,243	6,085	-	-	15,926	12,041	26,169	18,126
Residential mortgages	339,061	306,878	6,150	6,692	63,186	57,860	408,397	371,430
Retail and wholesale trade	16,721	15,090	-	-	10,442	9,867	27,163	24,957
Transport and storage	13,891	14,043	-	-	7,138	5,692	21,029	19,735
Utilities	9,185	8,289	203	98	5,270	4,021	14,658	12,408
Other	18,157	15,953	190	4	10,489	8,405	28,836	24,362
Total	594,418	531,497	185,874	145,975	206,625	183,829	986,917	861,301

(1) Net loans and advances includes loans at fair value.

(2) Other financial assets represents amounts due from other banks, debt instruments and collateral placed.

Note 19 Financial risk management (cont.)

Geographic concentration of financial assets

	Australia		New Zealand		Other International	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Group						
Cash and liquid assets	15,567	4,319	46	173	39,691	45,246
Due from other banks	112,767	83,982	8,580	9,235	20,514	14,329
Collateral placed	9,401	5,789	2,479	511	1,235	130
Trading securities	34,025	42,984	6,530	7,014	18	22
Debt instruments	31,449	31,833	-	-	10,631	10,045
Other financial assets	1,355	1,916	570	878	136	-
Derivative assets	47,115	17,390	4,882	2,567	9,019	7,517
Loans and advances	571,773	509,809	87,006	89,585	21,655	21,762
Other assets	4,836	5,817	938	1,030	554	993
Total	828,288	703,839	111,031	110,993	103,453	100,044
Company						
Cash and liquid assets	15,464	4,192	-	-	39,636	45,205
Due from other banks	112,765	83,957	-	-	20,379	14,250
Collateral placed	9,401	5,789	-	-	1,235	130
Trading securities	34,025	42,894	-	-	18	22
Debt instruments	31,479	31,832	-	-	10,615	10,017
Other financial assets	1,354	1,915	-	-	1,395	1,390
Derivative assets	50,953	19,204	-	-	9,698	7,607
Loans and advances	571,074	508,189	-	-	21,605	21,357
Other assets	4,877	5,812	-	-	551	983
Total	831,392	703,784	-	-	105,132	100,961

Market risk

Market risk overview and management

Market risk primarily stems from the Group's trading and balance sheet management activities, the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

Market risk is represented by the below two categories:

Traded Market Risk	Non-Traded Market Risk
<p>Traded Market Risk is the potential for gains or losses to arise from trading activities undertaken by the Group as a result of movements in market prices. The trading activities of the Group are principally carried out by Corporate and Institutional Banking. Trading activities represent dealings that encompass both active management of market risk and supporting client sales businesses. The types of market risk arising from these activities include interest rate, foreign exchange, commodity, equity price, credit spread and volatility risk.</p>	<p>The Group has exposure to non-traded market risk, primarily Interest Rate Risk in the Banking Book (IRRBB). IRRBB is the risk that the Group's earnings or economic value will be affected or reduced by changes in interest rates. The sources of IRRBB are as follows:</p> <ul style="list-style-type: none"> Repricing risk, arising from changes to the overall level of interest rates and inherent mismatches in the repricing term of banking book items. Yield curve risk, arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve. Basis risk, arising from differences between the actual and expected interest margins on banking book items over the implied cost of funds of those items. Optionality risk, arising from the existence of stand-alone or embedded options in banking book items, to the extent that the potential for those losses is not included in the above risks.

Measurement of market risk

The Group primarily manages and controls market risk using Value at Risk (VaR), which is a standard measure used throughout the industry. VaR gauges the Group's possible loss for the holding period based on historical market movements. VaR is measured at a 99% confidence interval. This means that there is a 99% chance that the loss will not exceed the VaR estimate during the holding period.

The Group employs other risk measures to supplement VaR, with appropriate limits to manage and control risks, and communicate the specific nature of market exposures to management, the Board Risk & Compliance Committee and ultimately the Board. These supplementary measures include stress testing, loss, position and sensitivity limits.

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Note 19 Financial risk management (cont.)

Traded market risk

The VaR methodology involves multiple revaluations of the trading books using 550 days of historical pricing shifts. The pricing data is rolled daily.

The use of VaR methodology has limitations, which include:

- The historical data used to calculate VaR is not always an appropriate proxy for current market conditions. If market volatility or correlation conditions change significantly, losses may occur more frequently and to a greater magnitude than the VaR measure suggests.
- VaR methodology assumes that positions are held for one day and may underestimate losses on positions that cannot be hedged or reversed inside that timeframe.
- VaR is calculated on positions at the close of each trading day, and does not measure risk on intra-day positions.
- VaR does not describe the directional bias or size of the positions generating the risk.

The table below shows the Group and Company VaR for the trading portfolio, including both physical and derivative positions:

	Group								Company							
	As at 30 September		Average value		Minimum value		Maximum value		As at 30 September		Average value		Minimum value		Maximum value	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Value at Risk at a 99% confidence level																
Foreign exchange risk	2.4	2.8	3.0	4.6	1.3	0.9	5.8	9.3	2.3	2.6	2.7	4.1	1.3	0.8	5.4	8.4
Interest rate risk	5.4	8.6	8.9	13.6	5.2	7.8	14.1	27.3	5.2	7.8	7.6	12.0	4.5	6.6	12.3	23.4
Volatility risk	2.3	3.0	2.9	3.2	2.0	1.9	6.4	4.7	2.3	2.9	2.9	3.1	2.0	1.9	6.4	4.7
Commodities risk	1.6	1.1	1.6	1.3	0.5	0.5	2.9	3.3	1.6	1.1	1.6	1.3	0.5	0.5	2.9	3.3
Credit risk	1.2	2.2	1.8	2.6	0.9	1.7	3.4	3.9	1.0	1.8	1.4	2.2	0.7	1.2	2.9	3.6
Inflation risk	1.7	2.3	2.2	2.3	1.4	1.1	3.4	3.2	1.7	2.1	2.0	2.0	1.4	1.0	3.2	3.1
Diversification benefit	(7.5)	(8.8)	(9.1)	(11.9)	n/a	n/a	n/a	n/a	(7.2)	(10.1)	(8.1)	(10.8)	n/a	n/a	n/a	n/a
Total Diversified VaR at 99% confidence interval	7.1	11.2	11.3	15.7	7.1	9.1	18.7	29.5	6.9	8.2	10.1	13.9	6.5	8.1	17.0	26.4
Other market risks	3.4	9.3	4.5	8.5	1.0	5.7	8.4	11.7	3.4	9.3	4.5	8.5	1.0	5.7	8.4	11.7
Total	10.5	20.5	15.8	24.2	8.1	14.8	27.1	41.2	10.3	17.5	14.6	22.4	7.5	13.8	25.4	38.1

Notes to the financial statements

Note 19 Financial risk management (cont.)

Non-traded market risk - Balance sheet risk management

The principal objective of balance sheet risk management is to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Non-traded market risk - Interest rate risk management

IRRBB is measured, monitored, and managed from both an internal management and regulatory perspective. The Risk Management Framework incorporates both market valuation and earnings based approaches in accordance with the IRRBB Policy and Prudential Practice Guides. Risk measurement techniques include VaR, Earnings at Risk (EaR), interest rate risk stress testing, repricing analysis, cash flow analysis and scenario analysis. The IRRBB regulatory capital calculation incorporates repricing, yield curve, basis, and optionality risk, embedded gains / losses and any inter-risk and / or inter-currency diversification. The Group has been accredited by APRA to use its internal model for the measurement of IRRBB.

Key features of the internal interest rate risk management model include:

- Historical simulation approach utilising instantaneous interest rate shocks.
- Static balance sheet (i.e. any new business is assumed to be matched, hedged or subject to immediate repricing).
- VaR and EaR are measured on a consistent basis.
- 99% confidence level.
- Three month holding period.
- EaR utilises a 12 month forecast period.
- At least six years of business day historical data (updated daily).
- Investment term for capital is modelled with an established benchmark term of between one and five years.
- Investment term for core non-interest bearing assets and liabilities is modelled on a behavioural basis with a term that is consistent with sound statistical analysis.

The following table shows the Group and the Company aggregate VaR and EaR for the IRRBB:

	Group								Company							
	As at 30 September		Average value		Minimum value		Maximum value		As at 30 September		Average value		Minimum value		Maximum value	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Value at Risk																
Australia	300.5	347.3	307.3	346.3	289.0	324.0	326.4	361.6	300.5	347.3	307.3	346.3	289.0	324.0	326.4	361.6
New Zealand	25.5	35.3	31.6	42.3	22.5	23.6	39.4	62.2	-	-	-	-	-	-	-	-
Other International	47.9	38.7	37.1	28.8	30.8	22.0	47.9	38.7	47.9	38.7	37.1	28.8	30.8	22.0	47.9	38.7
Earnings at Risk⁽¹⁾	29.6	12.7	24.3	20.6	14.0	11.3	50.7	30.8	29.6	12.7	24.3	20.6	14.0	11.3	50.7	30.8
New Zealand	18.4	11.7	18.8	15.2	10.0	7.4	28.1	23.4	-	-	-	-	-	-	-	-

(1) EaR amounts calculated under the IRRBB model include Australian banking and other overseas banking subsidiary books, however excludes offshore branches.

Residual value risk

As part of its normal lending activities, the Group takes residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. This exposes the Group to a potential fall in prices of these assets below the outstanding residual exposure at the facility expiry.

Note 19 Financial risk management (cont.)

Liquidity risk and funding mix

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature and the payment of interest on borrowings.

These risks are governed by the Group's funding and liquidity risk appetite which is set by the Board. Group Treasury is responsible for the management of these risks. Objective review and challenge of the effectiveness of risk management is provided by Group Balance Sheet and Liquidity Risk Management with oversight by the Group Asset and Liability Committee. The Board has the ultimate responsibility to monitor and review the adequacy of the Group's funding and liquidity Risk Management Framework and the Group's compliance with risk appetite.

Key principles adopted in the Group's approach to managing liquidity risk include:

- Monitoring the Group's liquidity position on a daily basis, using a combination of contractual and behavioural modelling of balance sheet and cash flow information.
- Maintaining a HQLA portfolio which supports intra-day operations and may be sold in times of market stress.
- Operating a prudent funding strategy which ensures appropriate diversification and limits maturity concentrations. The Group undertakes a conservative approach by imposing internal limits that are in addition to regulatory requirements.
- Maintaining a contingent funding plan designed to respond to the event of an accelerated outflow of funds from the Group.
- Requiring the Group to have the ability to meet a range of survival horizon scenarios, including name-specific and general liquidity stress scenarios.

On 10 September 2021, APRA announced that the CLF will be phased out to zero by the end of 2022 subject to financial market conditions. The transition to a zero CLF from 2023 has been effectively managed in 2022 with LCR excluding the CLF well above regulatory minimums.

The liquid asset portfolio held as part of these principles is well diversified by currency, tenor, counterparty and product type. The composition of the portfolio includes cash, government securities and highly rated investment grade paper. The market value of total on-balance sheet liquid assets held as at 30 September 2022 was \$220,415 million (2021: \$194,498 million). In addition, the Group holds internal RMBS as a source of contingent liquidity. As at 30 September 2022, the amount of unencumbered internal RMBS after haircuts held was \$66,114 million (2021: \$39,704 million).

Funding mix

The Group's funding is comprised of a mix of deposits, term wholesale funding, short-term wholesale funding and equity. The Group manages this within risk appetite settings to ensure suitable funding of its asset base and to enable it to respond to changing market conditions and regulatory requirements.

The Group maintains a strong focus on stable deposits both from a growth and quality perspective and continues to utilise deposits as a key funding source for funded assets.

The Group supplements deposit-raising via its term funding programmes, raising \$37,663 million⁽¹⁾ of term wholesale funding in the 2022 financial year (2021: \$12,476 billion) at a weighted average maturity of 5.0⁽²⁾ years to first call (2021: 8.1⁽²⁾ years). In addition, during the 2022 financial year, the Group continued to access international and domestic short-term wholesale markets.

On 19 March 2020, the RBA announced the establishment of the TFF for the Australian banking system to support ADIs in providing credit into the economy. The TFF provides access to three-year secured funding, supporting lending to the Group's customers and reducing wholesale funding refinancing risks at the time. NAB fully drew down on its total TFF allocation of \$31,866 million (excluding the TFF acquired via the Citi consumer business acquisition), consisting of \$17,596 million of Additional and Supplementary Allowances in the 2021 financial year and \$14,270 million of Initial Allowance in the 2020 financial year.

Contractual maturity of assets and liabilities

The following tables show an analysis of contractual maturities of assets and liabilities at the reporting date. The Group expects that certain assets and liabilities will be recovered or settled at maturities which are different to their contractual maturities, including deposits where the Group expects as part of normal banking operations that a large proportion of these balances will roll over.

(1) Excludes RBNZ's Funding for Lending Programme (FLP)

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

Note 19 Financial risk management (cont.)

	Less than 12 months		Greater than 12 months		No specific maturity		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Group								
Assets								
Cash and liquid assets	56,451	50,832	-	-	-	-	56,451	50,832
Due from other banks	141,530	107,346	331	200	-	-	141,861	107,546
Collateral placed	13,115	6,430	-	-	-	-	13,115	6,430
Trading securities	13,948	9,622	26,524	39,517	101	881	40,573	50,020
Debt instruments	7,081	6,767	34,999	35,111	-	-	42,080	41,878
Other financial assets ⁽¹⁾	966	1,531	1,095	1,263	-	-	2,061	2,794
Derivative assets	1,379	1,133	6,208	2,087	53,429	24,254	61,016	27,474
Loans and advances	117,119	112,481	554,631	503,804	8,684	4,871	680,434	621,156
All other assets	5,418	6,844	347	150	11,770	10,844	17,535	17,838
Total assets	357,007	302,986	624,135	582,132	73,984	40,850	1,055,126	925,968
Liabilities								
Due to other banks	55,140	40,255	19,539	33,905	-	-	74,679	74,160
Collateral received	17,245	4,664	-	-	-	-	17,245	4,664
Other financial liabilities	8,941	11,730	14,345	15,316	-	-	23,286	27,046
Derivative liabilities	1,528	522	5,229	1,425	50,729	22,084	57,486	24,031
Deposits and other borrowings	654,090	599,285	29,436	5,758	-	-	683,526	605,043
Bonds, notes and subordinated debt	26,080	23,586	93,203	85,568	-	-	119,283	109,154
Other debt issues	-	-	-	-	7,318	6,831	7,318	6,831
All other liabilities	8,266	6,977	2,213	1,754	2,792	3,529	13,271	12,260
Total liabilities	771,290	687,019	163,965	143,726	60,839	32,444	996,094	863,189
Net (liabilities) / assets	(414,283)	(384,033)	460,170	438,406	13,145	8,406	59,032	62,779
Company								
Assets								
Cash and liquid assets	56,121	50,336	-	-	-	-	56,121	50,336
Due from other banks	132,813	98,007	331	200	-	-	133,144	98,207
Collateral placed	10,636	5,919	-	-	-	-	10,636	5,919
Trading securities	11,044	5,248	22,898	36,787	101	881	34,043	42,916
Debt instruments	7,092	6,766	35,002	35,083	-	-	42,094	41,849
Other financial assets	405	682	2,344	2,623	-	-	2,749	3,305
Derivative assets	1,311	787	4,408	1,366	54,932	24,658	60,651	26,811
Loans and advances	96,689	92,359	488,174	433,029	7,816	4,158	592,679	529,546
All other assets	4,357	5,509	643	674	50,711	49,761	55,711	55,944
Total assets	320,468	265,613	553,800	509,762	113,560	79,458	987,828	854,833
Liabilities								
Due to other banks	51,635	35,840	17,660	32,875	-	-	69,295	68,715
Collateral received	15,365	4,120	-	-	-	-	15,365	4,120
Other financial liabilities	2,340	2,393	6,620	4,743	-	-	8,960	7,136
Derivative liabilities	1,021	323	3,076	907	53,397	24,948	57,494	26,178
Deposits and other borrowings	589,160	531,418	27,801	4,133	-	-	616,961	535,551
Bonds, notes and subordinated debt	25,995	23,573	83,679	78,928	-	-	109,674	102,501
Other debt issues	-	-	-	-	7,318	6,831	7,318	6,831
All other liabilities	6,670	5,905	1,745	1,487	44,218	41,950	52,633	49,342
Total liabilities	692,186	603,572	140,581	123,073	104,933	73,729	937,700	800,374
Net (liabilities) / assets	(371,718)	(337,959)	413,219	386,689	8,627	5,729	50,128	54,459

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

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Note 20

Fair value of financial instruments

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined with reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk (CVA) is also incorporated into the fair value as appropriate as well as an adjustment for funding costs (FVA) related to uncollateralised over-the-counter derivatives. The fair value measurement technique of each class of instrument is described below.

Instrument	Fair value measurement technique
Loans and advances	The fair value of loans and advances that are priced based on a variable rate with no contractual repricing tenor is assumed to equate to the carrying value. The fair value of all other loans and advances is calculated using discounted cash flow models based on the maturity of the loans and advances. The discount rates applied are based on interest rates at reporting date for similar types of loans and advances, if the loans and advances were performing at reporting date.
Deposits and other borrowings	The fair value of deposits and other borrowings that are non-interest bearing or at call, is assumed to equate to the carrying value. The fair value of other deposits and other borrowings is calculated using discounted cash flow models based on the deposit type and maturity.
Bonds, notes and subordinated debt and other debt issues	The fair values of bonds, notes and subordinated debt and other debt issues are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments and appropriate credit spreads, or in some instances are calculated based on market quoted prices when there is sufficient liquidity in the market.
Derivatives	The fair values of trading and hedging derivative assets and liabilities are obtained from quoted closing market prices at reporting date, discounted cash flow models or option pricing models as appropriate.
Trading securities and debt instruments	The fair values of trading securities and debt instruments are based on quoted closing market prices at reporting date. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.
Equity instruments	The fair value of equity instruments at fair value through other comprehensive income is estimated on the basis of the actual and forecasted financial position and results of the underlying assets or net assets taking into consideration their risk profile.
Other financial assets and liabilities	The fair values of other financial assets and liabilities are based on quoted closing market prices and data or valuation techniques, appropriate to the nature and type of the underlying instrument.

The carrying amounts of cash and liquid assets, due from and to other banks, other assets, other liabilities and amounts due from and to controlled entities, approximate their fair value as they are short-term in nature or are receivable or payable on demand.

Guarantees, letters of credit, performance related contingencies and credit related commitments are generally not sold or traded and estimated fair values are not readily ascertainable. The fair value of these items are not calculated, as very few of the commitments extending beyond six months would commit the Group to a predetermined rate of interest, and the fees attaching to these commitments are the same as those currently charged for similar arrangements.

Fair value for a net open position is the offer price for a financial liability and the bid price for a financial asset, multiplied by the number of units of the instrument issued or held.

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

Critical accounting judgements and estimates

A significant portion of financial instruments are carried on the balance sheet at fair value.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

Note 20 Fair value of financial instruments (cont.)

Fair value hierarchy

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

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

Transfers into and out of Level 3 take place when there are changes to the inputs in the valuation technique. Where inputs are no longer observable the fair value measurement is transferred into Level 3. Conversely, a measurement is transferred out of Level 3 when inputs become observable.

The Group's exposure to fair value measurements based in full or in part on unobservable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios in which they belong. As such, a change in the assumption used to value the instruments as at 30 September 2022 attributable to reasonably possible alternatives would not have a material effect.

Fair value of financial instruments, carried at amortised cost

The financial assets and financial liabilities listed in the table below are carried at amortised cost. While this is the value at which the Group expects the assets to be realised and the liabilities to be settled, the table below includes their fair values as at 30 September:

	2022					2021				
	Carrying value \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Fair value \$m	Carrying value \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Fair value \$m
Group										
Financial assets										
Loans and advances	680,434	-	4,744	670,807	675,551	621,156	-	4,645	616,438	621,083
Total financial assets	680,434	-	4,744	670,807	675,551	621,156	-	4,645	616,438	621,083
Financial liabilities										
Deposits and other borrowings	683,526	-	683,530	-	683,530	605,043	-	605,068	-	605,068
Bonds, notes and subordinated debt	119,283	-	118,417	-	118,417	109,154	-	112,563	-	112,563
Other debt issues	7,318	6,466	1,065	-	7,531	6,831	6,061	1,156	-	7,217
Total financial liabilities	810,127	6,466	803,012	-	809,478	721,028	6,061	718,787	-	724,848
Company										
Financial assets										
Loans and advances	592,679	-	2,811	586,399	589,210	529,546	-	2,786	527,076	529,862
Total financial assets	592,679	-	2,811	586,399	589,210	529,546	-	2,786	527,076	529,862
Financial liabilities										
Deposits and other borrowings	616,961	-	617,073	-	617,073	535,551	-	535,590	-	535,590
Bonds, notes and subordinated debt	109,674	-	107,792	-	107,792	102,501	-	104,447	-	104,447
Other debt issues	7,318	6,466	1,065	-	7,531	6,831	6,061	1,156	-	7,217
Total financial liabilities	733,953	6,466	725,930	-	732,396	644,883	6,061	641,193	-	647,254

Note 20 Fair value of financial instruments (cont.)

Fair value measurements recognised on the balance sheet

	2022				2021			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Group								
Financial assets								
Trading securities	27,393	13,180	-	40,573	33,694	16,326	-	50,020
Debt instruments	3,625	37,732	723	42,080	3,211	37,748	919	41,878
Other financial assets	-	1,740	321	2,061	-	2,560	234	2,794
Derivative assets	-	60,567	449	61,016	-	27,326	148	27,474
Investments relating to life insurance business	-	-	-	-	-	102	-	102
Equity instruments ⁽¹⁾	-	-	187	187	-	-	135	135
Total financial assets measured at fair value	31,018	113,219	1,680	145,917	36,905	84,062	1,436	122,403
Financial liabilities								
Other financial liabilities	2,441	20,845	-	23,286	1,291	25,755	-	27,046
Derivative liabilities	-	57,117	369	57,486	-	23,935	96	24,031
Total financial liabilities measured at fair value	2,441	77,962	369	80,772	1,291	49,690	96	51,077
Company								
Financial assets								
Trading securities	24,303	9,740	-	34,043	29,143	13,773	-	42,916
Debt instruments	3,626	37,745	723	42,094	3,210	37,720	919	41,849
Other financial assets	-	2,428	321	2,749	-	3,071	234	3,305
Derivative assets	-	60,202	449	60,651	-	26,663	148	26,811
Equity instruments ⁽¹⁾	-	-	86	86	-	-	51	51
Total financial assets measured at fair value	27,929	110,115	1,579	139,623	32,353	81,227	1,352	114,932
Financial liabilities								
Other financial liabilities	2,198	6,762	-	8,960	852	6,284	-	7,136
Derivative liabilities	-	57,125	369	57,494	-	26,082	96	26,178
Total financial liabilities measured at fair value	2,198	63,887	369	66,454	852	32,366	96	33,314

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

There were no material transfers between Level 1 and Level 2 during the September 2022 financial year for the Group and the Company.

Notes to the financial statements

Note 20 Fair value of financial instruments (cont.)

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

	Assets						Liabilities	
	Derivatives		Debt instruments		Other ⁽¹⁾		Derivatives	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Group								
Balance at the beginning of year	148	108	919	719	369	116	96	88
Gains / (losses) on assets and (gains) / losses on liabilities recognised:								
In profit or loss	245	(4)	(15)	-	(50)	14	253	(5)
In other comprehensive income	-	-	-	5	12	7	-	-
Purchases and issues	72	30	386	379	461	241	20	12
Sales and settlements	(13)	-	(380)	(384)	(280)	(9)	-	-
Transfers into Level 3	-	7	250	318	-	-	1	-
Transfers out of Level 3	(1)	6	(438)	(118)	-	-	-	-
Foreign currency translation adjustments	(2)	1	1	-	(4)	-	(1)	1
Balance at end of year	449	148	723	919	508	369	369	96
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	245	(4)	(15)	-	(50)	14	253	(5)
In other comprehensive income	-	-	-	5	12	7	-	-
Company								
Balance at the beginning of year	148	108	919	719	285	44	96	88
Gains / (losses) on assets and (gains) / losses on liabilities recognised:								
In profit or loss	245	(4)	(15)	-	(50)	13	253	(5)
In other comprehensive income	-	-	-	5	(4)	-	-	-
Purchases and issues	72	30	386	379	419	228	20	12
Sales and settlements	(13)	-	(380)	(384)	(242)	-	-	-
Transfers into Level 3	-	7	250	318	-	-	1	-
Transfers out of Level 3	(1)	6	(438)	(118)	-	-	-	-
Foreign currency translation adjustments	(2)	1	1	-	(1)	-	(1)	1
Balance at end of year	449	148	723	919	407	285	369	96
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	245	(4)	(15)	-	(50)	13	253	(5)
In other comprehensive income	-	-	-	5	(4)	-	-	-

(1) Includes other financial assets and equity instruments.

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Note 21

Financial asset transfers

The Group and the Company enter into transactions by which they transfer financial assets to counterparties or to structured entities. Financial assets that do not qualify for derecognition are typically associated with repurchase agreements, covered bonds and securitisation program agreements. The following table sets out the carrying amount of financial assets that did not qualify for derecognition and their associated liabilities. Where relevant, the table also sets out the net position of the fair value of financial assets where the counterparty to the associated liabilities has recourse only to the transferred assets.

	Group						Company					
	Repurchase agreements		Covered bonds		Securitisation		Repurchase agreements		Covered bonds		Securitisation ⁽¹⁾	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Carrying amount of transferred assets	60,136	62,003	35,343	33,708	3,477	2,212	56,327	58,487	29,742	28,841	1,067	2,329
Carrying amount of associated liabilities	54,005	49,092	26,874	25,836	3,477	2,212	50,823	46,072	22,298	21,694	1,067	2,329
For those liabilities that have recourse only to the transferred assets												
Fair value of transferred assets	n/a	n/a	n/a	n/a	3,452	2,212	n/a	n/a	n/a	n/a	1,061	2,330
Fair value of associated liabilities	n/a	n/a	n/a	n/a	3,452	2,281	n/a	n/a	n/a	n/a	1,049	2,373
Net position	n/a	n/a	n/a	n/a	-	(69)	n/a	n/a	n/a	n/a	12	(43)

(1) Securitisation assets exclude \$130,431 million of assets (2021: \$96,789 million) where NAB holds all of the issued instruments of the securitisation vehicle.

Other assets and liabilities

Note 22

Goodwill and other intangible assets

Accounting policy

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired.

Software costs

External and internal costs that are incurred to acquire or develop software are capitalised and recognised as an intangible asset. Capitalised software costs and other intangible assets are amortised on a systematic basis once deployed, using the straight-line method over their expected useful lives which are between three and ten years.

Impairment of intangible assets

Assets with an indefinite useful life, including goodwill, are not subject to amortisation and are tested on an annual basis for impairment, and additionally whenever an indication of impairment exists. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal or its value in use. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which that asset belongs.

Goodwill impairment is assessed for each CGU or group of CGUs that represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Recoverable amounts of CGUs

The recoverable amount of a CGU is determined using either value in use or fair value less costs of disposal. Assumptions for determining the recoverable amount of each CGU are based on past experience and expectations for the future. Cash flow projections for value in use are based on the latest management approved forecasts and are then extrapolated using a constant growth rate for up to a further five years. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

The discount rate used reflects the market determined, risk-adjusted, post-tax discount rate and is adjusted for specific risks relating to the CGUs and the countries in which they operate. The growth rate applied to extrapolate cash flows beyond the forecast period are based on forecast assumptions of the CGUs' long-term performance in their respective markets.

Critical accounting judgements and estimates

The measurement of goodwill is subject to a number of key judgements and estimates. These include:

- The allocation of goodwill to CGUs on initial recognition.
- The re-allocation of goodwill in the event of disposal or reorganisation.
- The appropriate cash flows, growth rates and discount rates.

Further details about these items are provided below.

Note 22 Goodwill and other intangible assets (cont.)

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Goodwill and other intangible assets				
Goodwill	2,089	1,964	99	-
Internally generated software	2,174	1,956	1,837	1,703
Acquired software	208	177	71	54
Other acquired intangible assets ⁽¹⁾	181	16	165	-
Total goodwill and other intangible assets	4,652	4,113	2,172	1,757
At cost	10,627	9,627	7,207	6,333
Deduct: Accumulated amortisation / impairment losses	(5,975)	(5,514)	(5,035)	(4,576)
Total goodwill and other intangible assets	4,652	4,113	2,172	1,757

(1) In the September 2022 financial year, other acquired intangible assets primarily relates to the Citi consumer business customer relationships and core deposits.

Reconciliation of movements in goodwill and internally generated software

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Goodwill				
Balance at beginning of year	1,964	1,838	-	-
Additions from the acquisition of controlled entities and business combinations ⁽¹⁾	125	126	99	-
Balance at end of year	2,089	1,964	99	-
Internally generated software				
Balance at beginning of year	1,956	1,890	1,703	1,705
Additions from internal development	730	500	584	404
Disposals, impairments and write-offs	(23)	(11)	(23)	(8)
Amortisation	(497)	(429)	(449)	(397)
Foreign currency translation adjustments	8	6	22	(1)
Balance at end of year	2,174	1,956	1,837	1,703

(1) Refer to Note 38 Acquisitions and disposal of subsidiaries for further details.

Note 22 Goodwill and other intangible assets (cont.)

Goodwill allocation to CGUs

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

	Goodwill		Discount rate per annum	Terminal growth rate per annum
	2022	2021		
	\$m	\$m		
CGUs⁽¹⁾				
Business and Private Banking	94	68	8.9	3.8
New Zealand Banking	258	258	9.1	4.0
Personal Banking	1,611	1,512	8.9	3.8
ubank	126	126	9.5	3.8
Total goodwill	2,089	1,964	n/a	n/a

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

Note 23 Other assets

	Group		Company	
	2022	2021	2022	2021
	\$m	\$m	\$m	\$m
Other assets				
Accrued interest receivable	1,608	635	1,459	537
Prepayments	314	278	260	238
Receivables	555	755	80	393
Other debt instruments at amortised cost	197	342	586	647
Equity instruments at fair value through other comprehensive income	175	120	75	38
Investment in associates - MLC Life ⁽¹⁾	486	472	477	477
Securities sold not delivered	2,402	4,274	1,980	3,727
Other	736	1,046	645	801
Total other assets	6,473	7,922	5,562	6,858

(1) Refer to table (b) in Note 31 Interest in subsidiaries and other entities for further details.

Note 24

Provisions

Accounting policy

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are not discounted to the present value of their expected net future cash flows except where the time value of money is material.

Operational risk event losses

Provisions are recognised for non-lending losses which include losses arising from specific legal actions not directly related to amounts of principal outstanding for loans and advances, and losses arising from forgeries, fraud and the correction of operational issues.

Customer-related and payroll remediation

Provisions for customer-related and payroll remediation include provisions for potential refunds and other compensation to customers, payments to colleagues, as well as associated program costs.

Critical accounting judgements and estimates

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs, customer-related and payroll remediation. The recognition and measurement of some of these provisions involves significant judgement about the existence of a present obligation, the likely outcome of various future events and the related estimated future cash flows. If the future events are uncertain or where the outflows cannot be reliably measured a contingent liability is disclosed, refer to *Note 30 Commitments and contingent liabilities*.

Payments that are expected to be incurred after more than one year from the reporting date are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

In relation to customer-related remediation, determining the amount of the provision requires the exercise of significant judgement. This includes forming a view on a number of different estimates, including the number of impacted customers, average refund per customer and the associated costs required to complete the remediation activities. The appropriateness of underlying assumptions is reviewed on a regular basis against actual experience and other available evidence, and adjustments are made to the provision where required.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Provisions				
Employee entitlements	1,026	1,093	905	968
Operational risk event losses	47	134	29	81
Customer-related and payroll remediation	557	1,231	554	1,221
Other	466	376	409	350
Total provisions	2,096	2,834	1,897	2,620

Note 24 Provisions (cont.)

Reconciliation of movements in provisions

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Operational risk event losses				
Balance at beginning of year	134	348	81	326
Provisions made ⁽¹⁾	35	75	32	23
Payments out of provisions	(92)	(215)	(84)	(194)
Provisions no longer required and net foreign currency movements	(30)	(74)	-	(74)
Balance at end of year	47	134	29	81
Customer-related and payroll remediation				
Balance at beginning of year	1,231	2,069	1,221	2,019
Provisions made (continuing operations)	179	109	181	143
Provisions made (discontinued operations)	160	143	160	143
Payments out of provisions	(1,013)	(1,041)	(1,008)	(1,035)
Provisions no longer required ⁽²⁾	-	(49)	-	(49)
Balance at end of year	557	1,231	554	1,221

(1) Amount includes provisions made in both continuing and discontinued operations.

(2) September 2021 financial year amount relates to MLC Wealth-related provisions transferred to Insignia Financial Ltd (formerly IOOF) upon completion of the sale of MLC Wealth.

Note 25 Other liabilities

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Other liabilities				
Accrued interest payable	1,840	892	1,644	796
Payables and accrued expenses	1,377	1,100	692	626
Securities purchased not delivered	2,824	3,710	2,223	3,423
Lease liabilities	2,238	1,967	1,978	1,659
Other	1,885	1,457	1,844	1,421
Total other liabilities	10,164	9,126	8,381	7,925

Notes to the financial statements

Note 26

Leases

Accounting policy

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

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

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

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

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

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

Effect of leases on the balance sheets

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Right-of-use assets				
Property, plant and equipment				
Buildings	1,883	1,691	1,628	1,381
Technology	63	50	60	45
Total right-of-use assets	1,946	1,741	1,688	1,426
Additions to right-of-use assets during the period	601	779	589	673
Lease liabilities				
Other liabilities	2,238	1,967	1,978	1,659
Total lease liabilities	2,238	1,967	1,978	1,659

Note 26 Leases (cont.)

Effect of leases on the income statements

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Depreciation				
Buildings	331	357	284	306
Technology	17	37	16	35
Total depreciation on right-of-use assets	348	394	300	341
Interest				
Interest expense on lease liabilities	46	35	40	30
Total interest expense on lease liabilities	46	35	40	30
Short-term lease expense				
Short-term lease expense	11	15	5	11
Total short-term lease expense	11	15	5	11

Future cash flow effect of leases

The table below is a maturity analysis of future lease payments in respect of existing lease arrangements on an undiscounted basis.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Due within one year	339	336	294	291
Due after one year but no later than five years	1,120	991	992	850
Due after five years	997	799	855	656
Total future lease payments	2,456	2,126	2,141	1,797

Capital management

Note 27

Contributed equity

In accordance with the *Corporations Act 2001* (Cth), the Company does not have authorised capital and all ordinary shares have no par value. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included within equity. Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote, on a show of hands or on a poll, for each fully paid ordinary share held at shareholders' meetings. In the event of a winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Issued and paid-up ordinary share capital				
Ordinary shares, fully paid	39,399	43,247	38,613	42,461
Total contributed equity	39,399	43,247	38,613	42,461

Reconciliation of movement in ordinary shares

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Balance at beginning of year	43,247	43,531	42,461	42,745
Shares issued:				
Dividend reinvestment plan	500	274	500	274
Transfer from equity-based compensation reserve	69	79	69	79
On-market purchase of shares for dividend reinvestment plan neutralisation	(500)	(164)	(500)	(164)
Share buy-back	(3,917)	(486)	(3,917)	(486)
Tax on deductible transaction costs	-	13	-	13
Balance at end of year	39,399	43,247	38,613	42,461

Note 27 Contributed equity (cont.)

The number of ordinary shares on issue for the last two years as at 30 September was as follows:

	Company	
	2022 No. '000	2021 No. '000
Ordinary shares, fully paid		
Balance at beginning of year	3,281,991	3,290,093
Shares issued:		
Dividend reinvestment plan	16,890	10,949
Bonus share plan	1,227	1,058
Share-based payments	5,547	3,434
Paying up of partly paid shares	-	7
On-market purchase of shares for dividend reinvestment plan neutralisation	(16,890)	(6,173)
Share buy-back	(134,952)	(17,377)
Total ordinary shares, fully paid	3,153,813	3,281,991
Ordinary shares, partly paid to 25 cents		
Balance at beginning of year	12	19
Paying up of partly paid shares	-	(7)
Total ordinary shares, partly paid to 25 cents	12	12
Total ordinary shares (including treasury shares)	3,153,825	3,282,003
Less: Treasury shares	(6,331)	(6,005)
Total ordinary shares (excluding treasury shares)	3,147,494	3,275,998

Note 28 Reserves

Accounting policy

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations, any offsetting gains or losses on net investment hedges and any associated tax effect are reflected in the foreign currency translation reserve.

The results and financial position of the Group entities that have a functional currency different from Australian dollars are translated into Australian dollars as follows:

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date.
- Income and expenses are translated at average exchange rates for the period.
- All resulting exchange differences are recognised in the foreign currency translation reserve.

A cumulative credit balance in this reserve would not normally be regarded as available for payment of dividends until such gains are realised and recognised in the income statement on sale or disposal of the foreign operation.

Asset revaluation reserve

The asset revaluation reserve is used to record revaluation adjustments on land and buildings. When an asset is sold or disposed of the related balance in the reserve is transferred directly to retained profits.

Cash flow hedge reserve and cost of hedging reserve

For qualifying hedging instruments, the Group excludes foreign currency basis spreads from hedge designations. Any change in the fair value of these hedging instruments for changes in cross currency basis spreads is deferred to the cost of hedging reserve and released to profit or loss either when the hedged exposure affects profit or loss or on a systematic basis over the life of the hedge. The cumulative movements are expected to be nil by maturity of the hedging instruments.

Equity-based compensation reserve

The equity-based compensation reserve comprises the fair value of shares and rights provided to employees.

Debt instruments at fair value through other comprehensive income reserve

The reserve includes all changes in the fair value of investments in debt instruments that are measured at fair value through other comprehensive income, other than impairment losses, foreign exchange gains and losses, interest income and net of any related hedge accounting adjustments. The cumulative amount recognised in the reserve is transferred to profit or loss when the related asset is derecognised.

Equity instruments at fair value through other comprehensive income reserve

The Group has made an irrevocable election to measure certain investments in equity instruments that are not held for trading purposes at fair value through other comprehensive income. Changes in the fair value of these investments are recognised in this reserve, while dividends are recognised in profit or loss. The cumulative amount recognised in the reserve is transferred directly to retained profits when the related asset is derecognised.

Note 28 Reserves (cont.)

Reserves

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Foreign currency translation reserve	(516)	288	(222)	(200)
Asset revaluation reserve	25	25	-	-
Cash flow hedge reserve	(1,667)	86	(1,900)	69
Cost of hedging reserve	81	(266)	28	(175)
Equity-based compensation reserve	180	136	180	136
Debt instruments at fair value through other comprehensive income reserve	36	266	36	266
Equity instruments at fair value through other comprehensive income reserve	22	15	4	3
Total reserves	(1,839)	550	(1,874)	99

Foreign currency translation reserve

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Balance at beginning of year	288	(38)	(200)	(243)
Transfer from retained profits	1	21	-	15
Redemption of National Income Securities	-	15	-	15
Currency adjustments on translation of foreign operations, net of hedging	(776)	301	(22)	27
Transfer to the income statement on disposal or partial disposal of foreign operations ⁽¹⁾	(29)	(11)	-	(14)
Balance at end of year	(516)	288	(222)	(200)

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

Note 29

Dividends and distributions

	Amount per share cents	Total amount \$m
Dividends paid		
For the year ended 30 September 2022		
Final dividend determined in respect of the year ended 30 September 2021	67	2,196
Interim dividend determined in respect of the year ended 30 September 2022	73	2,347
Deduct: Bonus shares in lieu of dividend	n/a	(37)
Total dividends paid by the Group (before dividend reinvestment plan)	n/a	4,506
For the year ended 30 September 2021		
Final dividend determined in respect of the year ended 30 September 2020	30	987
Interim dividend determined in respect of the year ended 30 September 2021	60	1,979
Deduct: Bonus shares in lieu of dividend	n/a	(27)
Dividends paid by the Group	n/a	2,939
Add: Dividends paid to non-controlling interest in controlled entities	n/a	4
Total dividends paid by the Group (before dividend reinvestment plan)	n/a	2,943

Dividends paid during 2022 were fully franked at a tax rate of 30% (2021: 30%).

Note 29 Dividends and distributions (cont.)

Final dividend

On 9 November 2022, the directors determined the following dividend:

	Amount per share cents	Total amount \$m	Franked amount per share %
Final dividend determined in respect of the year ended 30 September 2022	78	2,461	100

The final 2022 dividend is payable on 14 December 2022. The Dividend Reinvestment Plan discount is nil, with no participation limit. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2022 and will be recognised in subsequent financial reports.

Australian franking credits

The franking credits available to the Group as at 30 September 2022 are estimated to be \$665 million (2021: \$1,024 million) after allowing for Australian tax payable in respect of the current reporting period's profit and the receipt of dividends recognised as a receivable at reporting date.

The final 2022 dividend will utilise the balance of franking credits available as at 30 September 2022. NAB's franking account will fluctuate during the year depending on the timing of tax and dividend payments. A surplus franking account balance is only required as at 30 June each year for the purpose of complying with Australian income tax legislation. Instalment tax payments made after 30 September 2022 will generate sufficient franking credits to enable the final 2022 dividend to be fully franked and comply with the income tax legislation.

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

New Zealand imputation credits

The New Zealand imputation credits available to NAB as at 30 September 2022 are estimated to be NZ\$232 million (2021: NZ\$57 million).

NAB is able to attach available New Zealand imputation credits to dividends paid. As a result, New Zealand imputation credits of NZ\$0.07 per share will be attached to the final 2022 dividend payable by the Company. New Zealand imputation credits are only relevant for shareholders who are required to file New Zealand income tax returns.

Distributions on other equity instruments

On 15 February 2021, the Group redeemed the \$2,000 million of National Income Securities issued on 29 June 1999. The National Income Securities were redeemed for cash at their par value (\$100) plus the final interest payment. The unpaid preference shares forming part of the National Income Securities were bought back for no consideration and cancelled. During the September 2021 financial year, a total distribution of \$13 million or \$0.66 per National Income Security was paid.

Unrecognised items

Note 30

Commitments and contingent liabilities

Accounting policy

The Group discloses certain items as contingent liabilities, as they are either possible obligations whose existence will be confirmed only by uncertain future events, or they are present obligations where a transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote.

Commitments

Financial assets are pledged as collateral predominantly under repurchase agreements with other banks. The financial assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary. Repurchase agreements that do not qualify for derecognition are reported in Note 21 *Financial asset transfers*.

Bank guarantees and letters of credit

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

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

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

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Bank guarantees and letters of credit				
Bank guarantees	4,912	4,166	4,859	4,421
Standby letters of credit	7,270	6,907	7,270	6,907
Documentary letters of credit	3,358	3,860	2,942	3,538
Performance-related contingencies	6,505	6,476	5,760	5,767
Total bank guarantees and letters of credit	22,045	21,409	20,831	20,633

Clearing and settlement obligations

The Group is subject to a commitment in accordance with the rules governing clearing and settlement arrangements contained in the Australian Payments Network Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System, the Consumer Electronic Clearing System and the High Value Clearing System which could result in a credit risk exposure and loss in the event of a failure to settle by a member institution. The Group also has a commitment in accordance with the Austraclear System Regulations and the Continuous Linked Settlement Bank Rules to participate in loss-sharing arrangements in the event that another financial institution fails to settle.

The Group is a member of various central clearing houses, most notably the London Clearing House (LCH) SwapClear and RepoClear platforms and the ASX Over-The-Counter Central Counterparty, which enables the Group to centrally clear derivative and repurchase agreement instruments respectively. As a member of these central clearing houses, the Group is required to make a default fund contribution. The exposure to risk associated with this commitment is reflected for capital adequacy purposes in the Group's Pillar 3 reporting. In the event of a default of another clearing member, the Group could be required to commit additional funds to the default fund contribution.

Credit-related commitments

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

Note 30 Commitments and contingent liabilities (cont.)

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Credit-related commitments				
Binding credit commitments	204,785	185,369	185,794	163,196
Total credit-related commitments	204,785	185,369	185,794	163,196
Credit-related commitments by geographical location				
Australia	165,392	147,506	164,813	146,662
New Zealand	18,412	21,328	-	-
Other International	20,981	16,535	20,981	16,534
Total credit-related commitments	204,785	185,369	185,794	163,196

Parent entity guarantees and undertakings

The Company has provided the following guarantees and undertakings relating to entities in the Group. These guarantees and undertakings are not included in previous tables in this note:

- The Company will guarantee up to \$29,023 million (2021: \$27,733 million) of commercial paper issuances by National Australia Funding (Delaware) Inc. Commercial paper of \$1,196 million (2021: \$887 million) has been issued.
- The Company is responsible to its customers for any direct loss suffered as a result of National Nominees Limited failing to perform its obligations to the Company.
- The Company and MLC Wealth had both been granted a licence (the License) in 2007 by the Safety, Rehabilitation and Compensation Commission (the Commission) to operate as self-insurers under the Commonwealth Government Comcare Scheme (the Commonwealth Scheme). The Company still holds its License and continues to be self-insured under the Commonwealth Scheme. Following the sale of MLC Wealth to Insignia Financial Ltd (formerly IOOF) in 2021, the Commission agreed to revoke MLC Wealth's License effective from the date of the sale. As required by legislation and the Commission, the Company has provided a guarantee in respect of any workers' compensation liabilities of employees of MLC Wealth in respect of injuries that arose before the completion of the sale.
- The Company has guaranteed the obligations of National Wealth Management International Holdings Limited (NWMIH), the holding company of BNZ Life prior to completion of the sale on 30 September 2022, as part of the sale of BNZ Life to Partners Life. The guarantee is capped at NZ\$271 million. Under the sale agreements, NWMIH has provided certain warranties and indemnities in favour of Partners Life, a breach of which may result in NWMIH or the Company (as guarantor) being liable to Partners Life.
- The Company has issued letters of support in respect of certain subsidiaries and associates in the normal course of business. The letters recognise that the Company has a responsibility to ensure that those subsidiaries and associates continue to meet their obligations.

Contingent liabilities

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

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

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

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

Legal proceedings

United Kingdom matters

Eight separate claims (comprising 834 individual claimants) focused on Tailored Business Loans (TBLs) have commenced against NAB and Clydesdale Bank Plc (CYBG) by RGL Management Limited (a claims management company) (RGL) and law firm Fladgate LLP on behalf of customers of CYBG in the English Courts. The cases involving four individual claimants (being the first and fourth claims) are proceeding to trial, effectively as test cases. The cases of the remaining individual claimants are currently paused by agreement and court order.

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

Note 30 Commitments and contingent liabilities (cont.)

The claims were before the court for a second procedural hearing in October 2021. At that hearing the court made further directions to progress the first and fourth claims. NAB has filed and served its defences to the first and fourth claims.

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

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

Walton Construction Group class action

In January 2022, a class action complaint was filed in the Federal Court by a number of subcontractors regarding NAB's alleged conduct in connection with the collapse of the Walton Construction Group (WCG). It is alleged that NAB's conduct in the period prior to the collapse of WCG contributed to losses incurred by subcontractors following the liquidation of WCG. NAB will be defending the proceedings. However, the potential outcome and total costs associated with the claims under this class action remain uncertain.

Regulatory activity, compliance investigations and associated proceedings

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

NAB continues to enhance the Group's systems and processes to comply with AML and CTF requirements. The Group continues to keep AUSTRAC informed of its progress. In addition to a general uplift in capability, NAB is remediating specific known compliance issues and weaknesses. The Group has reported a number of compliance issues to relevant regulators, including in relation to 'Know Your Customer' (KYC) requirements (particularly with enhanced customer due diligence for non-individual customers), systems and process issues that impacted some aspects of transaction monitoring and reporting, and other financial crime risks. As this work progresses, further compliance issues may be identified and reported to AUSTRAC or equivalent foreign regulators, and additional uplifting and strengthening may be required.

In June 2021, NAB announced that AUSTRAC had identified concerns with the Group's compliance with certain AML and CTF requirements and that AUSTRAC had initiated a formal enforcement investigation. On 29 April 2022, NAB entered into an EU with AUSTRAC to address these concerns. In accepting the EU, AUSTRAC stated that it had "formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time" and that it had "not identified any information during the investigation to change that view". Under the terms of the EU, NAB and certain subsidiaries are required to:

- Complete a Remedial Action Plan (RAP) approved by AUSTRAC;
- Address to AUSTRAC's satisfaction any deficiencies or concerns with activities in the RAP identified by AUSTRAC; and
- Appoint an external auditor who will provide a final report by 31 March 2025.

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

Banking matters

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

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

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

Incorrect charging of periodical payment fees

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

Payroll matters

In December 2019, NAB announced an end-to-end Payroll Review examining internal pay processes and compliance with pay-related obligations under Australian employment laws. The review has identified a range of issues and a remediation program is being undertaken. Provisions have been taken and a number of payments have been made. In addition to the costs associated with the remediation program, there remains the potential for further developments regarding these issues, including possible enforcement action or other legal actions. The final outcome and total costs associated with this matter remain uncertain.

The Wage Inspectorate Victoria and the NSW Employee Relations have been undertaking investigations in relation to the long service leave entitlements of NAB's casual employees. In October 2021, NAB commenced action in the Federal Court seeking a

Note 30 Commitments and contingent liabilities (cont.)

declaration about the proper interpretation of relevant provisions of the *Fair Work Act* (Cth), in order to clarify the situation. In October 2021, the Wage Inspectorate Victoria commenced a prosecution in the Victorian Magistrate's Court with respect to this matter. In March 2022, NAB applied to intervene in a matter before the Full Federal Court on the same issue. A hearing was held on 25 May 2022 and the judgment is yet to be delivered. The final outcome and total costs associated with these matters remains uncertain.

Wealth - Adviser service fees

In 2015, ASIC commenced an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the Group. Under the service arrangements, customers paid an adviser service fee to receive ongoing financial review services. In some instances, customers did not receive the agreed services or, in other cases, there may not be sufficient evidence that the agreed services were provided or that customers were adequately informed of their ability to terminate the service fee. NAB is undertaking a remediation program in relation to this matter for JBWere and the various advice businesses, which were operated by the Group prior to completion of the MLC Wealth Transaction discussed below, including MLC Advice (formerly known as NAB Financial Planning) and NAB Advice Partnerships.⁽¹⁾

Payments with respect to MLC Advice are now complete. Payments with respect to NAB Advice Partnerships continue to progress for potentially impacted customers under the remediation.

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

While the Group has taken provisions in relation to these matters based on current information, there remains the potential for further developments and the potential outcomes and total costs associated with these matters remains uncertain.

Wealth - Advice review

In October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the Customer Response Initiative review program, the scope of which includes the advice businesses of MLC Advice, NAB Advice Partnerships and JBWere, with compensation offered and paid in a number of cases.⁽¹⁾ Where customer compensation is able to be reliably estimated, provisions have been taken. The final outcome and total costs associated with this work remain uncertain. Further, a number of other investigations into the historic activities of the advice business are being carried out by the Group.

(1) While the businesses of MLC Advice and NAB Advice Partnerships relevant to these matters have been sold to Insignia Financial Ltd (formerly known as IOOF) pursuant to the MLC Wealth Transaction, NAB has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. JBWere is not within the scope of the MLC Wealth Transaction.

Note 30 Commitments and contingent liabilities (cont.)

Contractual commitments

MLC Wealth Transaction

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

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

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

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

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

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

NULIS and MLCN - class actions

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

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

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

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

MLC Life insurance transaction

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

BNZ Life transaction

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

Other disclosures

Note 31

Interest in subsidiaries and other entities

Accounting policy

Investments in controlled entities

Controlled entities are all those entities (including structured entities) to which the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An assessment of control is performed on an ongoing basis. Entities are consolidated from the date on which control is obtained by the Group. Entities are deconsolidated from the date that control ceases. The effects of transactions between entities within the Group are eliminated in full upon consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group's investments in associates are accounted for using the equity method, with the carrying amount of the investment increased or decreased to recognise the Group's share of the profit or loss of the investee.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities generally have restricted activities and a narrow and well-defined objective which is created through contractual arrangement. Depending on the Group's power over the relevant activities of the structured entity and its exposure to and ability to influence its own returns, it may or may not consolidate the entity.

Unconsolidated structured entities refer to all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions or for specific investment opportunities.

Interests in unconsolidated structured entities include, but are not limited to, debt and equity investments, guarantees, liquidity arrangements, commitments, fees from investment structures, and derivative instruments that expose the Group to the risks of the unconsolidated structured entities. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and cross currency swaps) and positions where the Group:

- Creates rather than absorbs variability of the unconsolidated structured entity.
- Provides administrative, trustee or other services as agent to third party managed structured entities.

Involvement is considered on a case by case basis, taking into account the nature of the structured entity's activities. This excludes involvement that exists only because of typical customer-supplier relationships.

(a) Investments in controlled entities

The following table presents the material controlled entities as at 30 September 2022:

Entity name	Ownership %	Incorporated / formed in
National Australia Bank Limited		Australia
National Equities Limited	100	Australia
National Australia Group (NZ) Limited	100	New Zealand
Bank of New Zealand	100	New Zealand

Significant restrictions

Subsidiary companies that are subject to prudential regulation are required to maintain minimum capital and other regulatory requirements that may restrict the ability of these entities to make distributions of cash or other assets to the parent company. These restrictions are managed in accordance with the Group's normal risk management policies set out in *Note 19 Financial risk management* and capital adequacy requirements in *Note 35 Capital adequacy*.

From 1 July 2022, the RBNZ removed restrictions on the payment of dividends by New Zealand banks (including BNZ). The restrictions had previously been put in place in April 2020 in response to the impacts of COVID-19.

Note 31 Interest in subsidiaries and other entities (cont.)

(b) Investments in associates

The Group's investments in associates include a 20% interest in MLC Life, a provider of life insurance products in Australia. Set out below is the summarised financial information of MLC Life based on its financial information (and not the Group's 20% share of those amounts) and a reconciliation of that information to the equity-accounted carrying amount as at 30 September:

	2022 \$m	2021 \$m
Summarised income statement of MLC Life		
Revenue	949	1,585
Net profit / (loss) for the period	69	(222)
Total comprehensive income / (loss) for the period	69	(222)
Reconciliation to the Group's share of loss		
MLC Life's net profit / (loss) for the period	69	(222)
Prima facie share of profit / (loss) at 20%	14	(44)
Group's share of profit / (loss) for the period	14	(44)
Summarised balance sheet of MLC Life		
Total assets	6,841	7,746
Total liabilities	3,979	4,954
Net assets	2,862	2,792
Reconciliation to the Group's investment in MLC Life		
Prima facie share of net assets at 20%	572	558
Accumulated impairment losses	(86)	(86)
Group's carrying amount of the investment in MLC Life	486	472

There was no dividend received from MLC Life during the 2022 financial year (2021: \$nil). The Group made no additional capital contributions to MLC Life during the 2022 financial year (2021: \$106 million).

Significant restrictions

Assets in a statutory fund of MLC Life can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of that fund, or to make profit distributions when solvency and capital adequacy requirements of the *Life Insurance Act 1995* (Cth) are met. This may impact MLC Life's ability to transfer funds to the Group in the form of dividends. In addition, in certain circumstances the payment of dividends may require approval by APRA.

Transactions

As part of a long-term commercial arrangement with Nippon Life and MLC Life, the Group refers certain bank customers to MLC Life. Under a financial services agreement and certain linked arrangements, the Group provides MLC Life with certain financial services on an arm's length basis, including custody, transactional banking facilities, fixed income and currency services.

Note 31 Interest in subsidiaries and other entities (cont.)

(c) Consolidated structured entities

The Group has interests in the following types of consolidated structured entities:

Type	Details
Securitisation	<p>The Group engages in securitisation activities for funding, liquidity and capital management purposes. The Group principally packages and sells residential mortgage loans as securities to investors through a series of bankruptcy remote securitisation vehicles. The Group is entitled to any residual income after all payments to investors and costs related to the program have been met. The note holders only have recourse to the pool of assets. The Group is considered to hold the majority of the residual risks and benefits of the vehicles. All relevant financial assets continue to be held on the Group balance sheet, and a liability is recognised for the proceeds of the funding transaction.</p> <p>The Group provides liquidity facilities to the securitisation vehicles. These facilities can only be drawn to manage the timing mismatch of cash inflows from securitised loans and cash outflows due to investors. The Group also provides redraw facilities to certain securitisation vehicles to manage the timing mismatch of principal collections from securitised loans and cash outflows in respect of customer redraws. The aggregate limit of these liquidity and redraw facilities as at 30 September 2022 is \$1,406 million.</p>
Covered bonds	<p>The Group is entitled to any residual income after all payments due to covered bonds investors and costs related to the program have been met. Residential mortgage loans are assigned to a bankruptcy remote structured entity. The covered bond-holders have recourse to the Group and, following certain trigger events including payment default, the covered pool assets.</p>

(d) Unconsolidated structured entities

The Group has interests in the following types of unconsolidated structured entities:

Type	Details
Securitisation	<p>The Group engages with third party (client) securitisation vehicles by providing warehouse facilities, liquidity support and derivatives. The Group invests in residential mortgage and asset-backed securities.</p>
Other financing	<p>The Group provides tailored lending to limited recourse single purpose vehicles which are established to facilitate asset financing for clients. The assets are pledged as collateral to the Group. The Group engages in raising finance for leasing assets such as aircraft, trains, shipping vessels and other infrastructure assets. The Group may act as a lender, arranger or derivative counterparty to these vehicles.</p> <p>Other financing transactions are generally senior, secured self-liquidating facilities in compliance with Group credit lending policies. Regular credit and financial reviews of the borrowers are conducted to ensure collateral is sufficient to support the Group's maximum exposures.</p>
Investment funds	<p>The Group has direct interests in unconsolidated investment funds. The Group's interests include holding units and receiving fees for services. The Group's interest in unconsolidated investment funds is immaterial.</p>

Note 31 Interest in subsidiaries and other entities (cont.)

The table below shows the carrying value and maximum exposure to loss of the Group's interests in unconsolidated structured entities:

	Group					
	Securitisations		Other financing		Total	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Loans and advances	22,849	15,857	3,132	3,461	25,981	19,318
Debt instruments	6,283	6,889	-	-	6,283	6,889
Total carrying value of assets in unconsolidated structured entities	29,132	22,746	3,132	3,461	32,264	26,207
Commitment / contingencies	8,490	8,892	121	-	8,611	8,892
Total maximum exposure to loss in unconsolidated structured entities	37,622	31,638	3,253	3,461	40,875	35,099

Exposure to loss is managed as part of the Group's Risk Management Framework. The Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments, financial guarantees, and liquidity support. Consequently, the Group has presented these measures rather than the total assets of the unconsolidated structured entities. Refer to Note 19 *Financial risk management* for further details. Income earned from interests in unconsolidated structured entities primarily result from interest income, mark-to-market movements and fees and commissions.

The majority of the Group's exposures are senior investment grade, but in some limited cases, the Group may be required to absorb losses from unconsolidated structured entities before other parties because the Group's interests are subordinated to others in the ownership structure. The table below shows the credit quality of the Group's exposures in unconsolidated structured entities:

	Group					
	Securitisations		Other financing		Total	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Senior investment grade	29,065	22,694	790	888	29,855	23,582
Investment grade	57	48	1,419	1,442	1,476	1,490
Sub-investment grade	10	4	923	1,131	933	1,135
Total⁽¹⁾	29,132	22,746	3,132	3,461	32,264	26,207

(1) Of the total, \$32,051 million (2021: \$26,032 million) represents the Group's interest in senior notes and \$213 million in subordinated notes (2021: \$175 million).

Notes to the financial statements

Note 32

Related party disclosures

The Group provides a range of services to related parties including the provision of banking facilities and standby financing arrangements. Other dealings include granting loans and accepting deposits, and the provision of finance. These transactions are normally entered into on terms equivalent to those that prevail on an arm's length basis in the ordinary course of business.

Other transactions with controlled entities may involve leases of properties, plant and equipment, provision of data processing services or access to intellectual or other intangible property rights. Charges for these transactions are normally on an arm's length basis and are otherwise on the basis of equitable rates agreed between the parties. The Company also provides various administrative services to the Group, which may include accounting, secretarial and legal. Fees may be charged for these services.

Loans made to subsidiaries are generally entered into on terms equivalent to those that prevail on an arm's length basis, except that there are often no fixed repayment terms for the settlement of loans between parties. Outstanding balances are unsecured and are repayable in cash.

The Company may incur costs on behalf of controlled entities in respect of customer-related remediation, regulatory activity, compliance investigations and associated proceedings. Refer to *Note 30 Commitments and contingent liabilities* for further details in respect of these matters.

Subsidiaries

The table below shows the aggregate amounts payable to subsidiaries for the years ended 30 September:

	Company	
	2022 \$m	2021 \$m
Balance at beginning of year	(83)	380
Net cash inflows	(3,162)	(434)
Net foreign currency translation movements and other amounts receivable	(168)	(29)
Balance at end of year	(3,413)	(83)

The table below shows material transactions with subsidiaries for the years ended 30 September:

	Company	
	2022 \$m	2021 \$m
Net interest expense	(1,344)	(1,713)
Dividend revenue	2,024	1,752

Superannuation plans

The following payments were made to superannuation plans sponsored by the Group:

Payment to:	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
National Australia Bank Group Superannuation Fund A	272	251	272	251
Other	9	12	8	8

Transactions between the Group and superannuation plans sponsored by the Group were made on commercial terms and conditions.

Note 32 Related party disclosures (cont.)

Key Management Personnel (KMP)

The list of NAB's KMP is assessed each year and comprises the non-executive directors of NAB, the Group CEO (an executive director of NAB) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of both NAB and the Group. Details of KMP are set out in Section 6.1 and Section 7.3 of the *Remuneration Report* of the *Report of the Directors*.

Remuneration

Total remuneration of KMP is included within total personnel expenses in *Note 5 Operating expenses*. The total remuneration is as follows:

	Group	
	2022	2021
	\$	\$
Short-term benefits		
Cash salary	18,587,954	17,689,685
Variable reward cash	7,996,381	8,321,343
Non-monetary	272,922	1,155,255
Post-employment benefits		
Superannuation	532,755	448,262
Other long-term benefits		
Other long-term benefits	182,991	187,772
Equity-based benefits		
Shares	1,477,224	1,769,389
Performance rights	13,433,135	6,749,724
Other		
Other remuneration	-	870,000
Total	42,483,362	37,191,430

Performance rights and shareholdings of KMP are set out in the *Remuneration Report* included in the *Report of the Directors*.

Loans to KMP and their related parties

During the reporting period, loans made to KMP and other related parties of the Group and Company were \$13 million (2021: \$34 million). Loans made to non-executive directors of NAB are made in the ordinary course of business on terms equivalent to those that prevail in arm's length transactions. Loans to the Group CEO and Group Executives may be made on similar terms and conditions generally available to other employees of the Group. Loans may be secured or unsecured depending on the nature of the lending product advanced. As at 30 September 2022, the total loan balances outstanding were \$47 million (2021: \$45 million).

No amounts were written off in respect of any loans made to directors or other KMP of the Group and Company during the current or prior reporting period.

Further details regarding loans advanced to KMP of the Group and Company are included in the *Remuneration Report* within the *Report of the Directors*.

86 400 Transfer of banking business

On 8 December 2021, 86 400 transferred approximately \$1,286 million of its banking related mortgage assets and \$663 million of its banking related deposit liabilities to NAB on an arms-length basis under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth) (FSTRA). In addition, 86 400 transferred approximately \$285 million of its fixed income securities portfolio, held for liquidity purposes, to NAB on an arm's length basis under the FSTRA. These fixed income securities were previously measured at amortised cost as they were managed within a 'hold to collect' business model. Following the transfer to NAB, these securities were reclassified to fair value through profit or loss as the revised business model is neither 'hold to collect' nor 'hold to collect and sell'. The difference between the previous amortised cost of these assets and their fair value at the reclassification date was not material. Following these transfers 86 400 surrendered its ADI Licence to APRA and returned approximately \$144 million of share capital to NAB. On a prospective basis, 86 400 will perform various technology and operational services to support and grow NAB's digital banking activities and business.

Notes to the financial statements

Note 33

Remuneration of external auditor

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
EY Australia				
Audit services	12,457	11,442	10,405	9,409
Audit-related services	5,475	5,275	5,094	4,829
Taxation-related services	47	45	47	45
Total Australia	17,979	16,762	15,546	14,283
EY Overseas				
Audit services	4,079	4,206	1,962	1,969
Audit-related services	865	647	344	267
Taxation-related services	-	124	-	124
Non-audit services ⁽¹⁾	1,163	-	-	-
Total Overseas	6,107	4,977	2,306	2,360
Total Australia and Overseas	24,086	21,739	17,852	16,643
Services for non-consolidated trusts of which a Group entity is a trustee, manager or responsible entity and non-consolidated Group superannuation funds	435	1,134	-	-
Total remuneration paid to the external auditor	24,521	22,873	17,852	16,643

(1) The 2022 non-audit service was performed by an affiliate firm of EY. The Audit Committee considered this service and were satisfied that it was compatible with maintaining audit independence.

Total remuneration paid to another audit firm where EY is in a joint audit arrangement for the audit of a Group subsidiary is \$72,000.

The Joint Parliamentary Committee inquiry into the Regulation of Auditing in Australia highlighted the disparity and lack of comparability of the external auditor fee remuneration disclosure for ASX Listed Corporates. ASIC are proposing four categories to define external auditor services as the basis of the proposed future disclosure requirements which are set out below.

Auditor's remuneration - ASIC disclosures

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
EY Australia - consolidated entities				
Audit services for the statutory financial report of the parent and any of its' controlled entities	12,457	11,442	10,405	9,409
Assurance services that are required by legislation to be provided by the external auditor	224	213	128	121
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	5,099	5,062	4,814	4,708
Other services	199	45	199	45
Total Australia	17,979	16,762	15,546	14,283
EY Overseas - consolidated entities				
Audit services for the statutory financial report of the parent and any of its' controlled entities	4,079	4,206	1,962	1,969
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	865	647	344	267
Other services	1,163	124	-	124
Total Overseas	6,107	4,977	2,306	2,360
Total Australia and Overseas	24,086	21,739	17,852	16,643
EY Australia and Overseas - non-consolidated entities				
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	435	1,134	-	-
Total remuneration paid to the external auditor	24,521	22,873	17,852	16,643

A description of the Board Audit Committee's pre-approval policies and procedures are set out in *Assurance and Control* in the Corporate Governance section and included in the *Report of the Directors*.

Note 34

Equity-based plans

Accounting policy

The value of shares and rights provided to employees are measured by reference to their grant date fair value. The grant date fair value of each share is determined by the market value of NAB shares and is generally a five-day weighted average share price. The grant date fair value of shares and rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.

With the exception of general employee shares in Australia, the expense for each tranche of shares or rights granted is recognised in the income statement on a straight-line basis, adjusted for forfeitures, over the vesting period for the shares or rights. The expense for general employee shares in Australia is recognised in the income statement in the year the shares are granted as they are not subject to forfeiture. A corresponding increase is recorded in the equity-based compensation reserve.

Critical accounting judgements and estimates

The key estimates and inputs used in the Black-Scholes model vary depending on the award and type of security granted. They include the NAB share price at the time of the grant, exercise price of the rights (which is nil), the expected volatility of NAB's share price, the risk-free interest rate and the expected dividend yield on NAB shares for the life of the rights. When estimating expected volatility, historic daily share prices are analysed to arrive at annual and cumulative historic volatility estimates (which may be adjusted for any abnormal periods or non-recurring significant events). Trends in the data are analysed to estimate volatility movements in the future for use in the numeric pricing model. The simulated version of the Black-Scholes model takes into account both the probability of achieving market performance conditions and the potential for early exercise of vested rights.

While market performance conditions are incorporated into the grant date fair values, non-market conditions are not taken into account when determining the fair value and expected time to vesting of shares and rights. Instead, non-market conditions are taken into account by adjusting the number of shares and rights included in the measurement of the expense so that the amount recognised in the income statement reflects the number of shares or rights that actually vest.

Under the Group's employee equity plans, employees of the Group are awarded shares and rights. An employee's right to participate in a plan is often dependent on their performance or the performance of the Group, and shares and rights awarded under the plans are often subject to service and/or performance conditions.

Generally, a right entitles its holder to be allocated one share when the right vests and is exercised. However, under certain bespoke plans, a right entitles its holder to be allocated a number of shares equal to a predetermined value on vesting and exercise of the right.

The Board determines the maximum total value of shares or rights offered under each plan having regard to the rules of the relevant plan and, where required, the method used in calculating the fair value per security. Under ASX Listing Rules, shares and rights may not be issued to NAB directors under an employee equity plan without specific shareholder approval.

Under the terms of most offers, there is a period during which shares are held on trust for the employee they are allocated to and cannot be dealt with, or rights granted to an employee cannot be exercised, by that employee. There may be forfeiture or lapse conditions which apply to shares or rights allocated to an employee (as described below), including as a result of the employee ceasing employment with the Group during those periods or conduct standards not being met. Shares allocated to employees are eligible for any cash dividends paid by NAB on those shares from the time those shares are allocated to the trustee on their behalf. Rights granted to employees are not eligible for any cash dividends paid by NAB. In some limited circumstances, there may be a cash equivalent payment made in the event that rights vest.

The table below sets out details of the Group's employee equity plans that are offered on a regular basis. As noted above, the Group also offers bespoke plans in certain circumstances, including in connection with material transactions, as a retention mechanism and to encourage the achievement of certain specific business growth targets.

Note 34 Equity-based plans (cont.)

	Variable reward (VR)	Long-term variable reward (LTVR)	Annual Equity Award (AEA)	Commencement awards	Recognition/Retention awards	General employee shares
Description	<p>A proportion of an employee's annual VR is provided in equity and is deferred for a specified period. The deferred amount and the deferral period is different based on the incentive plan participated in, and the level of risk, responsibility and seniority of the employees within a role.</p> <p>VR was referred to as 'short-term incentive' before the:</p> <ul style="list-style-type: none"> • 2018 financial year for members of the Executive Leadership Team and other Accountable Persons • 2019 financial year for all other employees. 	LTVRs (including prior year Long-term Incentive (LTI) grants) are awarded to encourage long-term decision-making critical to creating long-term value for shareholders through the use of challenging long-term performance hurdles.	Annual awards of deferred shares under the AEA to create shareholder alignment, drive continued sustainable performance and emphasise focus on risk management and good conduct and behaviour outcomes.	Provided to enable the buy-out of equity or other incentives from an employee's previous employment.	Offered to key individuals in roles where retention is critical over the medium-term (generally between 2 and 3 years). ⁽¹⁾	Shares up to a target value of \$1,000 are offered to eligible employees.
Eligibility	Certain employees based in Australia, New Zealand, the United Kingdom and the United States having regard to their individual performance and the performance of the Group.	The Executive Leadership Team were previously eligible to receive LTI grants except for the 2018 financial year. The Executive Leadership Team are now eligible to receive LTVR.	Certain employees appointed to Group 5 and 6 roles based in Australia, the United States and Singapore.	Provided on a case by case basis, with the recommendation of the People & Remuneration Committee and the approval of the Board.	Provided on a case by case basis, with the recommendation of the People & Remuneration Committee and the approval of the Board.	Prior to December 2019, permanent employees based in Australia, Asia, New Zealand, the United Kingdom and the United States were eligible to participate. From December 2019, only permanent employees in Australia were eligible to participate.
Type of equity-based payment	<p>Generally shares. However, deferred rights are granted to:</p> <ul style="list-style-type: none"> • the Executive Leadership Team (except in respect of the 2018 financial year when shares were granted) and other Accountable Persons • other employees for jurisdictional or regulatory reasons. 	Performance rights.	Generally shares.	Generally shares. However, rights are also granted for jurisdictional reasons.	Generally shares. However, rights are also granted for jurisdictional reasons.	Shares.

Notes to the financial statements

Note 34 Equity-based plans (cont.)

	Variable reward (VR)	Long-term variable reward (LTVR)	Annual Equity Award (AEA)	Commencement awards	Recognition/Retention awards	General employee shares
Service conditions and performance hurdles	<p>Deferred shares or rights are forfeited or lapsed during the vesting period if:</p> <ul style="list-style-type: none"> • the employee resigns • the employee does not meet conduct standards • the employee's employment with the Group is terminated, subject to certain exclusions. 	<p>During the vesting period, all of an executive's performance rights will lapse on the executive's resignation from the Group. A portion of an executive's performance rights may also lapse where the executive ceases employment with the Group for other reasons during the vesting period.</p> <p>Performance rights will also lapse if conduct standards or performance hurdles are not met. The Board has absolute discretion to determine vesting or lapsing outcomes for the performance rights.</p>	<p>Deferred shares are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group, or if conduct standards are not met.</p>	<p>Shares or rights are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group or if conduct standards are not met.</p>	<p>Shares or rights are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group or if conduct standards are not met.</p>	<p>Shares are subject to restrictions on dealing for three years and, in Australia and Asia, are not subject to forfeiture. In New Zealand, the United Kingdom and the United States, the shares are effectively forfeited if the employee resigns or is dismissed from the Group before the end of the 3-year restriction period.</p>
Vesting, performance or deferral period	Defined period which differs based on the VR plan participated in and the employee's seniority. The period aligns with the level of risk, impact of the role on business performance and results and regulatory requirements. The vesting period will generally be between 1 and 7 years.	Defined period set at time of grant, generally between 4 and 5 years.	Defined period set at time of grant. Deferred Shares vest in equal tranches over 3 years.	Defined period set at time of grant, based on satisfactory evidence of foregone awards from previous employment.	Defined period set at time of grant.	3 years.
Exercise period (only applicable for rights)	If the applicable conditions are met, deferred rights will vest and each right will be automatically exercised. n/a for share grants.	Performance rights will be automatically exercised if they vest.	n/a	If the applicable conditions are met, rights will vest and each right will be automatically exercised. n/a for share grants.	If the applicable conditions are met, rights will vest and each right will be automatically exercised. n/a for share grants.	n/a

Note 34 Equity-based plans (cont.)

	Variable reward (VR)	Long-term variable reward (LTVR)	Annual Equity Award (AEA)	Commencement awards	Recognition/Retention awards	General employee shares
Board discretion	<p>The Board regularly reviews Group performance for risk, reputation, conduct and performance considerations and has the ability to:</p> <ul style="list-style-type: none"> • Extend the vesting, performance or deferral period beyond the original period for the Executive Leadership Team, other Accountable Persons and, in certain circumstances, other employees. • Forfeit or lapse the deferred shares or rights. • Clawback the deferred shares or rights for the Executive Leadership Team, other Accountable Persons and in certain circumstances, other employees. <p>In addition, the Board generally has discretion to determine the treatment of unvested shares and rights at the time a change of control event occurs. Vesting of shares and rights will not be automatic or accelerated and the Board will retain discretion in relation to the vesting outcome including absolute discretion to forfeit all shares and rights.</p>				n/a	

(1) Includes annual share grants (Annual Equity Awards) made to key individuals in Australia and the USA to support ongoing retention.

Employee share plan

	2022		2021	
	Fully paid ordinary shares granted during the year No.	Weighted average grant date fair value \$	Fully paid ordinary shares granted during the year No.	Weighted average grant date fair value \$
Employee share plans				
Variable reward deferred shares	3,309,953	28.99	1,399,188	21.76
Commencement and recognition shares	889,923	29.12	530,881	23.79
General employee shares	747,285	28.39	1,164,526	23.00
Annual Equity Award shares	453,216	30.09	-	-

The closing market price of NAB shares as at 30 September 2022 was \$28.81 (2021: \$27.83). The volume weighted average share price during the year ended 30 September 2022 was \$29.44 (2021: \$24.93).

Rights movements

	2022	2021
Number of rights		
Opening balance as at 1 October	2,645,771	1,776,614
Granted ⁽¹⁾	1,029,947	1,878,890
Forfeited ⁽¹⁾	(405,781)	(489,130)
Exercised	(334,505)	(520,603)
Closing balance as at 30 September	2,935,432	2,645,771
Exercisable as at 30 September	-	3,986

(1) Where rights have been allocated or forfeited to a predetermined value, the total number granted or forfeited has been estimated using a share price of \$29.44, being the volume weighted average share price of NAB shares during the financial year ended 30 September 2022.

Notes to the financial statements

Note 34 Equity-based plans (cont.)

	2022		2021	
	Outstanding at 30 Sep	Weighted average remaining life	Outstanding at 30 Sep	Weighted average remaining life
	No.	months	No.	months
Terms and conditions				
Market hurdle	2,140,396	32	1,590,967	35
Non-market hurdle ⁽¹⁾	361,180	21	913,357	7
Individual hurdle ⁽¹⁾	433,856	23	141,447	26

(1) Where rights have been allocated or forfeited to a predetermined value, the total number granted or forfeited has been estimated using a share price of \$29.44, being the volume weighted average share price of NAB shares during the financial year ended 30 September 2022.

Information on fair value calculation

The table below shows the significant assumptions used as inputs into the grant date fair value calculation of rights granted during the last two years. In the following table, values have been presented as weighted averages, but the specific values for each grant are used for the fair value calculation. The table also shows a 'no hurdle' value for rights that do not have any market-based performance hurdles attached. The 'no hurdle' value is calculated as the grant date fair value of the rights, and in most instances is adjusted for expected dividends over the vesting period.

	2022	2021
Weighted average values		
Contractual life (years)	3.5	4.0
Risk-free interest rate (per annum)	1.61%	0.31%
Expected volatility of share price	30%	30%
Closing share price on grant date	\$28.81	\$24.90
Dividend yield (per annum)	4.93%	5.00%
Fair value of rights with a market hurdle	\$17.30	\$11.50
Fair value of rights without a market hurdle	\$23.41	\$19.01
Expected time to vesting (years)	3.30	3.79

Note 35

Capital adequacy

As an ADI, NAB is subject to regulation by APRA under the authority of the *Banking Act 1959* (Cth). APRA has set minimum Prudential Capital Requirements (PCR) for ADIs consistent with the Basel Committee on Banking Supervision capital adequacy framework. PCR are expressed as a percentage of total risk-weighted assets. APRA requirements are summarised below:

CET1 capital	Tier 1 capital	Total capital
CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111.	CET1 capital plus Additional Tier 1 capital. Additional Tier 1 capital comprises high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer • provide for fully discretionary capital distributions. 	Tier 1 capital plus Tier 2 capital. Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

An ADI must hold a capital conservation buffer above the PCR for CET1 capital. The capital conservation buffer is 2.5% of the ADI's total risk-weighted assets. As a D-SIB in Australia, the Group is also required to hold an additional buffer of 1% in CET1 capital. In addition, APRA requires the Group to hold a countercyclical capital buffer set on a jurisdictional basis. The requirement is currently set to zero for Australia.

APRA may determine a higher PCR for an ADI and may change an ADI's PCR at any time. A breach of the required ratios under APRA's prudential standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital.

Regulatory capital requirements are measured on a Level 1 and Level 2 basis. Level 1 comprises NAB and Extended Licensed Entities approved by APRA. Level 2 comprises NAB and its controlled entities, excluding superannuation and funds management entities, insurance and securitisation special purpose vehicles which meet APRA's requirements for capital relief.

Capital ratios are monitored against internal capital targets that are set by the Board over and above minimum capital requirements set by APRA.

The Group remained well capitalised during the year to September 2022, with a CET1 capital ratio of 11.51% as at 30 September 2022.

From 1 January 2023, APRA's new capital framework will apply with a minimum PCR of 4.5% and a capital conservation buffer of 3.75% (for IRB ADIs), as well as a D-SIB buffer of 1%, and an Australian jurisdictional countercyclical capital buffer (with a default setting of 1%) that form part of an extended capital conservation buffer.

Notes to the financial statements

Note 36

Notes to the statement of cash flows

Reconciliation of net profit attributable to owners of NAB to net cash provided by / (used in) operating activities

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Net profit attributable to owners of NAB	6,891	6,364	5,945	5,063
Add / (deduct) non-cash items in the income statement:				
(Increase) / decrease in interest receivable	(981)	159	(922)	149
Increase / (decrease) in interest payable	994	(347)	843	(277)
Increase / (decrease) in unearned income and deferred net fee income	166	(47)	159	(12)
Fair value movements on assets, liabilities and derivatives held at fair value	4,299	(505)	4,389	515
Increase in provisions	1,341	1,165	1,242	1,040
Equity-based compensation recognised in equity or reserves	113	100	113	100
Impairment losses on non-financial assets	10	16	18	89
Impairment losses on financial assets	1	2	-	2
Credit Impairment (charge) / write-back	194	(148)	110	(150)
Depreciation and amortisation expense	1,112	1,088	871	878
(Increase) / decrease in other assets	84	258	233	450
Increase / (decrease) in other liabilities	280	267	48	226
Increase / (decrease) in income tax payable	659	29	610	2
(Increase) / decrease in deferred tax assets	352	661	307	445
Increase / (decrease) in deferred tax liabilities	(13)	27	20	(3)
Operating cash flow items not included in profit	13,170	(8,222)	14,868	(14,269)
Investing or financing cash flows included in profit				
(Gain) / loss on sale of controlled entities, before income tax	(197)	19	-	19
(Gain) / loss on sale of associates and joint ventures, before income tax	-	(11)	-	7
(Gain) on sale of other debt and equity instruments	(199)	(121)	(199)	(121)
(Gain) / loss on sale of property, plant, equipment and other assets	(55)	5	(74)	(22)
Net cash provided by / (used in) operating activities	28,221	759	28,581	(5,869)

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Note 36 Notes to the statement of cash flows (cont.)

Reconciliation of liabilities arising from financing activities

	Group				Company			
	Bonds, notes and subordinated debt		Other debt issues	Lease liabilities	Bonds, notes and subordinated debt		Other debt issues	Lease liabilities
	At fair value \$m	At amortised cost \$m	\$m	\$m	At fair value \$m	At amortised cost \$m	\$m	\$m
Balance at 1 October 2020	22,348	126,384	6,191	1,555	5,845	120,297	6,191	1,319
Cash flows								
Proceeds from issue	713	12,385	2,365	-	-	10,053	2,365	-
Repayments	(4,054)	(26,008)	(1,731)	(383)	(191)	(24,622)	(1,731)	(337)
Non-cash changes								
Opening lease liabilities on adoption of AASB 16	-	-	-	-	-	-	-	-
Additions to lease liabilities	-	-	-	789	-	-	-	678
Conversion of convertible preference shares and convertible notes	-	-	-	-	-	-	-	-
Fair value changes, including fair value hedge adjustments	(247)	(2,096)	-	-	2	(1,660)	-	-
Foreign currency translation and other adjustments	(344)	(1,511)	6	6	(86)	(1,567)	6	(1)
Balance as at 30 September 2021	18,416	109,154	6,831	1,967	5,570	102,501	6,831	1,659
Cash flows								
Proceeds from issue	1,500	40,432	1,983	-	268	34,919	1,983	-
Repayments	(3,280)	(24,359)	(1,504)	(339)	(742)	(23,577)	(1,504)	(299)
Non-cash changes								
Additions to lease liabilities	-	-	-	631	-	-	-	617
Fair value changes, including fair value hedge adjustments	(1,497)	(7,718)	-	-	(900)	(5,371)	-	-
Foreign currency translation and other adjustments	(78)	1,774	8	(21)	283	1,202	8	1
Balance as at 30 September 2022	15,061	119,283	7,318	2,238	4,479	109,674	7,318	1,978

Note 36 Notes to the statement of cash flows (cont.)

Reconciliation of cash and cash equivalents

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

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

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Assets				
Cash and liquid assets	56,451	50,832	56,121	50,336
Treasury and other eligible bills	505	871	-	-
Due from other banks (excluding mandatory deposits with supervisory central banks)	38,822	25,296	30,142	16,001
Total cash and cash equivalent assets	95,778	76,999	86,263	66,337
Liabilities				
Due to other banks	(33,599)	(39,118)	(31,080)	(35,875)
Total cash and cash equivalents	62,179	37,881	55,183	30,462

Non-cash financing and investing activities

	Group		Company	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Shares issued under the Dividend Reinvestment Plan	500	274	500	274

The Dividend Reinvestment Plan discount on dividends paid in the year ended 30 September 2022 was \$nil (2021: \$nil).

Note 37

Discontinued operations

Accounting policy

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, and is part of a single coordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the income statement and statement of comprehensive income.

Sale of MLC Wealth discontinued operation

On 31 May 2021, the Group completed the sale of MLC Wealth. The final financial outcome of the sale remains subject to the finalisation of the completion accounts process and other contingencies associated with the sale. Refer to *Note 30 Commitments and contingent liabilities* for further details.

MLC Life discontinued operation

Amounts presented in the life insurance discontinued operation related to the Group's life insurance business. The Group disposed of 80% of its investment in MLC Life to Nippon Life Insurance Company in 2016. The amounts presented in the September 2021 financial year relate to a re-assessment of customer-related remediation provisions associated with the MLC Life business.

Analysis of net loss from discontinued operations

	Group	
	2022 \$m	2021 \$m
Discontinued operations		
Net loss from MLC Wealth discontinued operation ⁽¹⁾	(169)	(118)
Net profit from MLC Life discontinued operation	-	14
Net loss from discontinued operations	(169)	(104)
Attributable to owners of NAB	(169)	(107)
Attributable to non-controlling interests	-	3

(1) The September 2022 financial year primarily relates to costs associated with managing the run-off of the MLC Wealth retained entities combined with a re-assessment of customer-related and payroll remediation. The September 2021 financial year includes the results of MLC Wealth prior to the sale, loss on sale of MLC Wealth, charges for customer-related and payroll remediation, as well as amortisation of software and provision for litigation.

Note 38

Acquisition and disposal of subsidiaries

Acquisition of Citigroup's Australian consumer business

On 1 June 2022, NAB completed the acquisition of the Citi consumer business, including its home lending portfolio, unsecured lending business (personal loans and credit cards), retail deposits business and private wealth management business. The acquisition qualifies as a business as defined in AASB 3.

The acquisition supports NAB's ambition to build a leading personal bank with a simpler, more digital experience.

The initial accounting and the disclosures below have been prepared on a provisional basis based on a draft purchase price allocation prepared at the end of the reporting period. The completion accounts, which have been provided to Citigroup, are still subject to review and agreement. Once the completion accounts have been agreed, the total completion adjustment amount will be paid, and the purchase price allocation, the intangible asset valuations, together with the taxation impacts relating to the acquisition, will be finalised.

Goodwill of \$99 million has been recognised on a provisional basis, pending the finalisation of the completion accounts, the purchase price allocation, the intangible asset valuations and the taxation impacts. This is supported by the scale and expertise in unsecured lending acquired, together with the anticipated synergies to be realised as integration occurs progressively over the next 2-3 years. Other intangible assets relate to Citi consumer business customer relationships and core deposits.

The provisional goodwill as at the acquisition date has been allocated to the Personal Banking CGU (refer Note 22 Goodwill and other intangible assets) and was determined as follows:

	Group 2022 \$m
Consideration for the acquisition	
Provisional cash consideration	3,135
Assets and liabilities acquired	
Loans and advances	12,830
Other assets	525
Total assets	13,355
Deposits and other borrowings	9,488
Other liabilities	732
Total liabilities	10,220
Net assets	3,135
Goodwill and other intangible assets	270

Loans and advances with a fair value of \$12,830 million (including appropriate acquisition date fair value provisioning for credit impairment as required by AASB 3), have a gross contractual value of \$12,999 million.

Acquisition-related costs amounted to \$30 million.

The Citi consumer business contributed \$180 million net operating income and \$14 million cash earnings⁽¹⁾ for the period between the date of acquisition and the reporting date.

Acquisition of Lantern Claims

On 1 April 2022, the Group completed the acquisition of 100% of the issued share capital of Lantern Claims Pty Limited (Lantern Claims), a company that operates the digital health claiming technology business LanternPay. The acquisition resulted in the recognition of software of \$40 million and goodwill of \$26 million.

Disposal of BNZ Life

On 30 September 2022, the Group completed the disposal of BNZ Life for cash proceeds of \$239 million. The consolidated net assets of BNZ Life of \$71 million were derecognised by the Group on this date and foreign currency translation reserves of \$29m were transferred to the income statement, resulting in an overall gain on disposal of \$197 million which has been recognised within Note 4 Other income for the year ended 30 September 2022.

Note 39

Events subsequent to reporting date

There are no items, transactions or events of a material or unusual nature that have arisen in the interval between 30 September 2022 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.

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment information of the Financial Report on page 157. Statutory return on equity and statutory earnings per share (EPS) are presented on page 99.

Directors' declaration

The directors of National Australia Bank Limited declare that:

- (a) in the opinion of the directors, the financial statements and notes for the year ended 30 September 2022, as set out on pages 147 to 243, are in accordance with the *Corporations Act 2001* (Cth), including:
 - i) in compliance with Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards as stated in *Note 1 Basis of preparation, and any further requirements of the Corporations Regulations 2001*; and
 - ii) give a true and fair view of the financial position of NAB and the Group as at 30 September 2022, and of the performance of NAB and the Group for the year ended 30 September 2022.
- (b) in the opinion of the directors, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable.
- (c) the directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) for the year ended 30 September 2022.

Signed in accordance with a resolution of the directors.



Philip Chronican
Chair
9 November 2022



Ross McEwan CBE
Group Chief Executive Officer
9 November 2022



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

Report on the audit of the financial report

Opinion

We have audited the Financial Report of National Australia Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- ▶ the Group consolidated and Company balance sheets as at 30 September 2022;
- ▶ the Group consolidated and Company income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- ▶ notes to the financial statements, including a summary of significant accounting policies; and
- ▶ the Directors' declaration.

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Company's and the Group's financial position as at 30 September 2022 and of their financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current year. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. The key audit matters identified below, unless otherwise stated, relate to both the Company and the Group.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

Why significant	How our audit addressed the key audit matter
Provision for credit impairment	
As disclosed in Note 17 <i>Provision for credit impairment on loans at amortised cost</i> and Note 19 <i>Financial risk management</i> , the provision for credit impairment is in accordance with Australian Accounting Standard – AASB 9 <i>Financial Instruments</i> (AASB 9).	We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9.
Key areas of significant judgment included: <ul style="list-style-type: none">▶ the application of the impairment requirements of AASB 9 within the expected credit loss methodology;▶ the identification of exposures with a significant increase in credit risk;▶ assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis); and▶ the incorporation of forward-looking information to reflect current and anticipated future external factors, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios.	<p>We assessed the following for exposures evaluated on a collective basis:</p> <ul style="list-style-type: none">▶ significant modelling and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios;▶ the determination and assessment of significant increase in credit risk;▶ sensitivity of collective provisions to changes in modelling assumptions; and▶ the basis for and data used to determine forward looking adjustments.
This was a key audit matter due to the value of the provision, and the degree of judgment and estimation uncertainty associated with the provision calculation.	<p>We involved our actuarial specialists to test the mathematical accuracy of the model and to consider key assumptions and significant judgments.</p> <p>We assessed a sample of exposures on an individual basis by:</p> <ul style="list-style-type: none">▶ assessing the reasonableness and timeliness of internal credit quality assessments based on the borrowers' particular circumstances; and▶ evaluating the associated provisions by assessing the reasonableness of key inputs into the credit impairment calculation, with particular focus on high-risk industries, work out strategies, collateral values, and the value and timing of recoveries.
	<p>In conjunction with our IT specialists, we assessed the effectiveness of relevant controls relating to the:</p> <ul style="list-style-type: none">▶ capture of data, including loan origination and transactional data, ongoing internal credit quality assessments, storage of data in data warehouses, and interfaces with the models; and▶ expected credit loss models, including functionality, ongoing monitoring/validation and model governance.
	We assessed the processes used to identify and evaluate climate-related risks associated with the provision for credit impairment.
	We assessed the adequacy and appropriateness of the disclosures related to credit impairment within the Notes to the Financial Report.



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Why significant

How our audit addressed the key audit matter

Provisions for customer-related remediation and associated costs, regulatory compliance matters and legal proceedings

As disclosed in Note 24 *Provisions* and Note 30 *Commitments and contingent liabilities*, the Company and the Group have recorded provisions and/or made disclosures in relation to customer-related and payroll remediation, regulatory compliance investigations (including from ASIC and AUSTRAC) and any associated legal proceedings.

Key areas of significant judgment included the:

- ▶ decision whether to recognise a provision and/or disclose a contingent liability, including whether there is a present obligation as a result of a past events and whether sufficient information existed to allow a provision to be reliably measured;
- ▶ assumptions used to estimate the customer-related remediation payments, including refund rates and average compensation amounts; and
- ▶ costs required to complete the remediation programs.

This was a key audit matter due to the significant judgment required to determine a reliable estimate of the provision.

We developed an understanding of the processes for identifying potential regulatory compliance matters and customer-related and payroll remediation obligations.

We held discussions with management, reviewed Board of Directors and key Committee minutes, reviewed correspondence with regulators and attended Board Audit Committee and Board Risk and Compliance Committee meetings.

We inquired of ongoing and potential legal matters with management, including General Counsel, the Money Laundering Reporting Officer and the Chief Risk Officer, and assessed the need to obtain external legal confirmations.

We assessed key assumptions used to estimate the customer-related remediation amounts, including industry and historical trends and compensation experience to date. We also reviewed and assessed legal advice where applicable.

We evaluated the adequacy of the costs recognised with reference to the status of each program and costs incurred to date.

For those matters where it was determined that either a present obligation as a result of a past event does not exist, or where a sufficiently reliable estimate of the amount of the obligation cannot be made, and for which no provisions have been recognised, we assessed the appropriateness of this conclusion.

We assessed the adequacy and appropriateness of the disclosures related to the provisions and/or related contingent liability within the Notes to the Financial Report.



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Why significant

Impairment assessment of goodwill

The Group has recognised goodwill of \$2,089 million on its balance sheet. During the year, \$125m of goodwill arising from the acquisitions of Citigroup's Australian consumer business (Citi consumer business) and Lantern Claims was recognised, as disclosed in Note 38 *Acquisition and disposal of subsidiaries*.

As disclosed in Note 22 *Goodwill and other intangible assets*, the Group performs an annual impairment assessment, or more frequently if there is an indication that goodwill may be impaired. This involves a comparison of the carrying value of the cash generating unit (CGU) to which the goodwill has been attributed with its recoverable amount.

The recoverable amount was determined using value in use basis (VIU) for all CGUs. The determination of VIU incorporated a range of key assumptions, including:

- ▶ future cash flows;
- ▶ discount rate; and
- ▶ terminal growth rate.

The impairment assessment of goodwill was a key audit matter due to the degree of estimation uncertainty associated with the assumptions applied in the impairment assessment.

How our audit addressed the key audit matter

We assessed whether the VIU calculation methodology used by the Group for the impairment assessment of goodwill was in accordance with the requirements of Australian Accounting Standards.

We assessed the appropriateness of the CGUs identified to which goodwill has been allocated.

We agreed the forecast cash flows to the most recent Board or management-approved cash flow forecasts and assessed the historical accuracy of the forecasts by performing a comparison of recent forecasts to actual results.

We involved our valuation specialists to assess the key assumptions, including discount rates, terminal growth rates and growth assumptions, used in the impairment assessment with reference to comparable companies, and to test the mathematical accuracy of the impairment models.

We assessed the Group's current market capitalisation against the recoverable amount implied by the Group's VIU calculation and benchmarked the implied valuation multiples to comparable company valuation multiples.

In conjunction with our valuation specialists, we assessed the provisional acquisition accounting in relation to the Citi consumer business acquisition, including managements' valuations of acquired assets and assumed liabilities.

We assessed the adequacy of the disclosures related to the impairment assessment of goodwill within the Notes to the Financial Report.



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Why significant

How our audit addressed the key audit matter

Information Technology (IT) systems and controls over financial reporting

A significant part of the financial reporting process is primarily reliant on IT systems with automated processes and controls relating to the capture, storage and extraction of a high volume of information.

A fundamental component of these IT systems and controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed.

This was a key audit matter as our audit approach is dependent on the effective operation of the IT controls.

We focused on those IT systems and controls that are significant to the financial reporting process.

We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise.

We assessed the design and tested the operating effectiveness of the IT controls, including those related to user access management, change and operating management and data integrity.

Where we identified design and/or operating deficiencies in the IT control environment, our procedures included the following:

- ▶ we assessed the integrity and reliability of the systems and data related to financial reporting; and
- ▶ where automated procedures were supported by systems with identified deficiencies, we assessed compensating or mitigating controls that were not reliant on the IT control environment. This involved varying the nature, timing and extent of substantive procedures performed.



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Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion. In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the Financial Report, the Directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.



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- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 108 to 142 of the Report of the Directors for the year ended 30 September 2022.

In our opinion, the Remuneration Report of National Australia Bank Limited for the year ended 30 September 2022, complies with section 300A of the Corporations Act 2001.



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Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Sarah Lowe
Partner
Melbourne

9 November 2022

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Shareholder information

Ordinary shares

Twenty largest registered fully paid ordinary shareholders of the Company as at 14 October 2022

	Number of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	801,947,323	25.43
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	465,154,750	14.75
CITICORP NOMINEES PTY LIMITED	245,757,633	7.79
NATIONAL NOMINEES LIMITED	110,796,788	3.51
BNP PARIBAS NOMS PTY LTD <DRP>	76,026,057	2.41
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	39,958,167	1.27
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	33,193,725	1.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLT SUPER CORP A/C>	21,200,229	0.67
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	13,267,645	0.42
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	11,154,789	0.35
CPU SHARE PLANS PTY LTD	9,076,275	0.29
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	8,070,489	0.26
BNP PARIBAS NOMS (NZ) LTD <DRP>	5,951,486	0.19
ARGO INVESTMENTS LIMITED	5,934,685	0.19
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,638,250	0.15
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	4,180,441	0.13
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,672,148	0.12
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	3,545,025	0.11
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	3,452,320	0.11
MUTUAL TRUST PTY LTD	2,478,175	0.08
Total	1,869,456,400	59.28

Substantial shareholders

The following organisations have disclosed a substantial shareholding notice to ASX. As at 14 October 2022, the Company has received no further update in relation to these substantial shareholdings.

Name	Number of shares	% of voting power
BlackRock Group ⁽¹⁾	177,651,034	6.02%
State Street Corporation ⁽²⁾	162,401,728	5.10%
The Vanguard Group, Inc ⁽³⁾	162,322,845	5.00%

(1) Substantial shareholding as at 18 March 2020, as per notice lodged on 20 March 2020.

(2) Substantial shareholding as at 20 July 2022, as per notice lodged on 22 July 2022.

(3) Substantial shareholding as at 1 February 2022, as per notice lodged on 4 February 2022.

Distribution of fully paid ordinary shareholdings

Range (number)	Number of shareholders	% of holders	Number of shares	% of shares
1 - 1,000	356,804	59.93	124,062,387	3.93
1,001 - 5,000	185,131	31.09	420,217,781	13.32
5,001 - 10,000	33,175	5.57	231,093,124	7.33
10,001 - 100,000	19,826	3.33	398,600,902	12.64
100,001 and over	450	0.08	1,979,839,036	62.78
Total	595,386	100	3,153,813,230	100
Less than marketable parcel of \$500	15,968		107,503	

Voting rights

Each ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held. Holders of partly paid shares voting on a poll are entitled to a number of votes based upon the proportion that the amount of capital call and paid up on the shares bears to the total issue price of the shares.

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Shareholder information (cont.)

NAB Capital Notes 3 (NCN 3)

Twenty largest holders of NCN 3 as at 14 October 2022

	Number of securities	%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,282,066	17.51
CITICORP NOMINEES PTY LIMITED	1,406,339	7.50
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,097,010	5.85
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	407,711	2.18
NATIONAL NOMINEES LIMITED	227,537	1.21
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	220,149	1.17
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	204,551	1.09
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	191,800	1.02
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	138,999	0.74
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	127,380	0.68
DIMBULU PTY LTD	108,500	0.58
MUTUAL TRUST PTY LTD	106,588	0.57
BNP PARIBAS NOMINEES PTY LTD <PICTHER PARTNERS DRP>	97,273	0.52
CAPI PTY LTD	90,000	0.48
INVIA CUSTODIAN PTY LIMITED <INCOME POOL A/C>	71,400	0.38
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	67,463	0.36
WILLIMBURY PTY LTD	65,609	0.35
TAVERNS NO 11 PTY LTD <BRENCORP NO 11 UNIT A/C>	58,502	0.31
JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C>	53,429	0.29
MARROSAN INVESTMENTS PTY LTD	50,000	0.27
Total	8,072,306	43.06

Distribution of NCN 3 holdings

Range (number)	Number of security holders	% of holders	Number of securities	% of securities
1 - 1,000	14,415	88.44	5,097,712	27.20
1,001 - 5,000	1,672	10.26	3,497,265	18.66
5,001 - 10,000	136	0.83	1,012,503	5.40
10,001 - 100,000	64	0.39	1,614,772	8.62
100,001 and over	13	0.08	7,518,330	40.12
Total	16,300	100	18,740,582	100
Less than marketable parcel of \$500	6		13	

Voting rights

In accordance with their terms of issue, holders of NCN 3 have no right to vote at any general meeting of NAB prior to conversion into NAB ordinary shares.

If NCN 3 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 255 of this *Additional information* section for NAB ordinary shares.

Shareholder information (cont.)

NAB Capital Notes 5 (NCN 5)

Twenty largest holders of NCN 5 as at 14 October 2022

	Number of securities	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,029,739	8.51
CITICORP NOMINEES PTY LIMITED	1,931,496	8.10
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	529,271	2.22
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	480,188	2.01
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	417,958	1.75
NATIONAL NOMINEES LIMITED	377,306	1.58
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	365,744	1.53
MUTUAL TRUST PTY LTD	226,589	0.95
G HARVEY INVESTMENTS PTY LTD	200,000	0.84
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	199,916	0.84
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	160,656	0.67
LEDA HOLDINGS PTY LTD	154,000	0.65
LONGHURST MANAGEMENT SERVICES PTY LTD	150,000	0.63
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	133,677	0.56
VALTELLINA PROPERTIES PTY LTD	129,200	0.54
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	123,380	0.52
JOHN E GILL TRADING PTY LTD	107,866	0.45
AM & EM NEXT GEN PTY LTD <AM & EM NEXT GEN A/C>	105,000	0.44
DIMBULU PTY LTD	100,000	0.42
NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	86,472	0.36
Total	8,008,458	33.57

Distribution of NCN 5 holdings

	Number of security holders	% of holders	Number of securities	% of securities
Range (number)				
1 - 1,000	20,546	88.00	7,510,540	31.48
1,001 - 5,000	2,511	10.75	5,134,628	21.52
5,001 - 10,000	173	0.74	1,247,886	5.23
10,001 - 100,000	99	0.42	2,147,390	9.00
100,001 and over	19	0.08	7,819,236	32.77
Total	23,348	100	23,859,680	100
Less than marketable parcel of \$500	4		9	

Voting rights

In accordance with their terms of issue, holders of NCN 5 have no right to vote at any general meeting of NAB prior to conversion into NAB ordinary shares.

If NCN 5 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 255 of this *Additional information* section for NAB ordinary shares.

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NAB Capital Notes 6 (NCN 6)

Twenty largest holders of NCN 6 as at 14 October 2022

	Number of securities	%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,177,970	25.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,658,308	8.29
CITICORP NOMINEES PTY LIMITED	1,010,016	5.05
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	340,069	1.70
NATIONAL NOMINEES LIMITED	279,209	1.40
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	230,328	1.15
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	168,526	0.84
MUTUAL TRUST PTY LTD	125,798	0.63
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	104,712	0.52
TANDOM PTY LTD	100,192	0.50
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	57,520	0.29
INVIA CUSTODIAN PTY LIMITED <B & D FAMILY NO 2 A/C>	52,370	0.26
DIMBULU PTY LTD	50,000	0.25
ELMORE HOLDINGS PTY LIMITED <PEABODY FAMILY A/C>	50,000	0.25
FAMILY ENDEAVOURS PTY LTD <BEST ENDEAVOURS A/C>	48,500	0.24
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	46,260	0.23
JOHN E GILL TRADING PTY LTD	44,582	0.22
AUSTRALIAN PROFESSIONAL LEAGUES COMPANY PTY LTD <AUS PROFESSIONAL LEAGUES A/C>	41,000	0.21
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	40,336	0.20
ARKADIA ABSOLUTE FUND PTY LTD	36,200	0.18
Total	9,661,896	48.30

Distribution of NCN 6 holdings

Range (number)	Number of security holders	% of holders	Number of securities	% of securities
1 - 1,000	13,911	87.75	4,465,532	22.33
1,001 - 5,000	1,714	10.81	3,624,969	18.12
5,001 - 10,000	139	0.88	1,026,953	5.13
10,001 - 100,000	78	0.49	1,687,418	8.44
100,001 and over	11	0.07	9,195,128	45.98
Total	15,853	100	20,000,000	100
Less than marketable parcel of \$500	1		3	

Voting rights

In accordance with their terms of issue, holders of NCN 6 have no right to vote at any general meeting of NAB prior to conversion into NAB ordinary shares.

If NCN 6 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 255 of this *Additional information* section for NAB ordinary shares.

Official quotation

Fully paid ordinary shares of the Company are quoted on the ASX.

The Group has also issued:

- NAB Capital Notes 3, NAB Capital Notes 5, NAB Capital Notes 6, NAB Subordinated Notes 2, covered bonds and residential mortgage backed securities which are quoted on the ASX.
- Medium-term notes, subordinated notes and covered bonds which are quoted on the Luxembourg Stock Exchange.
- Medium-term notes which are quoted on the NZX Debt Market.
- Medium-term notes and covered bonds which are quoted on the SIX Swiss Exchange.
- Medium-term notes which are quoted on the Taipei Exchange.

Unquoted securities

NAB has the following unquoted securities on issue as at 31 October 2022:

- 11,568 partly paid ordinary shares, of which there are 16 holders
- 2,574,286 rights, of which there are 56 holders (see page 107 of this report for further details).

Chair

Mr Philip Chronican
BCom (Hons), MBA (Dist), GAICD, SF Fin

Group Chief Executive Officer and Managing Director

Mr Ross McEwan CBE
BBus

Group Chief Financial Officer

Mr Gary Lennon BEc (Hons), FCA

Registered office

Level 28
395 Bourke Street
MELBOURNE VIC 3000
Australia
Tel: 1300 889 398
Tel: +61 3 8872 2461

International locations

www.nab.com.au/corporate/global-relationships

Auditor

Ernst & Young
8 Exhibition Street
MELBOURNE VIC 3000
Australia
Tel: +61 3 9288 8000

Company Secretary

Mrs Louise Thomson BBus (Dist), FGIA

Group Investor Relations

National Australia Bank Limited
Level 2
2 Carrington Street
SYDNEY NSW 2000
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Email: investorrelations@nab.com.au

Social Impact

National Australia Bank Limited
Level 21
395 Bourke Street
MELBOURNE VIC 3000
Australia
Email: social.impact@nab.com.au

Shareholder Centre website

The Group's website at www.nab.com.au/shareholder has a dedicated separate section where shareholders can gain access to a wide range of information, including copies of recent announcements, annual financial reports as well as extensive historical information.

Shareholder information line

There is a convenient 24 hours a day, 7 days a week automated service. To obtain the current balance of your securities and relevant payment details, telephone 1300 367 647 (Australia) or +61 3 9415 4299 (outside Australia).

These services are secured to protect your interests. In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN), or in case of broker sponsored shareholders, your Holder Identification Number (HIN).

Principal Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Australia

Postal address:
GPO Box 2333
MELBOURNE VIC 3001
Australia

Local call: 1300 367 647
Fax: +61 3 9473 2500
Telephone and fax (outside Australia):
Tel: +61 3 9415 4299; Fax: +61 3 9473 2500
Email: nabservices@computershare.com.au
Website: www.investorcentre.com/au

United Kingdom Share Register

Computershare Investor Services plc
The Pavilions
Bridgwater Road BRISTOL BS99 6ZZ
United Kingdom
Tel: +44 370 703 0197
Fax: +44 370 703 6101
Email: nabgroup@computershare.co.uk
Website: www.investorcentre.com/au

United States ADR Depositary, Transfer Agent and Registrar contact details for NAB ADR holders:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company Operations Center
6201 15th Avenue
Brooklyn, NY 11219
USA
Toll-free number: +1 866 706 0509
Direct Dial: +1 718 921 8137
Email: db@amstock.com

Contact details for NAB ADR brokers & institutional investors:

US Tel: +1 212 250 9100
UK Tel: +44 207 547 6500
Email: adr@db.com

Glossary

12-month expected credit losses (ECL)

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

86 400

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

90+ days past due (DPD) and gross impaired assets to GLAs

Calculated as the sum of '90+ DPD assets' and 'Gross impaired assets', divided by gross loans and acceptances.

90+ DPD assets

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

AASB

Australian Accounting Standards Board.

Accountable Person

An accountable person for the purposes of the Banking Act 1959 (Cth).

ADI

Authorised Deposit-taking Institution.

ADR

American Depository Receipt.

AGM

Annual General Meeting of National Australia Bank Limited.

AML

Anti-Money Laundering.

Annual Variable Reward (VR)

An 'at risk' opportunity for individuals to receive an annual performance-based reward. The actual VR that an individual will receive in any particular year will reflect both business and individual performance.

APRA

Australian Prudential Regulation Authority.

APS

Prudential Standards issued by APRA applicable to ADIs.

ASIC

Australian Securities and Investments Commission.

ASX

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

AUSTRAC

Australian Transaction Reports and Analysis Centre.

Available stable funding (ASF)

The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.

Average equity (adjusted)

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

Average interest earning assets

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

Bank levy

A levy imposed under the Major Bank Levy Act 2017 (Cth) on ADIs with total liabilities of more than \$100 billion.

Basel III

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

BBSW

Bank Bill Swap Rate.

BEAR

Banking Executive Accountability Regime.

BEAR Accountable Person

For the purposes of BEAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA.

BKBM

New Zealand's Bank Bill Benchmark Rate.

BNZ

Bank of New Zealand.

BNZ Life

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

Business lending

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

Cash earnings

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2022 financial year has been adjusted for the following:

- hedging and fair value volatility
- amortisation of acquired intangible assets
- acquisitions, disposals and business closures.

Cash net interest income (Cash NII)

Cash NII is derived from statutory net interest income, including management adjustments for fair value hedge ineffectiveness and a reclassification of income from the NAB Wealth Business that management considers better reflected in net interest income for their purposes. In these financial statements, there is no material difference between Cash NII and statutory net interest income.

Cash return on equity (cash ROE)

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

CGU

Cash-generating unit.

Citi consumer business

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

Citigroup

Citigroup Pty Limited and Citigroup Overseas Investment Corporation.

Committed Liquidity Facility (CLF)

A facility provided by the RBA to certain ADIs to assist them in meeting the Basel III liquidity requirements.

Common Equity Tier 1 (CET1) capital

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

Common Equity Tier 1 capital ratio

CET1 capital divided by risk-weighted assets.

Company

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

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.

CO₂-e (carbon dioxide equivalent)

The common unit of measure for the expression of Greenhouse Gas (GHG) emissions. Each unit of GHG has a different global warming potential. Therefore, all greenhouse gases are converted back to tonnes (tCO₂-e) of carbon dioxide equivalent to enable consistent comparison and measurement.

CQIB

Career Qualified in Banking program.

CTF

Counter-Terrorism Financing.

Customer deposits

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

Customer Funding Index (CFI)

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

CYBG

Virgin Money UK PLC (formerly CYBG PLC).

D-SIB

Domestic Systemically Important Banks.

Dilutive potential ordinary share

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

Discontinued operations

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

Distributions

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

DLP

Distinctive Leadership program.

EaR

Earnings at risk.

Earnings per share (EPS) - basic

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

Earnings per share (EPS) - diluted

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

Economic adjustments

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

Enforceable Undertaking (EU)

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

Environmental reporting year

Environmental reporting period from 1 July to 30 June. Aligned with the National Greenhouse and Energy Reporting Act 2007 (Cth).

Executive Leadership Team (ELT)

Executive Leadership Team means the Group CEO and the Group Executives.

Fair value

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

Fair value (for the purposes of equity awards set out in the Remuneration Report)

The value of the awards provided are measured by reference to the grant date fair value of the shares and performance rights provided to employees. The grant date fair value of each share is determined by the market value of NAB shares, and is generally a five-day weighted average share price. The fair value of the shares and performance rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.

FINSIA

Financial Services Institute of Australasia.

Fixed Remuneration (FR)

Base salary and superannuation paid regularly during the year.

Forward looking adjustments (FLAs)

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

Full-time equivalent employees (FTEs)

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

Greenhouse gas (GHG) emissions

Gaseous pollutants released into the atmosphere that amplify the greenhouse effect. Gases responsible include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Gross Domestic Product (GDP)

GDP is the market value of finished goods and services produced within a country in a given period of time.

Gross loans and acceptances (GLAs)

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

Group

NAB and its controlled entities.

Group Executives

The Executive Leadership Team, excluding the Group CEO.

Group Performance Indicators (GPI)

A scorecard of financial and non-financial performance measures linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The GPI is used to assess the Group's performance for the purpose of the Annual VR Plan.

Hedging and fair value volatility

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

HICAPS

Health Industry Claims and Payments Service.

High-quality liquid assets (HQLA)

Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 Liquidity.

Housing lending

Mortgages secured by residential properties as collateral.

IBOR

Interbank Offered Rates.

IFRS

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

Impaired assets

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

Internal ratings-based (IRB)

The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.

Key Management Personnel (KMP)

NAB's Key Management Personnel (KMP) is assessed each year and comprises the non-executive directors of NAB, the Group CEO (an executive director of NAB) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of both NAB and the Group.

LanternPay

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

Leverage ratio

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

Lifetime expected credit losses (ECL)

The ECL that result from all possible default events over the expected life of a financial instrument.

Liquidity Coverage Ratio (LCR)

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

Long Term Variable Reward (LTVR)

An 'at risk' opportunity for the ELT to receive a long-term performance-based reward, vesting after a four-year performance period subject to the applicable performance hurdle. The actual LTVR that an individual will receive on vesting will reflect achievement of the performance hurdle.

MLC Life

MLC Limited.

MLC Wealth

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

NAB

National Australia Bank Limited ABN 12 004 044 937.

NAB risk management

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

nabtrade

National Australia Bank's online investing platform.

Net interest margin

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

Net Promoter Score (NPS)

Net Promoter® and NPS® are registered trademarks, and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Net Promoter Score measures the likelihood of a customer's recommendation to others.

Net Stable Funding Ratio (NSFR)

A ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF).

NZBA

Net Zero Banking Alliance.

Official Cash Rate

Official Cash Rate is an interest rate set by the Reserve Bank of New Zealand.

RBA

Reserve Bank of Australia.

RBNZ

Reserve Bank of New Zealand.

Required stable funding (RSF)

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

Risk-weighted assets

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

RMBS

Residential Mortgage Backed Securities.

	Royal Commission The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017 by the Governor-General of the Commonwealth of Australia to conduct a formal public inquiry into Australian financial institutions.	Total Shareholder Return (TSR) The return that a shareholder receives through dividends (and any other distributions) together with capital gains over a specific period.	About this report
	Securitisation Structured finance technique which involves pooling, packaging cash flows and converting financial assets into securities that can be sold to investors.	Treasury shares Shares issued to meet the requirements of employee incentive schemes which have not yet been distributed.	Our business in 2022
	SME Small and medium-sized enterprises.	Underlying profit / loss Underlying profit / loss is a performance measure used by NAB. It represents cash earnings / loss before various items, including income tax expense and the credit impairment charge. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards.	Creating value
	Stable Funding Index (SFI) Term Funding Index (TFI) plus Customer Funding Index (CFI).	UNEP FI Guidelines United Nations Environment Programme Finance Initiative Guidelines for Climate Target Setting for Banks.	Corporate Governance Statement
	Standardised approach An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and / or the application of specific regulator defined metrics to determine risk-weighted assets.	Value at Risk (VaR) A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.	Risk management
	Standardised Measurement Approach (SMA) An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.	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.	Report of the Directors
	Statutory net profit Net profit attributable to owners of NAB.		Financial report
	Statutory return on equity Statutory earnings after tax expressed as a percentage of average equity (adjusted), calculated on a statutory basis.		Additional information
	Structured entity An entity created to accomplish a narrow well-defined objective (e.g. securitisation of financial assets). A structured entity may take the form of a corporation, trust, partnership or unincorporated entity. Structured entities are often created with legal arrangements that impose strict limits on the activities of the structured entity.		
	TCFD The Financial Stability Board Task Force on Climate-related Financial Disclosures.		
	Term Funding Index (TFI) Term wholesale funding with remaining maturity to first call date greater than 12 months, including Term Funding Facility (TFF) drawdowns divided by core assets.		
	Tier 1 capital Tier 1 capital comprises CET1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 Capital Adequacy: Measurement of Capital.		
	Tier 1 capital ratio Tier 1 capital divided by risk-weighted assets.		
	Tier 2 capital Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.		
	Top quartile engagement Top quartile comparison is based upon Glint's client group (domestic and global, from all industries).		
	Total average assets The average balance of assets held by the Group over the period, adjusted for discontinued operations.		
	Total capital Tier 1 capital plus Tier 2 capital.		
	Total capital ratio Total capital divided by risk-weighted assets.		



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