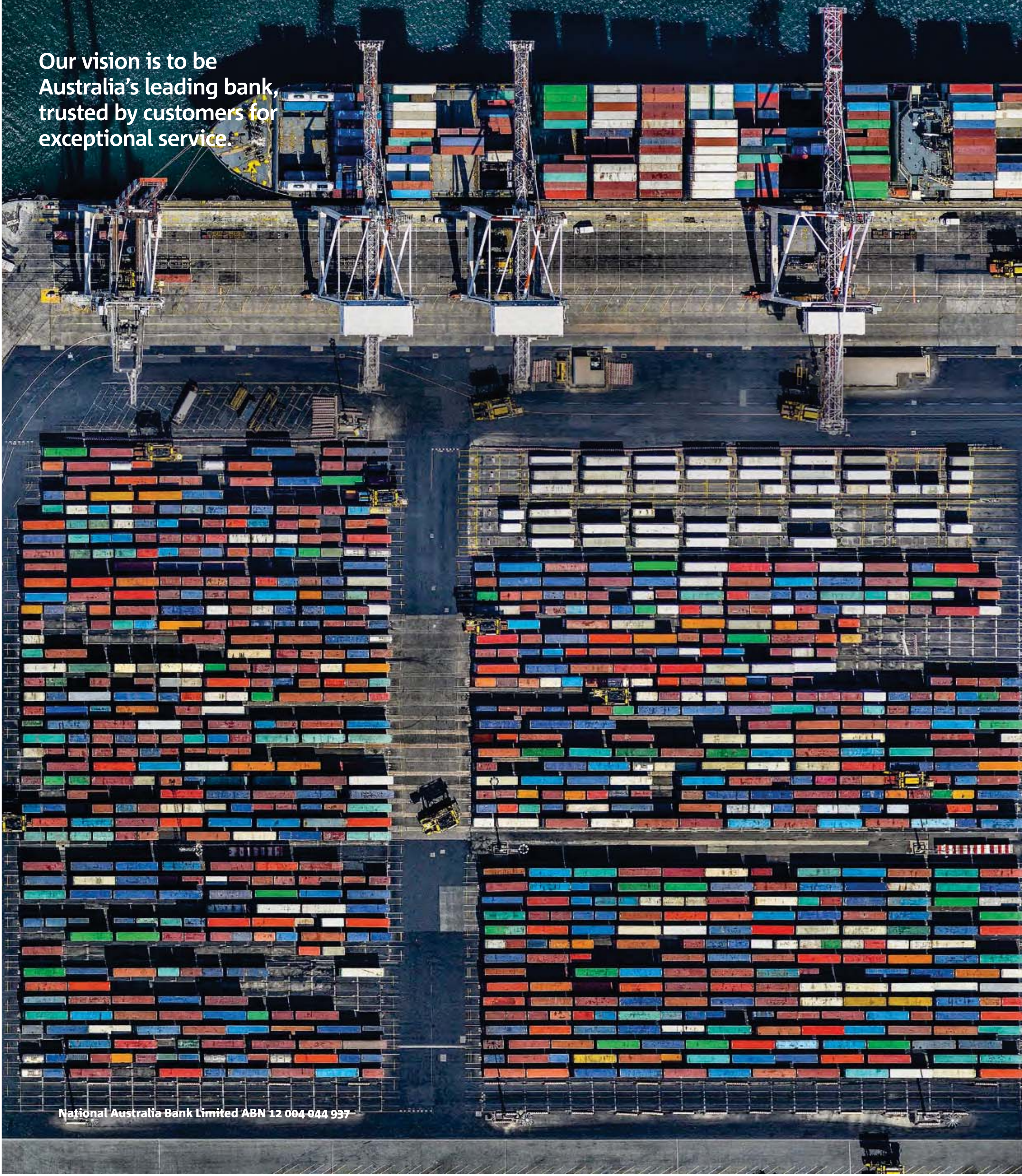
SUPPLEMENTAL INFORMATION REGARDING NATIONAL AUSTRALIA BANK LIMITED 2019

National Australia Bank

Our vision is to be Australia's leading bank, trusted by customers for exceptional service.



National Australia Bank Limited ABN 12 004 044 937

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PRESENTATION OF INFORMATION

Basis of presentation

This report is prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Certain differences exist between Australian Accounting Standards, International Financial Reporting Standards and the Generally Accepted Accounting Principles applicable in the United States of America (US GAAP) which might be material to the financial information herein.

The Group, being National Australia Bank Limited (NAB) and its controlled entities, has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between Australian Accounting Standards, International Financial Reporting Standards and US GAAP. In making an investment decision, potential investors must rely upon their own examination of the Group, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of these differences, and if they affect the financial information herein.

Discontinued Operations

In the September 2016 financial year, the Group executed two major divestments, the demerger and Initial Public Offering (IPO) of CYBG Group and the sale of 80% of Wealth's life insurance business to Nippon Life. Each of the transactions qualified as a discontinued operation. During the September 2019 financial year, a net loss of $408 million before tax ($289 million after tax) was recognised in discontinued operations in relation to customer-related remediation and additional costs associated with the life insurance business sale. For further information, refer to *Note 37 Discontinued operations* in NAB's *2019 Annual Financial Report*.

Information in this report is presented on a continuing operations basis. Continuing operations are the components of the Group which are not discontinued operations.

Currency of presentation

All currency amounts are expressed in Australian dollars unless otherwise stated. All amounts have been rounded to the nearest million dollars, except where indicated. This report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.6746 = A$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 September 2019.

Certain definitions

The Group's fiscal year ends on 30 September. The fiscal year ended 30 September 2019 is referred to as 2019 and other fiscal years are referred to in a corresponding manner. The abbreviations $m and $bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

The information presented in this report has been derived from the US Debt Funding Information for the fiscal years 2015 through to 2019.

Other information herein has been derived from the audited annual financial report of the Group (financial report) for each fiscal year. Where certain items are not shown in the Group's annual financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the annual financial report.

Forward-looking statements

This report contains certain forward-looking statements within the meaning of section 21E of the United States *Securities Exchange Act 1934*. The United States *Private Securities Litigation Reform Act 1995* provides a safe harbour for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation, so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Accordingly, the words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', and other similar expressions are intended to identify forward-looking statements. Indications of, or guidance on, future earnings and financial position and performance are also forward-looking statements.

In this report, forward-looking statements may, without limitation, relate to statements regarding:

- Economic and financial forecasts, including but not limited to such statements in the business overview.
- Anticipated implementation of certain control systems and programs, including but not limited to those described in risk management.
- Certain plans, strategies and objectives of management.

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 contained in this report. For example:

- The economic and financial forecasts contained in this report will be affected by movements in interest and

PRESENTATION OF INFORMATION (CONTINUED)

foreign currency exchange rates, which may vary significantly from current levels; movements and conditions in capital markets; the competitive environment in each of the Group's operating markets; as well as by general economic conditions worldwide and in particular, in each of the Group's major markets. Such variations may materially impact the Group's financial condition and results of operations.

- The implementation of control systems and risk management programs will be dependent on such factors as the Group's ability to acquire or develop necessary technology or systems, its ability to attract, retain and properly train qualified personnel and the response of customers and third parties such as vendors.
- The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which the Group may have no control, and execution risk, which includes, but is not limited to, the possibility that such plans, strategies and objectives prove to be too difficult or costly to execute effectively.
- The Group is subject to extensive regulation. The Group may be exposed to risk from non-compliance with laws or standards, including through inappropriate conduct by employees in breach of Group policy, regulatory standards, and industry codes of conduct. Further, regulatory changes may adversely impact the Group's operations, financial performance and position.

Because there can be no assurance that actual outcomes will not differ materially from these statements contained in this report, potential investors are cautioned not to place undue reliance on such forward-looking statements.

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

Cautionary note regarding non-GAAP financial measures

In addition to selected financial information contained in our 2019 and 2018 *Annual Financial Report* documents, presented in accordance with Australian Accounting Standards and Interpretations by the AASB and International Financial Reporting Standards, we have included certain 'non-GAAP financial measures' (as defined in Regulation G under the United States *Securities Act 1933*, as amended).

These non-GAAP financial measures do not have a standardised meaning prescribed by either Australian Accounting Standards or International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or International Financial Reporting Standards. They are not audited or reviewed in line with Australian Auditing Standards. Potential investors are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in the Group's US Debt Funding Information and this document.

Cash Earnings

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

PRESENTATION OF INFORMATION (CONTINUED)

statement. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards.

Cash earnings for 2019 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 has been adjusted for the following non-cash earnings items:

i. distributions
ii. fair value and hedge ineffectiveness
iii. amortisation of acquired intangible assets
iv. MLC Wealth divestment separation costs.

Details of non-cash earnings items are as follows:

i. Distributions
Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in Section 4, *Note 6 - Dividends and Distributions* of our 2019 US Debt Funding Information. The effect of this in the September 2019 financial year is to reduce cash earnings by $83 million.

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

In the September 2019 financial year, there was a decrease in statutory profit of $17 million ($23 million after tax) from fair value and hedge ineffectiveness. The adoption of AASB 9 *Financial Instruments* from 1 April 2018 has significantly reduced the Group's volatility of statutory profit due to hedge accounted derivatives.

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

iii. Amortisation of Acquired Intangible Assets
The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the September 2019 financial year, there was a decrease in statutory profit of $25 million ($18 million after tax) due to the amortisation of acquired intangible assets.

iv. MLC Wealth divestment separation costs
MLC Wealth divestment separation costs represent costs incurred in preparation for the divestment of the Group's Advice, Superannuation & Investment Platforms and Asset Management businesses, which is expected to occur in the 2020 financial year. In the September 2019 financial year, there was a decrease in statutory profit of $74 million ($52 million after tax) due to MLC Wealth divestment separation costs.

For a reconciliation of operating segment cash earnings and Group cash earnings to the net profit attributable to owners of NAB, see Section 4, *Note 2 - Segment Information* of our 2019 US Debt Funding Information (for the 2019 and 2018 fiscal years).

SELECTED FINANCIAL DATA

The Divisional performance table and the Reconciliation of cash earnings to net profit attributable to owners of NAB presented on the following pages, have been derived from the 2019 and 2018 US Debt Funding Information. Refer to the section *Cautionary note regarding non-GAAP financial measures* on page 4 for further details.

Other information hereunder has been derived from the audited financial report of the Group, or where certain items are not shown in the Group's financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the financial report.

	2019 $m	2019[(1)] US$m	2018 $m	2017 $m	2016 $m	2015 $m
Income Statement Summary[(2)]						
Net interest income	**13,558**	**9,146**	13,505	13,182	12,930	12,462
Net investment income[(3)]	**-**	**-**	-	-	594	701
Gains less losses on financial instruments at fair value	**1,440**	**971**	1,525	552	827	1,498
Other operating income	**2,933**	**1,979**	4,071	4,290	3,771	3,776
Operating expenses	**(9,827)**	**(6,629)**	(9,910)	(8,539)	(8,331)	(8,189)
Credit impairment charge	**(927)**	**(625)**	(791)	(824)	(813)	(733)
Profit before income tax expense	**7,177**	**4,842**	8,400	8,661	8,978	9,515
Income tax expense	**(2,087)**	**(1,408)**	(2,455)	(2,480)	(2,553)	(2,709)
Net profit for the period from continuing operations	**5,090**	**3,434**	5,945	6,181	6,425	6,806
Net (loss) after tax for the period from discontinued operations	**(289)**	**(195)**	(388)	(893)	(6,068)	(414)
Net profit for the period	**4,801**	**3,239**	5,557	5,288	357	6,392
Profit for the period attributable to owners of NAB	**4,798**	**3,237**	5,554	5,285	352	6,338
Profit for the period attributable to non-controlling interests	**3**	**2**	3	3	5	54
Net profit for the period	**4,801**	**3,239**	5,557	5,288	357	6,392
Dividends paid / payable[(4)]	**7,376**	**4,976**	5,403	5,307	5,248	4,997

(1) Translated at the closing noon buying rate on 30 September 2019 of US$0.6746 = A$1.00.

(2) Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016. The Group's consolidated financial statements for the financial year ended 30 September 2015 can be found in the corresponding report published by the Group for the period.

(3) Includes the impact of movements in life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.

(4) Dividend amounts for a year represent the final and interim dividend in respect of that year, irrespective of when they are declared, determined and publicly recommended, including the dividend reinvestment plan and excluding issues under the bonus share plan in lieu of cash. This includes payments to both ordinary and American depository shareholders. 2015 has been restated to include both the final and interim dividend in respect of that year.

SELECTED FINANCIAL DATA (CONTINUED)

Divisional Performance

The Group's reportable segments are business units engaged in providing either different products or services, or similar products and services in different geographical areas. The businesses are managed separately as each requires a strategy focused on the specific services provided for the economic, competitive and regulatory environment in which it operates.

	2019 $m	2019[1] US$m	2018 $m	2017 $m
Divisional performance				
Business and Private Banking	**2,840**	**1,916**	2,911	2,841
Consumer Banking and Wealth	**1,366**	**922**	1,539	1,633
Corporate and Institutional Banking	**1,508**	**1,017**	1,541	1,535
New Zealand Banking	**997**	**673**	922	882
Corporate Functions and Other[2]	**(1,614)**	**(1,089)**	(1,211)	(249)
Cash earnings	**5,097**	**3,439**	5,702	6,642
Non-cash earnings items	**(10)**	**(7)**	240	(464)
Net (loss) after tax for the period from discontinued operations[3]	**(289)**	**(195)**	(388)	(893)
Net profit attributable to the owners of NAB	**4,798**	**3,237**	5,554	5,285

(1) Translated at the closing noon buying rate on 30 September 2019 of US$0.6746 = A$1.00.
(2) Corporate Functions and Other includes Treasury, other supporting units and Group eliminations.
(3) For the year ended 30 September 2019, a net loss of $408 million before tax ($289 million after tax) was recognised in discontinued operations. For further information refer to Note 37 Discontinued operations in NAB's 2019 Annual Financial Report.

SELECTED FINANCIAL DATA (CONTINUED)

Reconciliation of cash earnings to net profit attributable to owners of NAB

Group performance results[2]	2019 $m	2019[1] US$m	2018 $m	2017 $m	2016 $m	2015 $m
Net interest income	**13,542**	**9,135**	13,467	13,166	12,930	12,498
Other operating income	**3,679**	**2,482**	4,510	4,729	4,503	4,507
Net operating income	**17,221**	**11,617**	17,977	17,895	17,433	17,005
Operating expenses	**(9,013)**	**(6,080)**	(8,992)	(7,635)	(7,438)	(7,278)
Underlying profit	**8,208**	**5,537**	8,985	10,260	9,995	9,727
Credit impairment charge	**(919)**	**(620)**	(779)	(810)	(800)	(748)
Cash earnings before tax and distributions	**7,289**	**4,917**	8,206	9,450	9,195	8,979
Income tax expense	**(2,109)**	**(1,422)**	(2,404)	(2,710)	(2,588)	(2,582)
Cash earnings before distributions	**5,180**	**3,495**	5,802	6,740	6,607	6,397
Distributions	**(83)**	**(56)**	(100)	(98)	(124)	(175)
Cash earnings from continuing operations	**5,097**	**3,439**	5,702	6,642	6,483	6,222
Non-cash earnings items (after tax):						
Distributions	**83**	**56**	100	98	124	175
Treasury shares	**-**	**-**	-	-	61	4
Fair value and hedge ineffectiveness	**(23)**	**(16)**	182	(500)	(126)	516
Amortisation of acquired intangible assets	**(18)**	**(12)**	(30)	(62)	(83)	(80)
MLC Wealth divestment separation costs	**(52)**	**(35)**	(12)	-	-	-
Life insurance 20% share of profit	**-**	**-**	-	-	(39)	(37)
Net profit from continuing operations	**5,087**	**3,432**	5,942	6,178	6,420	6,800
Net (loss) after tax for the period from discontinued operations[3]	**(289)**	**(195)**	(388)	(893)	(6,068)	(462)
Net profit attributable to the owners of NAB	**4,798**	**3,237**	5,554	5,285	352	6,338

(1) Translated at the closing noon buying rate on 30 September 2019 of US$0.6746 = A$1.00.
(2) Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016. The Group's consolidated financial statements for the financial year ended 30 September 2015 can be found in the corresponding report published by the Group for the period.
(3) For the year ended 30 September 2019, a net loss of $408 million before tax ($289 million after tax) was recognised in discontinued operations. For further information refer to Note 37 Discontinued operations in NAB's 2019 Annual Financial Report.

SELECTED FINANCIAL DATA (CONTINUED)

	2019 $m	2019[1] US$m	2018 $m	2017 $m	2016 $m	2015[2] $m
Balance sheet summary[3]						
Investments relating to life insurance business[4][5]	**-**	**-**	-	-	-	89,350
Loans and advances	**587,749**	**396,495**	567,981	540,125	510,045	532,784
Total assets[5][6]	**847,124**	**571,470**	806,510	788,325	776,710	955,052
Total risk-weighted assets	**415,771**	**280,479**	389,684	382,114	388,445	399,758
Deposits and other borrowings	**522,085**	**352,199**	503,145	500,604	459,714	489,010
Life policy liabilities[4]	**-**	**-**	-	-	-	76,311
Bonds, notes and subordinated debt	**143,258**	**96,642**	140,222	124,871	127,942	130,518
Other debt issues	**6,482**	**4,373**	6,158	6,187	6,248	6,292
Net assets	**55,604**	**37,510**	52,712	51,317	51,315	55,513
Contributed equity	**38,707**	**26,112**	35,982	34,627	34,285	34,651
Ordinary shares	**36,762**	**24,800**	33,062	31,707	30,968	31,334
Other equity instruments[7]	**1,945**	**1,312**	2,920	2,920	3,317	3,317
Total equity (parent entity interest)	**55,596**	**37,505**	52,701	51,306	51,292	55,494
Non-controlling interest in controlled entities	**8**	**5**	11	11	23	19
Total equity	**55,604**	**37,510**	52,712	51,317	51,315	55,513

(1) Translated at the closing noon buying rate on 30 September 2019 of US$0.6746 = A$1.00.
(2) AASB 9 Financial Instruments was adopted in 2015.
(3) Information is presented on a continuing operations basis.
(4) Balances were impacted by the Successor Fund Merger on 1 July 2016 and the sale of 80% of Wealth's life insurance business on 30 September 2016.
(5) The 2016 comparative information has been restated following a reclassification of investments relating to life insurance business into other assets.
(6) The 2016 comparative information has been restated to reflect a change in presentation of interest accrual on certain derivative assets and derivative liabilities, which is now presented within derivative assets and derivative liabilities (previously included in other assets and other liabilities).
(7) Trust Preferred Securities of $975 million were fully redeemed on 17 December 2018. The National Capital Instruments of $397 million were redeemed in 2017 and the Trust Preferred Securities II of $1,014 million were redeemed in 2015.

	2019 %	2018 %	2017 %	2016 %	2015[1] %
Selected financial ratios[2]					
Dividend payout ratio[3]	**92.8**	91.8	86.8	81.7	72.9
Average equity to average total assets[4]	**6.2**	6.0	6.0	5.2	4.7
Net profit on average assets	**0.61**	0.74	0.77	0.75	0.79
Net profit on average equity[5]	**9.7**	12.0	12.8	14.2	16.4

(1) AASB 9 Financial Instruments was adopted in 2015.
(2) Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information, which predominantly related to capital. No further comparative periods have been restated. The Group's consolidated financial statements for the financial year ended 30 September 2015 can be found in the corresponding report published by the Group for the period.
(3) Dividend payout ratio is the dividend amounts for a year divided by earnings per share based on statutory net profit from continuing operations.
(4) Average equity has been adjusted for other equity instruments and any non-controlling interest in controlled entities.
(5) Average equity has been adjusted for other equity instruments and any non-controlling interest in controlled entities. Net profit has been adjusted for distributions and dividends on other equity instruments.

	2019	2018	2017	2016	2015
Noon buying rates (average and closing per A$1.00)					
Daily average					
United States dollar	**0.7035**	0.7605	0.7623	0.7372	0.7855
Closing					
United States dollar	**0.6746**	0.7238	0.7840	0.7667	0.7020

SELECTED FINANCIAL DATA (CONTINUED)

On 8 November 2019, the noon buying rate was US$0.6854 per A$1.00.

	2019					
	October	September	August	July	June	May
United States dollar (per A$1.00)						
High	0.6888	0.6886	0.6858	0.7043	0.7009	0.7038
Low	0.6698	0.6746	0.6730	0.6872	0.6860	0.6874

BUSINESS OVERVIEW

Introduction

National Australia Bank Limited (NAB) is a public limited company, incorporated on June 23, 1893 in Australia, which is NAB's main domicile. Its registered office is 800 Bourke Street, Docklands Victoria 3008, Australia. NAB operates under the requirements of the *Banking Act 1959* (Cth) and the *Corporations Act 2001* (Cth).

The Group's Business

The Group is a financial services organisation with more than 34,000 people, operating through a network of almost 900 locations, with over 573,000 shareholders and serving approximately nine million customers. The Group's purpose is to back the bold who move Australia forward.

The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US).

In 2019, the Group operated the following divisions:
- *Business and Private Banking* focuses on serving the needs of three of NAB's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through the small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising (GECF), Professional Services and Commercial Real Estate. The division also serves high net worth customers through Private Bank and JBWere.
- *Consumer Banking and Wealth* provides customers with products and services through proprietary networks in NAB and UBank, as well as third party and mortgage brokers. Customers are served through the Consumer Banking network to secure home loans or manage personal finances through deposit, credit or personal loan facilities. The network also provides servicing support to individuals and business customers. Wealth, including Wealth Advice, Asset Management and Superannuation, provides customers with access to advisers and a financial planning network of self-employed and employed advisers in Australia.
- *Corporate and Institutional Banking* provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including branches in the US, UK and Asia, with specialised industry relationships and product teams. It includes Bank of New Zealand's Markets Trading operations.
- *New Zealand Banking* comprises the Consumer Banking, Wealth, Business, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the 'Bank of New Zealand' brand. It excludes Bank of New Zealand's Markets Trading operations.
- *Corporate Functions and Other* includes functions that support all businesses including Treasury, Technology and Operations, Support Units and Eliminations.

Strategic Highlights

Focus, Vision and Objectives

The Group's strategic focus supports its vision to be Australia's leading bank, trusted by customers for exceptional service. Achieving this vision is underpinned currently by four key long term objectives:

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

Critical to the Group's ability to achieve its vision and objectives is the maintenance of strong foundations – Balance Sheet (including capital, funding and liquidity), Risk (including credit and operational risk) and Technology.

Implementation of APRA Self-Assessment Actions and Royal Commission Recommendations

At the request of the Australian Prudential Regulation Authority (APRA), the Group undertook a Self-Assessment into governance, accountability and culture in June 2018. The Self-Assessment identified shortcomings in aspects of the Group's approach to non-financial risk management, with particular focus on operational, compliance and conduct risk. On 30 November 2018, the Group voluntarily published the Self-Assessment report which identified 26 actions to deliver structural, procedural and cultural change. This work is organised around five overarching goals arising out of the Self-Assessment and sits alongside NAB's Royal Commission response.

On 1 February 2019, the Royal Commission Final Report was handed to the Governor-General by Commissioner, the Hon. Kenneth Hayne AC QC. The Final Report includes 76 recommendations. The Group supports 72 of the 76 recommendations. The Royal Commission has established new standards and expectations across the industry. The Group welcomes change that will drive better outcomes for customers and will implement the recommendations in accordance with their intent.

A report detailing NAB's progress against the Self-Assessment and the recommendations of the Royal Commission was released on 7 November 2019 and is

(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) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (HL@bank) and Investors, as well as Small Business ($0.1m - <$5m) and Medium Business ($5m - <$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research for the September 2019 financial year.

BUSINESS OVERVIEW (CONTINUED)

available at www.nab.com.au/about-us/shareholder-centre/asx-announcement.

Accelerating our Strategy

In November 2017, the Group announced an acceleration of its strategy over the three years to September 2020 to achieve its vision and objectives, reflecting the environment of rapid and constant change.

This transformation involves a targeted $1.5 billion increase in investment spend over the three years to September 2020, taking total investment spend to approximately $4.5 billion over that period. In the September 2019 financial year, investment spend was $1.7 billion, bringing the cumulative total since September 2017 to $3.2 billion. The focus of this increased investment spend over three years is on the four key areas outlined below.

Best Business Bank

The Group continues to invest in transforming its leading Australian Small and Medium Enterprise (SME) franchise, making it simpler and easier for customers. Good progress has been made since September 2017 including:
- Improved banker capacity to understand and support business and personal needs of the Group's more complex customers, with revenue per banker increasing 20%.
- New Customer Relationship Management platform has been rolled-out providing mobile capability, real time data and automated reports and dashboards.
- Small business customers have been migrated to a new customer service hub, open 7 days a week with extended operating hours.
- The proportion of new small business lending accounts generated via the Quickbiz digital platform, increased to 47% from 20%.
- Revenue from bankers with industry specialisations or focus up from 20% to 30%.

Simpler and Faster

The Group is focused on delivering exceptional customer service with increased productivity and reduced complexity. Key progress since September 2017 includes:
- Number of products reduced by 30% from approximately 600 to 423.
- Over-the-counter transactions in branches declined by 30% and call centre volumes reduced by 17%.
- 95 branches and business centres closed and 835 smart ATM's rolled out.
- Mobile cheque capture launched.
- Simplifying, reducing and improving transparency of fees, with 185 fees removed or reduced across Australian Banking and Wealth in the September 2019 financial year.

New and Emerging Growth Opportunities

Capturing new and emerging growth opportunities by leveraging the Group's capabilities and positions of strength is a key focus. Progress includes:
- 75 global infrastructure deals completed over the year to September 2019 worth approximately $53 billion of total project debt.
- UBank, the Group's digital bank, increased customer numbers by 40% over the two years to September 2019, and grew home lending at 7 times system rate over the September 2019 financial year.

Great People, Talent and Culture

To deliver on its strategy and to meet the expectations of its customers and the community, the Group is focused on having the right culture and plan in place to build the capability of our people and attract the best talent. Key initiatives include:
- Commencement of a new Group Chief People Officer, Ms Susan Ferrier from 1 October 2019, who has led large transformation and culture change programs.
- A face-to-face program for all People Leaders to build awareness and create alignment around the Group's three culture priorities - customer first, disciplined and simpler for our people.

As part of the transformation, the Group expects to deliver cumulative cost savings, currently targeted at greater than $1 billion by 30 September 2020, as it significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure. In the September 2019 financial year, cost savings of $480 million were achieved, bringing cumulative cost savings since September 2017 to $800 million.

The Group is reshaping its workforce to enable it to deliver for customers. Over the three years to 30 September 2020, the Group is targeting the creation of up to 2,000 new roles and a reduction of 6,000 existing roles as it further automates and simplifies its business. This is expected to result in a net reduction in roles of approximately 4,000 by 30 September 2020. During the September 2019 financial year, a reduction of 1,816 roles occurred and an additional 1,045 new roles were added. On a cumulative basis since September 2017, there has been a reduction of 3,713 roles and an addition of 1,240 new roles.

The Group outlined a target for expense growth over the September 2019 financial year and the September 2020 financial year to be broadly flat excluding large notable items. In the September 2019 financial year, expense growth excluding large notable items was broadly flat.

BUSINESS OVERVIEW (CONTINUED)

Reshaping of Wealth Management

In May 2018, the Group announced an intention to reshape its wealth offering, consistent with its plan to become simpler and faster. A detailed review determined the Group could best serve the needs of its customers and deliver long term value for shareholders by retaining and investing in a more focused wealth offering. This involves retaining JBWere, part of the Group's leading Business and Private Banking franchise, to help high net worth customers manage their personal wealth alongside their business interests, combined with nabtrade, the Group's fast growing online investing platform, supporting self-directed customers.

The Group intends to exit its Advice, Platform & Superannuation and Asset Management businesses, currently operating under MLC and other brands ('MLC Wealth'). Separate ownership will allow this business to determine its own strategy and investment priorities to better deliver for customers and enhance its competitive position. It is expected there will be ongoing arrangements between the Group and MLC Wealth, to offer the Group's customers continued access to advice and products to meet wealth management needs.

Since announcing this intention, the reshaping of MLC Wealth continues to gain momentum. A new executive team is now largely in place with a new operating model structured around four business pillars of - Advice, Platforms, Asset Management and Retirement and Investment Solutions. Significant work is underway to ensure the strength of each pillar. This includes a simpler, more customised advice business, a rebranding and leadership restructure in Asset Management, and more competitive pricing across the business.

The Group continues to make progress towards a separation of MLC Wealth, targeting a public markets exit in the 2020 financial year, together with exploration of alternative transaction structures and options. The Group will take a disciplined approach to the exit of MLC Wealth and will execute a transaction at the appropriate time having regard for the interests of all stakeholders. Any transaction remains subject to market conditions, regulatory and other approvals.

Performance against Key Long-term Objectives

The Group uses the NPS[1] system to access real-time, targeted feedback so it can understand and improve the customer experience. Over the September 2019 financial year, priority segment NPS[1][2] improved from -16 to -14, and is equal first amongst major banks.

The Group's long term objective remains for NPS to be positive and number one of major Australian banks, which it expects to achieve by becoming simpler and faster to deliver better outcomes for its customers, backing its customers to grow and helping them when they need it most. Key initiatives supporting this focus over the September 2019 financial year include:

- Simplification and reduction of fees, with 185 fees removed or reduced across Australia Banking and Wealth.
- A pledge to keep the Group's 316 branches in regional and rural Australia open until at least January 2021 and the Group has ceased charging default interest to agricultural customers impacted by drought.

Over the September 2019 financial year, the Group's Cost to Income (CTI) ratio on a cash earnings basis increased by 230 basis points to 52.3%. Excluding large notable items, the CTI decreased 30 basis points to 44.3%, benefitting from productivity savings from the Group's transformation program.

Over the September 2019 financial year, the Group's cash return on equity (ROE) declined 180 basis points to 9.9%. Excluding large notable items, Cash ROE declined 60 basis points to 12.7%, mainly reflecting higher credit impairment charges and higher levels of equity.

The Group is targeting top quartile employee engagement. The Group's annual staff engagement result for September 2019 remained stable at 54%. This is below the top quartile benchmark of 69%[3] reflecting the year's challenging events.

Maintaining Strong Foundations

The Group remained well capitalised during the year to September 2019 with a Group Common Equity Tier 1 (CET1) ratio of 10.38% as at 30 September 2019. The Group expects to achieve APRA's 'Unquestionably Strong' capital benchmark from 1 January 2020.

The Board determined it prudent to reduce the 2019 interim and full year dividend to 83 cents per share, representing a 16% reduction compared to the 2018 financial year. In addition, the Board made the decision to partially underwrite and apply discounts to the Dividend Reinvestment Plan for both the interim and final 2019 dividend.

These actions are in response to a more challenging operating environment, regulatory change and customer-related remediation. The actions have also resulted in the Group being well placed to meet APRA's 'Unquestionably Strong' capital benchmark by 1 January 2020.

The Group has maintained strong liquidity through the September 2019 financial year. The Net Stable Funding Ratio (NSFR) was 113% and the quarterly average Liquidity Coverage Ratio (LCR) was 126%, both above the APRA regulatory requirement of 100%.

(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) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (HL@bank) and Investors, as well as Small Business ($0.1m - <$5m) and Medium Business ($5m - <$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research for the September 2019 financial year.
(3) Based on the top quartile of Australian and New Zealand companies, source Aon (now known as Kincentric) 2019.

BUSINESS OVERVIEW (CONTINUED)

Portfolio concentrations continue to be managed with reference to established Group risk appetite settings, and overall credit risk in the Group's portfolio remains sound. On a cash earnings basis, credit impairment charges for the September 2019 financial year increased 18% over the year and represents 0.15% of gross loans and acceptances. The ratio of loans which are more than 90 days in arrears and impaired as a percentage of gross loans and acceptances increased over the year to September 2019 by 22 basis points to 0.93%, largely due to rising Australian mortgage delinquencies.

Provisions for credit impairment remain prudent. On a cash earnings basis, total provisions increased 11% over the year to $4,142 million, and the ratio of collective provisions to credit risk-weighted assets increased from 0.92% to 0.96%.

The Group continues to strengthen its technology environment to be fast, agile, efficient, resilient and relevant, supported by deep technical expertise. Technology investment spend has increased as part of the acceleration of the Group's strategy to deliver these objectives in a timely manner. Progress since September 2017 includes:

- A new technology leadership team has been established, with new executives hired from major global financial services and technology firms bringing strong technology experience.
- IT legacy applications have reduced by 278 or 11%, and 422 or 19% of current IT applications have been migrated to the cloud. The Group is targeting a 15-20% reduction in IT legacy applications and 35% migration of current IT applications to the cloud.
- A cloud-based data lake has been built with >100 key data feeds in production and sophisticated tools developed to support advanced data analytics and machine learning.
- Customers are now beginning to see improvements as a result of the Group's investment and strategic approach to technology changes, with a 42% drop in critical and high incidents over the year to September 2019.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES

Liquidity and funding

The Group's banking and wealth management entities comply as required with the liquidity requirements of regulators in Australia, the United Kingdom, New Zealand, the United States and other geographies in which the Group operates. Liquidity within the Group is also managed in accordance with policies approved by the Board, with oversight from regional and Group Asset and Liability Management Committees.

The principal sources of liquidity for the Group are:
- cash
- amounts due to and from other banks
- repurchase agreements
- trading and other marketable securities
- proceeds from investments and repayments of customer lending facilities
- collateral associated with derivatives
- deposits
- wealth net operating income
- proceeds from commercial paper, certificates of deposit, bonds, notes and subordinated debt issues
- interest income
- other operating income.

The Group's primary source of funding is from deposits and other borrowings which include on-demand and short-term deposits, term deposits, and bank issued certificates of deposit. Of total liabilities at 30 September 2019 of $791,520 million (2018: $753,798 million; 2017: $737,008 million), funding from customer deposits and certificates of deposit (including amounts accounted for at fair value) amounted to $465,487 million (2018: $452,935 million; 2017: $459,835 million) or 59% (2018: 60%; 2017: 62%). Although a substantial portion of customer accounts are contractually repayable within one year, on-demand, or at short-notice, such customer deposit balances have provided a stable source of core long-term funding for the Group.

Deposits taken from the inter-bank market of $34,273 million as at 30 September 2019 (2018: $38,192 million; 2017: $36,683 million) supplement the Group's customer deposits. The Group also accesses the domestic and international debt capital markets under its various funding programs. As at 30 September 2019, the Group had on issue $143,258 million (2018: $163,802 million; 2017: $147,740 million) of term debt securities (bonds, notes and subordinated debt including bonds, notes and subordinated debt accounted for at fair value) and the following funding programmes available to fund the Group's general banking businesses:

Short-term funding programmes as at 30 September 2019

Euro Market

Limit	Type	Issuer(s)
USD20 billion	Euro Commercial Paper and Certificate of Deposit Programme	National Australia Bank Limited
USD10 billion	Global Commercial Paper Programme	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)

United States

Limit	Type	Issuer(s)
USD10 billion	Commercial Paper Program	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)
USD30 billion	Commercial Paper Program	National Australia Bank Limited
USD20 billion	Commercial Paper Program	National Australia Funding (Delaware) Inc. (guaranteed by National Australia Bank Limited)

New Zealand

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

Long-term funding programmes and issuing shelves as at 30 September 2019

Global[1]

Limit	Type	Issuer(s)
NZD7 billion[2]	BNZ Covered Bond Programme	Bank of New Zealand and BNZ International Funding Limited (acting through its London Branch) guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust, and Bank of New Zealand in respect of covered bonds issued by BNZ International Funding Limited (acting through its London Branch)
USD100 billion[3]	Global Medium Term Note Programme	National Australia Bank Limited, Bank of New Zealand and BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD30 billion[4]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	National RMBS Trust Programme	National Australia Bank Limited
Unlimited	National ABS Trust Programme	National Australia Bank Limited

United States[1]

Limit	Type	Issuer(s)
USD30 billion[4]	U.S. Rule 144A sub-programme associated with the NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
USD100 billion[3]	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	Bank of New Zealand
USD100 billion[3]	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	National Australia Bank Limited
USD25 billion	Section 3(a)(2) Medium Term Note (Series B) Program	National Australia Bank Limited (acting through its New York Branch)

Australia[1]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	National Australia Bank Limited
USD30 billion[4]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)

New Zealand[1]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand
NZD7 billion[2]	BNZ Covered Bond Programme	Bank of New Zealand guaranteed by CBG Trustee Company Limited as trustee of the BNZ Covered Bond Trust

Japan[1]

Limit	Type	Issuer(s)
JPY500 billion	Samurai Shelf	National Australia Bank Limited
JPY300 billion	Uridashi Shelf	National Australia Bank Limited

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) Refers to total BNZ Covered Bond Programme limit for both issuers in aggregate.
(3) Refers to total Global Medium Term Note Programme limit for all issuers in aggregate.
(4) Refers to total NAB Covered Bond Programme limit.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

Credit ratings

At 30 September 2019, the Group's issuing entities credit ratings were as follows:

National Australia Bank	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	Aa3
Fitch Ratings	F1+	AA-

Bank of New Zealand	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	A1
Fitch Ratings	F1+	AA-

BNZ International Funding Limited (guaranteed by Bank of New Zealand)	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	A1
Fitch Ratings(1)	(not rated)	AA-

(1) Issue credit ratings.

Ratings are not a recommendation to purchase, hold or sell securities, and may be changed, superseded or withdrawn at any time.

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. As at 30 September 2019, the Group held $129,578 million of on balance sheet liquid assets (2018: $125,854; 2017: $123,733 million), of which NAB held $120,793 million (2018: $118,236; 2017: $116,862 million). According to the Group Contingent Funding Plan (CFP), the Group Treasurer has the authority to direct any holder of unencumbered liquid assets to realise those assets for cash. In addition, the Group held $594,510 million (2018: $577,826 million; 2017: $554,721 million) of net loans and advances to customers (including loans accounted for at fair value), of which $118,300 million (2018: $106,242 million; 2017: $103,476 million) is due to mature within one year – although a proportion of these maturing customer loans will be extended in the normal course of business.

The Group also has the capacity to access funding through the Reserve Bank of Australia under the Committed Liquidity Facility (CLF). NAB's approved CLF size for 2019 was $55,900 million ($59,300 million for calendar year 2018). A combination of external marketable debt securities and internal residential mortgage backed securities provide collateral for the CLF. Unencumbered internal RMBS after haircuts held by the Group at 30 September 2019 was $50,170 million (2018: $40,160 million). Within the Group's Wealth Management business, the principal sources of liquidity are intra-group loans, fees and investment income.

Based on the level of resources within the Group's businesses, and the ability of the Group to access wholesale money markets and issue debt securities should the need arise, overall liquidity is considered sufficient to meet current obligations to customers, policyholders and debt holders.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

The following table sets out the amounts and maturities of the Group's contractual cash obligations for bonds, notes and subordinated debt, other debt issues, and other commitments as listed below at 30 September 2019:

	Payments due by period				
	Less than 1 year $m	1 to 3 years $m	3 to 5 years $m	After 5 years $m	Total $m
Bonds, notes and subordinated debt – dated	33,318	61,944	45,669	28,325	169,256
Other debt issues – undated	-	-	-	6,482	6,482
Non-cancellable operating leases	395	624	560	1,298	2,877
Total contractual cash obligations	**33,713**	**62,568**	**46,229**	**36,105**	**178,615**

The above table excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities.

The following table sets out the amounts and maturities of the Group's contingent liabilities and other commercial commitments at 30 September 2019:

	Amount of commitment expiration per period				
	Less than 1 year $m	1 to 3 years $m	3 to 5 years $m	After 5 years $m	Total $m
Contingent liabilities					
Guarantees	2,512	1,162	377	464	4,515
Letters of credit	6,295	1,028	596	-	7,919
Performance-related contingencies	5,788	4,661	405	523	11,377
Other commercial commitments					
Underwriting facilities	2	-	-	-	2
Other binding credit commitments	66,230	34,264	12,880	42,604	155,978
Total commercial commitments	**80,827**	**41,115**	**14,258**	**43,591**	**179,791**

Description of off-balance sheet arrangements (special purpose entities)

The Group enters into various arrangements with special purpose entities (SPEs). The primary purposes of these SPEs are to:

- Assist customers to securitise their assets.
- Provide diversified funding sources to customers.
- Tailor new products to satisfy customers' funding requirements.

In accordance with Australian Accounting Standards and International Financial Reporting Standards, the Group will consolidate an SPE where the Group has control over the SPE. Generally the Group does not have control over SPEs that have been established for purposes of providing funding to customers, and therefore these SPEs are not consolidated by the Group.

Capital resources

The Group assesses a number of areas to determine its capital resources including the Group's own risk profile, regulation, ratings agency measures and market expectations. The Group believes it has sufficient capital to meet current and likely future commitments.

Capital adequacy

As an Authorised Deposit-taking Institution (ADI), NAB is subject to regulation by APRA under the authority of the *Banking Act 1959* (Cth). APRA has set minimum Prudential Capital Requirements (PCRs) for ADIs consistent with the Basel Committee on Banking Supervision (BCBS) capital adequacy framework. PCRs are expressed as a percentage of total risk-weighted assets.

The Group holds various forms of capital. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items recognised as the highest quality components of capital. The ratio of such capital to risk-weighted assets is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with complying loss absorbing characteristics. Together with CET1 capital these components of capital make up Tier 1 capital and the ratio of such capital to risk-weighted assets is called the Tier 1 ratio.

Tier 2 capital comprises subordinated debt instruments, with complying loss absorbing characteristics. Tier 2 capital contributes to the overall capital framework. The sum of Tier 1 capital and Tier 2 capital is called Total capital. The ratio of Total capital to risk-weighted assets is called the Total capital ratio.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

CET1 contains the highest quality and most effective loss absorbent components of capital, followed first by Additional Tier 1 capital and then by Tier 2 capital.

The minimum CET1 ratio, Tier 1 ratio and Total capital ratio under APRA's Basel capital adequacy Prudential Standards are 4.5%, 6.0% and 8.0% respectively.

In addition to the minimum capital ratios described above, an ADI must hold a capital conservation buffer above the PCR for CET1 capital. On 1 January 2016, APRA implemented a capital conservation buffer of 2.5% of an ADI's total risk-weighted assets. In addition, for ADI's considered systemically important such as NAB, a further Domestic Systemically Important Bank (D-SIB) requirement of 1% has been added to the required capital conservation buffer.

A breach of the required ratios under APRA's Prudential Standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital.

Capital ratios

Capital ratios are monitored against internal capital targets that are set by the Board over and above minimum capital requirements set by APRA. The capital ratios at 30 September 2019 and comparatives at 30 September 2018 are as follows:

	2019 %	2018 %
Common Equity Tier 1 ratio	**10.38**	10.20
Tier 1 ratio	**12.36**	12.38
Total capital ratio	**14.68**	14.12

Capital initiatives

Additional Tier 1 Capital Initiatives

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

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

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

Tier 2 Capital Initiatives

The Group's Tier 2 capital initiatives during the September 2019 financial year included:
- On 17 May 2019, NAB issued A$1 billion of Subordinated Notes.
- On 2 August 2019, NAB issued US$1.5 billion of Subordinated Notes.
- The Group repurchased and cancelled US$24 million of the perpetual floating rate notes issued on 9 October 1986.

Dividend and Dividend Reinvestment Plan

For the half year ending 31 March 2019, the interim dividend was reduced to 83 cents. The final dividend for the year ending 30 September 2019 has been maintained at 83 cents, 100% franked, payable on 12 December 2019. 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.

The Group periodically adjusts the dividend reinvestment plan to reflect its capital position and outlook. The Group will apply a dividend reinvestment plan discount of 1.5% with no participation limit.

NAB has also entered into an agreement to have the dividend reinvestment plan on the final dividend partially underwritten up to an amount of $700 million over and above the expected participation in the dividend reinvestment plan. Assuming a dividend reinvestment plan participation rate of 35%, these initiatives will provide an expected increase in share capital of approximately $1.55 billion, which is equivalent to a 37 basis point increase in NAB's CET1 ratio.

AVERAGE BALANCE SHEET AND RELATED INTEREST

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in Europe, the United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	2019			2018			2017		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest earning assets									
Due from other banks									
Australia[1]	**16,537**	**210**	**1.3**	12,576	191	1.5	12,150	191	1.6
New Zealand	**3,671**	**72**	**2.0**	4,606	79	1.7	3,073	45	1.5
Other International	**14,790**	**224**	**1.5**	23,710	364	1.5	34,269	354	1.0
Marketable debt securities									
Australia	**82,062**	**2,075**	**2.5**	76,455	1,911	2.5	73,300	1,980	2.7
New Zealand	**7,176**	**144**	**2.0**	5,582	118	2.1	5,477	124	2.3
Other International	**11,076**	**116**	**1.0**	11,095	117	1.1	12,304	122	1.0
Loans and advances - housing									
Australia	**276,267**	**11,490**	**4.2**	269,581	11,613	4.3	259,184	11,213	4.3
New Zealand	**37,333**	**1,700**	**4.6**	33,684	1,601	4.8	32,446	1,581	4.9
Other International	**93**	**4**	**4.3**	393	15	3.8	2,207	71	3.2
Loans and advances - non-housing									
Australia	**194,534**	**9,364**	**4.8**	185,790	9,258	5.0	181,816	8,846	4.9
New Zealand	**42,213**	**1,994**	**4.7**	39,358	1,884	4.8	38,436	1,775	4.6
Other International	**15,841**	**545**	**3.4**	12,634	354	2.8	10,702	263	2.5
Other interest earning assets									
Australia[1]	**7,707**	**174**	**n/a**	5,090	244	n/a	5,473	294	n/a
New Zealand	**737**	**44**	**n/a**	461	26	n/a	965	59	n/a
Other International	**48,799**	**1,047**	**n/a**	45,642	768	n/a	39,463	485	n/a
Total average interest earning assets and interest income by:									
Australia	**577,107**	**23,313**	**4.0**	549,492	23,217	4.2	531,923	22,524	4.2
New Zealand	**91,130**	**3,954**	**4.3**	83,691	3,708	4.4	80,397	3,584	4.5
Other International	**90,599**	**1,936**	**2.1**	93,474	1,618	1.7	98,945	1,295	1.3
Total average interest earning assets and interest income	**758,836**	**29,203**	**3.8**	726,657	28,543	3.9	711,265	27,403	3.9
Average non-interest earning assets									
Investments relating to life insurance business									
New Zealand	**96**			86			81		
Other assets	**80,616**			83,582			90,485		
Total average non-interest earning assets	**80,712**			83,668			90,566		
Provision for credit impairment									
Australia	**(3,054)**			(2,686)			(2,501)		
New Zealand	**(582)**			(530)			(484)		
Other International	**(50)**			(72)			(72)		
Total average assets	**835,862**			807,037			798,774		

(1) September 2018 average balance has been restated to align to the presentation in the current period to reflect revised counterparty classifications.

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average liabilities, interest expense and average equity

	2019			2018			2017		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest bearing liabilities									
Due to other banks									
Australia	**21,802**	**309**	**1.4**	25,255	381	1.5	25,611	394	1.5
New Zealand	**2,418**	**18**	**0.7**	2,305	21	0.9	2,044	17	0.8
Other International	**14,513**	**311**	**2.1**	15,594	203	1.3	18,638	148	0.8
On-demand and short-term deposits									
Australia	**174,382**	**2,057**	**1.2**	169,765	2,167	1.3	162,076	2,124	1.3
New Zealand	**20,527**	**175**	**0.9**	18,750	154	0.8	18,391	162	0.9
Other International	**5,001**	**86**	**1.7**	10,785	144	1.3	14,940	110	0.7
Certificates of deposits									
Australia	**32,287**	**635**	**2.0**	35,870	707	2.0	36,714	719	2.0
New Zealand	**1,638**	**29**	**1.8**	1,722	34	2.0	1,912	37	1.9
Other International	**10,113**	**184**	**1.8**	9,680	149	1.5	11,594	146	1.3
Term deposits									
Australia	**128,627**	**3,198**	**2.5**	120,488	3,042	2.5	118,870	3,117	2.6
New Zealand	**32,594**	**1,087**	**3.3**	30,985	1,061	3.4	27,905	942	3.4
Other International	**7,405**	**165**	**2.2**	7,990	158	2.0	11,854	176	1.5
Other borrowings									
Australia	**22,897**	**673**	**2.9**	24,863	564	2.3	17,938	330	1.8
New Zealand	**2,694**	**70**	**2.6**	2,018	45	2.2	3,121	53	1.7
Other International	**32,191**	**932**	**2.9**	27,599	600	2.2	23,149	313	1.4
Bonds, notes and subordinated debt									
Australia	**126,875**	**3,472**	**2.7**	115,462	3,527	3.1	112,911	3,434	3.0
New Zealand	**20,878**	**550**	**2.6**	19,280	546	2.8	17,723	635	3.6
Other International	**19,730**	**550**	**2.8**	19,237	485	2.5	16,272	395	2.4
Other interest bearing liabilities									
Australia	**8,272**	**1,144**	**n/a**	6,304	968	n/a	5,883	894	n/a
Other International	**-**	**-**	**-**	567	82	n/a	1,517	75	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**515,142**	**11,488**	**2.2**	498,007	11,356	2.3	480,003	11,012	2.3
New Zealand	**80,749**	**1,929**	**2.4**	75,060	1,861	2.5	71,096	1,846	2.6
Other International	**88,953**	**2,228**	**2.5**	91,452	1,821	2.0	97,964	1,363	1.4
Total average interest bearing liabilities and interest expense	**684,844**	**15,645**	**2.3**	664,519	15,038	2.3	649,063	14,221	2.2

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average non-interest bearing liabilities

	2019 $m	2018 $m	2017 $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**46,270**	44,226	40,011
New Zealand	**5,656**	5,013	4,521
Other International	**5**	10	16
Other liabilities	**45,363**	41,633	54,689
Total average non-interest-bearing liabilities	**97,294**	90,882	99,237
Total average liabilities	**782,138**	755,401	748,300
Average equity			
Total equity (parent entity interest)	**53,715**	51,625	50,458
Non-controlling interest in controlled entities	**9**	11	16
Total average equity	**53,724**	51,636	50,474
Total average liabilities and equity	**835,862**	807,037	798,774

	2019 %	2018 %	2017 %
Net interest margin - statutory basis	**1.79**	1.86	1.85

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Volume and rate analysis

The following table allocates movements in net interest income between changes in volume and changes in rate for the years ended 30 September 2019 and 30 September 2018. Volume and rate variances have been calculated on the movement in average balances and the change in interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2019 Increase / (decrease) due to change in			2018 Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest earning assets						
Due from other banks						
Australia	**53**	**(34)**	**19**	31	(31)	-
New Zealand	**(17)**	**10**	**(7)**	25	9	34
Other International	**(135)**	**(5)**	**(140)**	(130)	140	10
Marketable debt securities						
Australia	**142**	**22**	**164**	83	(152)	(69)
New Zealand	**32**	**(6)**	**26**	2	(8)	(6)
Other International	**-**	**(1)**	**(1)**	(13)	8	(5)
Loans and advances - housing						
Australia	**284**	**(407)**	**(123)**	448	(48)	400
New Zealand	**168**	**(69)**	**99**	59	(39)	20
Other International	**(13)**	**2**	**(11)**	(67)	11	(56)
Loans and advances - non housing						
Australia	**427**	**(321)**	**106**	195	217	412
New Zealand	**135**	**(25)**	**110**	43	66	109
Other International	**101**	**90**	**191**	51	40	91
Other interest earning assets						
Australia	**93**	**(163)**	**(70)**	(135)	85	(50)
New Zealand	**16**	**2**	**18**	(28)	(5)	(33)
Other International	**56**	**223**	**279**	84	199	283
Change in interest income	**1,342**	**(682)**	**660**	648	492	1,140

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

	2019 Increase / (decrease) due to change in			2018 Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest bearing liabilities						
Due to other banks						
Australia	**(50)**	**(22)**	**(72)**	(5)	(8)	(13)
New Zealand	**1**	**(4)**	**(3)**	2	2	4
Other International	**(15)**	**123**	**108**	(28)	83	55
On-demand and short-term deposits						
Australia	**57**	**(167)**	**(110)**	99	(56)	43
New Zealand	**15**	**6**	**21**	3	(11)	(8)
Other International	**(91)**	**33**	**(58)**	(36)	70	34
Certificates of deposits						
Australia	**(70)**	**(2)**	**(72)**	(17)	5	(12)
New Zealand	**(1)**	**(4)**	**(5)**	(4)	1	(3)
Other International	**7**	**28**	**35**	(26)	29	3
Term deposits						
Australia	**203**	**(47)**	**156**	42	(117)	(75)
New Zealand	**54**	**(28)**	**26**	105	14	119
Other International	**(12)**	**19**	**7**	(66)	48	(18)
Other borrowings						
Australia	**(48)**	**157**	**109**	146	88	234
New Zealand	**17**	**8**	**25**	(22)	14	(8)
Other International	**111**	**221**	**332**	69	218	287
Bonds, notes and subordinated debt						
Australia	**330**	**(385)**	**(55)**	78	15	93
New Zealand	**43**	**(39)**	**4**	52	(141)	(89)
Other International	**13**	**52**	**65**	74	16	90
Other interest bearing liabilities						
Australia	**279**	**(103)**	**176**	65	9	74
Other International	**(82)**	**-**	**(82)**	(69)	76	7
Change in interest expense	**761**	**(154)**	**607**	462	355	817
Change in net interest income	**581**	**(528)**	**53**	186	137	323

Loan fees

Included within interest income is $149 million (2018: $173 million; 2017: $168 million) relating to loan fees which are amortised over the effective life of the loan.

INVESTMENT PORTFOLIO

The following table shows the total value of the Group's investment portfolio as at the dates indicated:

	2019 $m	2018 $m	2017 $m
Trading securities	**61,283**	53,231	50,954
Debt instruments	**40,205**	42,056	42,131
Total investments	**101,488**	95,287	93,085

Trading securities

The following table shows the fair value of the Group's holdings of trading securities as at the dates indicated. Securities in the following table have been grouped according to the domicile of the entity holding the securities. For example, securities of Australian and semi-government authorities held by entities domiciled outside Australia are listed under the Overseas table.

	2019 $m	2018 $m	2017 $m
Listed – Australia			
Australian Commonwealth Government bonds and securities	**33,484**	26,038	24,802
Securities of Australian and semi-government authorities	**3,816**	3,167	4,303
Private corporations / other financial institutions' certificates of deposit	**2,677**	3,823	4,013
Private corporations / other financial institutions' bills	**-**	30	-
Private corporations / other financial institutions' bonds	**177**	159	666
Private corporations / other financial institutions' floating rate notes	**13,376**	12,188	11,390
Private corporations / other financial institutions' Eurobonds	**-**	-	215
Other bonds, notes, securities and other assets	**991**	1,435	63
	54,521	46,840	45,452
Listed – Overseas			
Securities of Australian and semi-government authorities	**2,642**	1,865	776
Securities of or guaranteed by the New Zealand Government	**814**	790	796
New Zealand Government notes	**1,502**	1,790	2,218
Other government bonds and securities	**-**	5	-
Private corporations / other financial institutions' certificates of deposit	**852**	846	768
Private corporations / other financial institutions' bonds	**102**	173	125
Private corporations / other financial institutions' floating rate notes	**313**	414	474
Private corporations / other financial institutions' promissory notes	**112**	210	134
Private corporations / other financial institutions' medium term notes	**425**	298	211
	6,762	6,391	5,502
Total listed trading securities	**61,283**	53,231	50,954
Total trading securities[1]	**61,283**	53,231	50,954

(1) The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets.

INVESTMENT PORTFOLIO (CONTINUED)

Debt instruments

The following table shows the fair value of the Group's holdings of Debt instruments as at the dates indicated. Securities in the following table have been grouped according to the domicile of the entity holding the securities. For example, private corporations / other financial institutions' bonds held by entities domiciled outside Australia are listed under the Overseas table.

	2019 $m	2018 $m	2017 $m
Listed – Australia			
Securities of Australian and semi-government authorities	**21,689**	21,011	20,915
Private corporations / other financial institutions' bonds	**4**	5	20
Private corporations / other financial institutions' floating rate notes	**236**	241	530
Other securities	**9,017**	9,408	9,970
	30,946	30,665	31,435
Listed – Overseas			
Other government treasury notes	**-**	665	388
Private corporations / other financial institutions' bonds	**2,034**	4,603	4,661
Private corporations / other financial institutions' floating rate notes	**355**	369	721
Private corporations / other financial institutions' medium term notes	**3,067**	2,243	1,797
Other securities	**221**	365	368
	5,677	8,245	7,935
Total listed debt instruments	**36,623**	38,910	39,370
Unlisted – Overseas			
Other government bonds and securities	**781**	1,100	764
Other government treasury notes	**2,224**	1,811	1,775
Private corporations / other financial institutions' certificates of deposit	**198**	102	108
Private corporations / other financial institutions' medium term notes	**150**	133	114
Other securities	**229**	-	-
	3,582	3,146	2,761
Total unlisted debt instruments	**3,582**	3,146	2,761
Total debt instruments	**40,205**	42,056	42,131

INVESTMENT PORTFOLIO (CONTINUED)

Maturities

The following table analyses the maturity (according to when they are expected to mature, be recovered or settled) and weighted average yield of the Group's holdings of debt instruments at fair value through other comprehensive income at 30 September 2019:

	0 to 1 year		1 to 5 year(s)		5 to 10 years		Over 10 years	
	$m	yield pa	$m	yield pa	$m	yield pa	$m	yield pa
Australia								
Securities of Australian and semi-government authorities	138	4.7%	9,193	4.0%	10,656	3.0%	1,702	3.0%
Private corporations / other financial institutions' bonds	-	-	4	3.8%	-	-	-	-
Private corporations / other financial institutions' floating rate notes	-	-	236	2.4%	-	-	-	-
Other securities	1,952	1.8%	6,955	1.7%	3	2.3%	107	1.9%
	2,090		16,388		10,659		1,809	
Overseas								
Other government bonds and securities	781	0.2%	-	-	-	-	-	-
Other government treasury notes	2,224	0.2%	-	-	-	-	-	-
Private corporations / other financial institutions' certificates of deposit	198	1.1%	-	-	-	-	-	-
Private corporations / other financial institutions' bonds	1,277	0.8%	757	0.6%	-	-	-	-
Private corporations / other financial institutions' floating rate notes	355	0.3%	-	-	-	-	-	-
Private corporations / other financial institutions' medium term notes	399	0.5%	2,798	0.6%	20	0.6%	-	-
Other securities	266	0.5%	182	1.9%	-	-	2	-
	5,500		3,737		20		2	
Total maturities at carrying value[(1)]	**7,590**		**20,125**		**10,679**		**1,811**	

(1) The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets.

LOAN PORTFOLIO

Loans and advances

The following table sets out the Group's portfolio of loans and advances, including provisions net of unearned and deferred net fee income, for the years indicated:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Australia					
Overdrafts[1]	**3,249**	3,149	3,177	3,553	3,788
Credit card outstandings	**5,717**	6,232	6,365	6,439	6,218
Asset and lease financing	**12,230**	11,938	11,214	10,477	10,252
Housing loans	**303,942**	303,007	292,989	278,848	265,928
Other term lending[1]	**164,002**	154,846	141,144	130,875	112,372
Other lending	**4,928**	4,789	4,336	3,997	4,357
Loans at fair value[2]	**4,868**	7,259	10,926	14,523	18,237
	498,936	491,220	470,151	448,712	421,152
Overseas					
Overdrafts	**2,571**	2,155	2,011	2,082	4,727
Credit card outstandings	**1,057**	1,062	1,044	1,079	1,860
Asset and lease financing	**533**	490	460	472	1,512
Housing loans	**39,973**	36,533	36,545	35,709	76,037
Other term lending	**52,124**	45,695	42,276	38,398	45,656
Other lending	**1,775**	2,033	2,203	1,762	4,458
Loans at fair value[2]	**1,893**	2,586	3,670	5,341	9,308
	99,926	90,554	88,209	84,843	143,558
Total gross loans and advances	**598,862**	581,774	558,360	533,555	564,710
Deduct: Unearned income and deferred net fee income	**(452)**	(435)	(415)	(532)	(861)
Provision for credit impairment	**(3,900)**	(3,513)	(3,224)	(3,114)	(3,520)
Total net loans and advances	**594,510**	577,826	554,721	529,909	560,329

(1) Comparative information has been restated to align to the presentation in the current period to reflect revised product classifications.
(2) Loans at fair value represent "Other term lending" loans. This amount includes an unfavourable credit risk adjustment of $54 million (2018: $66 million; 2017: $90 million; 2016: $95 million; 2015: $117 million) for Australia, and an unfavourable credit risk adjustment of $11 million (2018: $16 million; 2017: $26 million; 2016: $53 million; 2015: $204 million) for Overseas.

Where a loan is held at fair value, a statistical-based calculation is used to estimate expected losses attributable to adverse movements in credit on the assets held. This adjustment to the credit quality of the asset is then applied to the carrying value of the loan held at fair value.

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries served. In accordance with U.S. *Securities and Exchange Commission* (SEC) guidelines, the following table shows comparative year-end detail of the loan portfolio for the years indicated. The table also demonstrates the concentration of credit risk by industry with credit risk represented by the carrying value less provision for credit impairment.

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Australia					
Government and public authorities	**1,762**	1,833	1,938	2,041	2,137
Agriculture, forestry, fishing and mining	**24,534**	22,722	21,058	21,094	20,152
Financial, investment and insurance	**20,021**	17,037	14,924	15,962	12,558
Real estate – construction	**1,654**	1,601	1,585	1,597	1,558
Manufacturing	**7,091**	7,130	7,205	6,839	6,886
Real estate – mortgage	**303,942**	303,007	292,989	278,848	265,928
Instalment loans to individuals and other personal lending (including credit cards)	**8,389**	9,203	9,428	9,592	9,294
Asset and lease financing	**12,230**	11,938	11,214	10,477	10,252
Other commercial and industrial	**119,313**	116,749	109,810	102,262	92,387
	498,936	491,220	470,151	448,712	421,152

LOAN PORTFOLIO (CONTINUED)

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Overseas					
Government and public authorities	**201**	237	239	214	208
Agriculture, forestry, fishing and mining	**15,318**	14,557	14,375	14,271	16,193
Financial, investment and insurance	**10,898**	8,746	8,195	6,446	8,166
Real estate – construction	**1,315**	1,211	1,162	1,205	2,292
Manufacturing	**3,355**	3,365	3,342	3,549	5,048
Real estate – mortgage	**39,973**	36,533	36,545	35,709	76,037
Instalment loans to individuals and other personal lending (including credit cards)	**1,358**	1,405	1,449	1,496	4,589
Asset and lease financing	**533**	490	460	472	1,512
Other commercial and industrial	**26,975**	24,010	22,442	21,481	29,513
	99,926	90,554	88,209	84,843	143,558
Total gross loans and advances	**598,862**	581,774	558,360	533,555	564,710
Deduct: Unearned income and deferred net fee income	**(452)**	(435)	(415)	(532)	(861)
Provision for credit impairment	**(3,900)**	(3,513)	(3,224)	(3,114)	(3,520)
Total net loans and advances	**594,510**	577,826	554,721	529,909	560,329

The following tables show the contractual maturity distribution of loans and advances to customers and the nature of the interest rate applicable to such loans and advances for the Group as at 30 September 2019:

	0 to 1 year(1) $m	1 to 5 year(s) $m	Over 5 years(2) $m	Total $m
Maturity distribution of loans and advances				
Australia				
Government and public authorities	71	423	1,268	1,762
Agriculture, forestry, fishing and mining	9,349	12,872	2,313	24,534
Financial, investment and insurance	13,194	5,656	1,171	20,021
Real estate – construction	1,019	588	47	1,654
Manufacturing	2,649	4,145	297	7,091
Real estate – mortgage	17,541	1,528	284,873	303,942
Instalment loans to individuals and other personal lending (including credit cards)	1,125	1,034	6,230	8,389
Asset and lease financing	1,284	10,235	711	12,230
Other commercial and industrial	48,696	58,220	12,397	119,313
	94,928	94,701	309,307	498,936
Overseas				
Government and public authorities	95	59	47	201
Agriculture, forestry, fishing and mining	5,713	7,224	2,381	15,318
Financial, investment and insurance	5,537	5,280	81	10,898
Real estate – construction	682	475	158	1,315
Manufacturing	2,021	1,187	147	3,355
Real estate – mortgage	1,226	1,100	37,647	39,973
Instalment loans to individuals and other personal lending (including credit cards)	228	65	1,065	1,358
Asset and lease financing	63	55	415	533
Other commercial and industrial	12,160	11,410	3,405	26,975
	27,725	26,855	45,346	99,926
Total gross loans and advances	**122,653**	**121,556**	**354,653**	**598,862**

(1) Overdrafts are not subject to a repayment schedule. Due to their characteristics, overdrafts are categorised as due within one year.
(2) Loans and advances which have no contractual maturity (including credit cards) are categorised as due over 5 years.

LOAN PORTFOLIO (CONTINUED)

	0 to 1 year $m	1 to 5 year(s) $m	Over 5 years $m	Total $m
Nature of interest rate applicable to loans and advances				
Variable interest rates				
Australia	63,030	45,757	236,699	345,486
Overseas[1]	21,953	20,566	13,000	55,519
Fixed interest rates				
Australia	31,899	48,944	72,607	153,450
Overseas[1]	5,771	6,289	32,347	44,407
Total gross loans and advances	**122,653**	**121,556**	**354,653**	**598,862**

(1) During the fiscal year ending September 30, 2019 the Group revised the interest rate type classification for certain loans within the '0 to 1 year' maturity from fixed interest rate to variable interest rate.

Asset quality disclosures

The following tables provide an analysis of the asset quality of the Group's loans and advances for the years indicated. Gross amounts are shown before taking into account any collateral held or other credit enhancements.

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

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Total impaired assets[1]					
Gross					
Australia	**1,330**	1,230	1,213	1,558	1,241
Overseas	**642**	291	511	1,084	809
Total gross impaired assets	**1,972**	1,521	1,724	2,642	2,050
Specific provision for credit impairment[2]					
Australia	**624**	562	564	582	343
Overseas	**158**	113	127	130	328
Total specific provision for credit impairment	**782**	675	691	712	671
Net					
Australia	**706**	668	649	976	898
Overseas	**484**	178	384	954	481
Total net impaired assets	**1,190**	846	1,033	1,930	1,379

(1) Impaired assets include:
(a) off-balance sheet credit-related commitments amounting to $22 million gross, $22 million net (2018: $10 million gross, $10 million net; 2017: $20 million gross, $20 million net; 2016: $18 million gross, $18 million net; 2015: $22 million gross, $22 million net), and
(b) $nil (NZ$nil) (2018: $2 million (NZ$3 million); 2017: $205 million (NZ$222 million); 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. Prior to 2016, the balance was nil.
(2) Includes $nil (2018: $2 million; 2017: $2 million; 2016: $6 million; 2015: $34 million) of specific provision on loans at fair value.

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

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
90+ days past due loans					
Australia	**3,457**	2,527	2,094	1,806	1,620
Overseas	**146**	121	151	169	502
Total 90+ days past due loans	**3,603**	2,648	2,245	1,975	2,122

LOAN PORTFOLIO (CONTINUED)

Additional information in respect of impaired assets	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Fair value of security(1)					
Australia	**684**	637	708	881	906
Overseas	**477**	161	381	929	452
Total fair value of security	**1,161**	798	1,089	1,810	1,358
Loans newly classified into impaired asset categories during the year(2)					
Australia	**827**	639	907	1,276	934
Overseas	**516**	231	235	1,115	538
Total loans newly classified into impaired assets during the year	**1,343**	870	1,142	2,391	1,472

(1) Fair value of security is the amount for which that security could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Amounts of security held in excess of the outstanding balance of individual impaired assets are not included in this table.
(2) New gross impaired assets during 2019 include $nil (NZ$nil) (2018: $45 million (NZ$50 million); 2017: $40 million (NZ$43 million); 2016: $822 million (NZ$898 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. Prior to 2016, the balance was nil.

Cross border outstandings

The following table analyses the aggregate cross border outstandings due from countries other than Australia where such outstandings individually exceed 0.75% of the Group's total assets. For the purposes of this disclosure, cross border outstandings are based on the country of domicile of the counterparty or guarantor of the ultimate risk, and comprise loans and advances, balances due from other financial institutions, acceptances and other monetary assets including trading derivative assets and reverse repurchase agreements. Activities with local residents by the Group's foreign branches and subsidiaries are excluded.

The reporting threshold used below is for disclosure guidance only and is not intended as an indicator of a prudent level of lending by the Group to any one country.

		Public $m	Banks $m	Non-Private Bank $m	Total $m	% of total assets
As at 30 September 2019	United Kingdom	10	9,677	6,646	16,333	1.9
	United States	1,283	2,225	6,257	9,765	1.2
	Japan	4,729	1,146	2,078	7,953	0.9
As at 30 September 2018	United Kingdom	13	7,463	6,457	13,933	1.7
	United States	471	3,469	3,994	7,934	1.0
	China	50	1,077	5,255	6,382	0.8
As at 30 September 2017	United States	2,098	3,529	4,286	9,913	1.3

For the fiscal year ending September 30, 2019, the off-balance sheet commitments in UK exceeds 0.75% of the Group's total assets, being 0.77%. For the fiscal year ending 30 September 2018, the off-balance sheet commitments in both the United Kingdom and the United States exceeded 0.75% of the Group's total assets, being 0.9% respectively. For the fiscal year ending 30 September 2017, there were no off-balance sheet commitments with individual countries exceeding 0.75% of the Group's total assets.

SUMMARY OF LOAN LOSS EXPERIENCE

Provision for credit impairment

The following tables set forth details of the Group's provision for credit impairment for the years indicated:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Collective provision for credit impairment - Stage 1 - 12 months Expected Credit Losses (ECL)	**368**	324	313	329	455
Collective provision for credit impairment - Stage 2 - Lifetime ECL Not credit impaired	**2,227**	2,125	1,819	1,657	1,988
Collective provision for credit impairment - Stage 3 - Lifetime ECL credit impaired	**523**	391	403	422	440
Total collective provision for credit impairment	**3,118**	2,840	2,535	2,408	2,883
Specific provision for credit impairment - Stage 3 - Lifetime ECL credit impaired	**782**	673	689	706	637
Total provision for credit impairment(1)	**3,900**	3,513	3,224	3,114	3,520

(1) Not included in total provision for credit impairment is $nil (2018: $2 million; 2017: $2 million; 2016: $6 million; 2015: $34 million) specific provision on loans at fair value; $65 million (2018: $80 million; 2017: $114 million; 2016: $143 million; 2015: $289 million) collective provision on loans at fair value; and $177 million (2018: $134 million; 2017: $149 million; 2016: $260 million; 2015: $322 million) collective provision on derivatives at fair value.

	2019 $m	2018 $m	2017 $m	2016 $m	2015(1) $m
New and increased provisions (net of collective provision releases)	**1,154**	1,057	1,177	1,158	991
Write-backs of specific provisions	**(170)**	(193)	(242)	(156)	-
Recoveries of specific provisions	**(57)**	(73)	(111)	(119)	(129)
Total charge to the income statement	**927**	791	824	883	862
Attributable to:					
Charge to income statement from continuing operations	**927**	791	824	813	733
Charge to income statement from discontinuing operations	**-**	-	-	70	129

(1) AASB 9 Financial Instruments was adopted in 2015. The Group has not reclassified amounts for "Write-backs of specific provisions" for the 2015 comparative period as the information was not collected for financial reporting purposes and it would be impracticable to recreate the data for consistent presentation with the current period. Had the reclassification been made, an amount would have been reclassified from "New and increased provisions" to "Write-backs of specific provisions".

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Provision for credit impairment on loans at amortised cost

The following tables set forth details of the Group's provision for credit impairment for the years indicated:

	Stage 1	Stage 2	Stage 3		
	12-mth ECL Collective provision $m	Lifetime ECL not credit impaired Collective provision $m	Lifetime ECL credit impaired Collective provision $m	Lifetime ECL credit impaired Specific provision $m	Total $m
Balance at 1 October 2015	455	1,988	440	637	3,520
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	543	(520)	(23)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(45)	98	(53)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(76)	79	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(120)	(114)	236	-
New and increased provisions (net of collective provision releases)	(518)	526	191	959	1,158
Write-backs of specific provisions	-	-	-	(156)	(156)
Write-offs from specific provisions	-	-	-	(778)	(778)
Derecognised in respect of the group disposal(1)	(85)	(222)	(94)	(174)	(575)
Foreign currency translation and other adjustments	(16)	(17)	(4)	(18)	(55)
Balance at 30 September 2016	329	1,657	422	706	3,114
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	329	(316)	(13)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(44)	123	(79)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(42)	45	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(135)	(100)	237	-
New and increased provisions (net of collective provision releases)	(295)	538	124	810	1,177
Write-backs of specific provisions	-	-	-	(242)	(242)
Write-offs from specific provisions	-	-	-	(849)	(849)
Foreign currency translation and other adjustments	(1)	(6)	4	27	24
Balance at 30 September 2017	313	1,819	403	689	3,224
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	296	(286)	(10)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(58)	147	(89)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(50)	52	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(34)	(114)	150	-
New and increased provisions (net of collective provision releases)	(225)	530	149	603	1,057
Write-backs of specific provisions	-	-	-	(193)	(193)
Write-offs from specific provisions	-	-	-	(573)	(573)
Foreign currency translation and other adjustments	2	(1)	-	(3)	(2)
Balance at 30 September 2018	324	2,125	391	673	3,513

(1) The September 2016 financial year reflects the CYBG demerger.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	Stage 1	Stage 2	Stage 3		
	12-mth ECL Collective provision $m	Lifetime ECL not credit impaired Collective provision $m	Lifetime ECL credit impaired Collective provision $m	Lifetime ECL credit impaired Specific provision $m	Total $m
Balance at 1 October 2018	324	2,125	391	673	3,513
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	358	(348)	(10)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(48)	104	(56)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(65)	67	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(49)	(106)	157	-
New and increased provisions (net of collective provision releases)	(264)	456	236	726	1,154
Write-backs of specific provisions	-	-	-	(170)	(170)
Write-offs from specific provisions	-	-	-	(600)	(600)
Foreign currency translation and other adjustments	2	4	1	(4)	3
Balance at 30 September 2019	368	2,227	523	782	3,900

	2019 %	2018 %	2017 %	2016 %	2015 %
Ratio of net write-offs during the year to average gross loans and advances	**0.09**	0.09	0.13	0.12	0.22

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Provision for credit impairment by industry category

The following table provides an analysis of the Group's provision for credit impairment by industry category for the years indicated:

	2019			
	Collective Provision[(1)] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	345	108	453	4.1
Financial, investment and insurance	64	19	83	3.3
Real estate - construction	21	25	46	0.3
Manufacturing	91	39	130	1.2
Real estate - mortgage	688	110	798	50.8
Instalment loans to individuals and other personal lending (including credit cards)	226	2	228	1.4
Asset and lease financing	67	42	109	2.0
Other commercial and industrial	1,125	279	1,404	19.9
	2,627	624	3,251	83.3
Overseas				
Agriculture, forestry, fishing and mining	78	69	147	2.6
Financial, investment and insurance	18	21	39	1.8
Real estate - construction	3	6	9	0.2
Manufacturing	45	8	53	0.6
Real estate - mortgage	57	5	62	6.7
Instalment loans to individuals and other personal lending (including credit cards)	30	1	31	0.2
Asset and lease financing	20	-	20	0.1
Other commercial and industrial	240	48	288	4.5
	491	158	649	16.7
Total provision for credit impairment	3,118	782	3,900	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2018			
	Collective provision[1] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	259	110	369	3.9
Financial, investment and insurance	65	6	71	2.9
Real estate - construction	20	20	40	0.3
Manufacturing	72	95	167	1.2
Real estate - mortgage	515	96	611	52.0
Instalment loans to individuals and other personal lending (including credit cards)	278	3	281	1.6
Asset and lease financing	64	32	96	2.1
Other commercial and industrial	1,085	200	1,285	20.1
	2,358	562	2,920	84.4
Overseas				
Government and public authorities	1	-	1	-
Agriculture, forestry, fishing and mining	95	26	121	2.5
Financial, investment and insurance	24	20	44	1.5
Real estate - construction	2	2	4	0.2
Manufacturing	39	5	44	0.6
Real estate - mortgage	51	6	57	6.3
Instalment loans to individuals and other personal lending (including credit cards)	25	1	26	0.2
Asset and lease financing	7	-	7	0.1
Other commercial and industrial	238	51	289	4.2
	482	111	593	15.6
Total provision for credit impairment	2,840	673	3,513	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2017			
	Collective Provision[1] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	331	110	441	3.8
Financial, investment and insurance	54	19	73	2.7
Real estate - construction	21	18	39	0.3
Manufacturing	86	82	168	1.3
Real estate - mortgage	270	86	356	52.4
Instalment loans to individuals and other personal lending (including credit cards)	294	2	296	1.7
Asset and lease financing	64	42	106	2.0
Other commercial and industrial	964	205	1,169	19.7
	2,084	564	2,648	84.2
Overseas				
Government and public authorities	1	-	1	-
Agriculture, forestry, fishing and mining	122	23	145	2.6
Financial, investment and insurance	20	22	42	1.5
Real estate - construction	2	2	4	0.2
Manufacturing	35	11	46	0.6
Real estate - mortgage	57	9	66	6.5
Instalment loans to individuals and other personal lending (including credit cards)	23	-	23	0.3
Asset and lease financing	5	-	5	0.1
Other commercial and industrial	186	58	244	4.0
	451	125	576	15.8
Total provision for credit impairment	2,535	689	3,224	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2016			
	Collective Provision[1] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	421	134	555	4.0
Financial, investment and insurance	58	21	79	3.0
Real estate - construction	26	14	40	0.3
Manufacturing	118	54	172	1.3
Real estate - mortgage	146	83	229	52.3
Instalment loans to individuals and other personal lending (including credit cards)	291	2	293	1.8
Asset and lease financing	64	28	92	2.0
Other commercial and industrial	879	245	1,124	19.0
	2,004	581	2,585	84.1
Overseas				
Agriculture, forestry, fishing and mining	144	27	171	2.7
Financial, investment and insurance	13	20	33	1.2
Real estate - construction	2	-	2	0.2
Manufacturing	36	34	70	0.7
Real estate - mortgage	10	14	24	6.7
Instalment loans to individuals and other personal lending (including credit cards)	16	-	16	0.3
Asset and lease financing	4	-	4	0.1
Other commercial and industrial	179	30	209	4.0
	404	125	529	15.9
Total provision for credit impairment	2,408	706	3,114	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2015			
	Collective Provision[1] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.4
Agriculture, forestry, fishing and mining	352	38	390	3.6
Financial, investment and insurance	86	14	100	2.2
Real estate - construction	29	4	33	0.3
Manufacturing	135	34	169	1.2
Real estate - mortgage	128	85	213	47.1
Instalment loans to individuals and other personal lending (including credit cards)	265	1	266	1.6
Asset and lease financing	73	26	99	1.8
Other commercial and industrial	1,061	141	1,202	16.4
	2,129	343	2,472	74.6
Overseas				
Agriculture, forestry, fishing and mining	123	24	147	2.9
Financial, investment and insurance	30	19	49	1.4
Real estate - construction	4	4	8	0.4
Manufacturing	97	6	103	0.9
Real estate - mortgage	54	63	117	13.5
Instalment loans to individuals and other personal lending (including credit cards)	68	4	72	0.8
Asset and lease financing	13	2	15	0.3
Other commercial and industrial	365	172	537	5.2
	754	294	1,048	25.4
Total provision for credit impairment	2,883	637	3,520	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Write-offs from specific provisions and recoveries of specific provisions by industry category

The following table provides an analysis of write-offs from specific provisions by industry category for the years indicated:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Write-offs from specific provisions					
Australia					
Agriculture, forestry, fishing and mining	**10**	20	37	34	92
Financial, investment and insurance	**18**	1	1	-	22
Real estate - construction	**2**	4	2	3	7
Manufacturing	**20**	10	42	9	22
Real estate - mortgage	**66**	61	69	72	73
Instalment loans to individuals and other personal lending (including credit cards)	**311**	300	322	310	262
Asset and lease financing	**10**	23	23	27	58
Other commercial and industrial	**95**	74	278	195	273
	532	493	774	650	809
Overseas					
Agriculture, forestry, fishing and mining	**9**	15	5	38	50
Financial, investment and insurance	**-**	1	1	1	18
Real estate - construction	**3**	3	1	3	7
Manufacturing	**1**	8	16	2	14
Real estate - mortgage	**4**	3	4	9	21
Instalment loans to individuals and other personal lending (including credit cards)	**29**	27	26	36	90
Asset and lease financing	**-**	-	-	-	1
Other commercial and industrial	**22**	23	22	39	290
	68	80	75	128	491
Total write-offs from specific provisions	**600**	573	849	778	1,300

Recoveries of specific provisions by industry category

The following table provides an analysis of recoveries of specific provisions by industry category for the years indicated:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Recoveries of specific provisions					
Australia					
Agriculture, forestry, fishing and mining	**-**	1	1	4	(5)
Manufacturing	**-**	-	-	(1)	1
Real estate - mortgage	**(6)**	6	3	-	9
Instalment loans to individuals and other personal lending (including credit cards)	**48**	42	71	88	54
Asset and lease financing	**-**	-	-	1	3
Other commercial and industrial	**-**	1	8	-	2
	42	50	83	92	64
Overseas					
Agriculture, forestry, fishing and mining	**2**	9	15	-	-
Financial, investment and insurance	**3**	-	-	-	-
Instalment loans to individuals and other personal lending (including credit cards)	**9**	11	10	17	36
Other commercial and industrial	**1**	3	3	10	29
	15	23	28	27	65
Total recoveries of specific provisions	**57**	73	111	119	129

DEPOSITS AND OTHER BORROWINGS

The following table sets out the Group's liabilities in respect to deposits and other borrowings for the years indicated:

	2019 $m	2018 $m	2017 $m
Australia			
Term deposits	**122,318**	124,096	121,766
On-demand and short-term deposits	**182,234**	171,446	165,951
Certificates of deposit	**30,769**	33,953	38,617
Deposits not bearing interest	**47,857**	45,463	42,548
Borrowings	**25,902**	24,322	19,560
Securities sold under agreements to repurchase	**1,032**	1,909	1,282
	410,112	401,189	389,724
Overseas			
Term deposits	**38,065**	39,070	39,118
On-demand and short-term deposits	**28,323**	23,594	33,498
Certificates of deposit	**10,106**	10,009	13,638
Deposits not bearing interest	**5,815**	5,304	4,699
Borrowings	**4,190**	2,699	2,421
Securities sold under agreements to repurchase	**30,330**	25,823	22,211
Fair value adjustment	**9**	2	5
	116,838	106,501	115,590
Total deposits and other borrowings	**526,950**	507,690	505,314

Maturities of deposits

The following table shows the maturity profile of all certificates of deposit, and additionally term deposits issued with a value of $100,000 or more that are included within the deposits and other borrowings category at 30 September 2019:

	0 to 3 months $m	3 to 6 months $m	6 to 12 months $m	Over 12 months $m	Total $m
Australia					
Term deposits	**75,063**	**24,130**	**12,934**	**2,244**	**114,371**
Certificates of deposit	**16,302**	**14,425**	**42**	-	**30,769**
	91,365	**38,555**	**12,976**	**2,244**	**145,140**
Overseas					
Term deposits	**17,645**	**12,050**	**5,744**	**2,589**	**38,028**
Certificates of deposit	**3,008**	**2,736**	**4,362**	-	**10,106**
	20,653	**14,786**	**10,106**	**2,589**	**48,134**
Total Maturities of deposits	**112,018**	**53,341**	**23,082**	**4,833**	**193,274**

DEPOSITS AND OTHER BORROWINGS (CONTINUED)

Short-term borrowings

Short-term borrowings of the Group include the commercial paper programs of NAB, National Australia Funding (Delaware), Inc. and BNZ International Funding Limited. The following table sets forth information concerning the Group's commercial paper programs for the years indicated:

	2019 $m	2018 $m	2017 $m
Commercial paper			
Balance outstanding at balance date	**30,047**	26,470	21,951
Maximum outstanding at any month end	**30,346**	30,452	23,467
Approximate average amount outstanding during the year	**25,354**	24,787	19,449
Approximate weighted average interest rate on			
Balance outstanding at balance date (per annum)	**2.1%**	1.9%	1.3%
Average amount outstanding during the year (per annum)	**2.5%**	2.0%	1.4%

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