PILLAR 3 REPORT

as at 30 September 2021

Incorporating the requirements of APS 330

National Australia Bank Limited ABN 12 004 044 937

TABLE OF CONTENTS

SECTION 1 INTRODUCTION 2

SECTION 2 REGULATORY REFORM 3

SECTION 3 RISK GOVERNANCE AND MANAGEMENT 5

SECTION 4 CAPITAL 9
4.1 Capital Adequacy 9
4.2 Capital Structure 11
4.3 Detailed Capital Disclosures 12
4.4 Leverage Ratio 19

SECTION 5 CREDIT RISK 21
5.1 General Disclosures 21
5.2 Standardised and Supervisory Slotting Portfolios 37
5.3 Internal Ratings-based Portfolios 39
5.4 Credit Risk Mitigation 46
5.5 Counterparty Credit Risk 49

SECTION 6 SECURITISATION 51

SECTION 7 MARKET RISK 56

SECTION 8 OPERATIONAL RISK 59

SECTION 9 BALANCE SHEET AND LIQUIDITY RISK 61
9.1 Funding and Liquidity Risk 61
9.2 Interest Rate Risk in the Banking Book 62
9.3 Equity Holdings in the Banking Book 64
9.4 Foreign Exchange Risk in the Banking Book 65
9.5 Liquidity Disclosures 66

SECTION 10 GLOSSARY 71

SECTION 11 REFERENCE TO APS 330 TABLES 73

National Australia Bank Limited (NAB) is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959* (Cth). This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*, which requires disclosure of information to the market to contribute to the transparency of financial markets and to enhance market discipline. APS 330 was established to implement the third pillar of the Basel Committee on Banking Supervision's (BCBS) framework for bank capital adequacy. The framework consists of three mutually reinforcing pillars.

Pillar 1 Minimum capital requirement	Pillar 2 Supervisory review process	Pillar 3 Market discipline
Minimum requirements for the level and quality of capital	Management's responsibility for capital adequacy to support risks beyond the minimum requirements, including an Internal Capital Adequacy Assessment Process (ICAAP)	Disclosure to the market of qualitative and quantitative aspects of risk management, capital adequacy and various risk metrics

This document describes the approach the Group, being NAB and its controlled entities, takes to manage risk, and provides detailed information about risk exposures, capital adequacy and liquidity.

Amounts are presented in Australian dollars unless otherwise stated, and have been rounded to the nearest million dollars ($m) except where indicated.

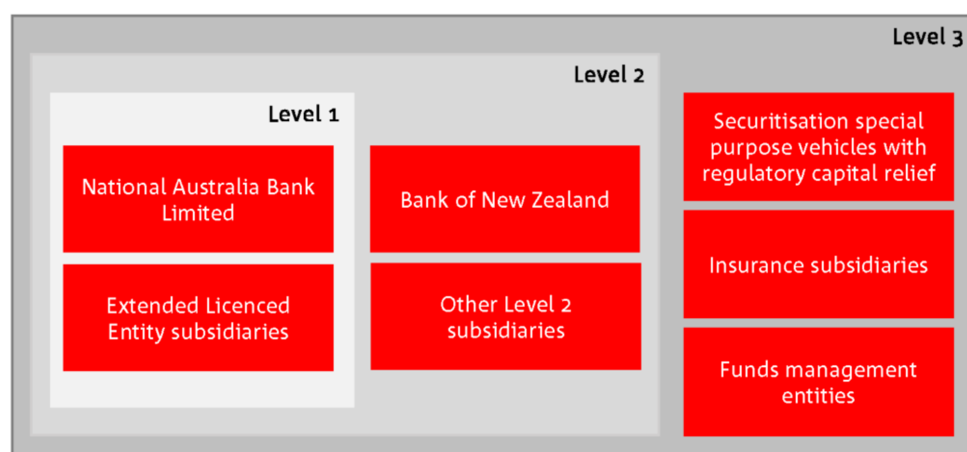
Capital Adequacy Methodologies

The Group uses the following approaches to measure capital adequacy as at 30 September 2021.

Credit Risk	Operational Risk	Non-traded Market Risk	Traded Market Risk
Advanced Internal Ratings-based Approach (IRB)	Advanced Measurement Approach (AMA)	Internal Model Approach (IMA)	Internal Model Approach (IMA) and standard method

Scope of Application

APRA measures the Group's capital adequacy by assessing financial strength at three levels as illustrated below.



Level 1 comprises NAB and its subsidiary entities approved by APRA as part of the Extended Licensed Entity.

Level 2 comprises NAB and the entities it controls, excluding securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 *Securitisation,* insurance subsidiaries and funds management entities. Level 2 controlled entities include Bank of New Zealand (BNZ) and other financial entities such as broking, wealth advisory and leasing companies.

Level 3 comprises the consolidation of NAB and all of its subsidiaries.

Entities subject to the MLC Wealth business sale are no longer part of the Group effective from 31 May 2021.

This report applies to the Level 2 Group, headed by NAB, unless otherwise stated.

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

Revisions to the capital framework

- APRA is in the final stages of its consultations on the revised ADI capital framework with final prudential standards expected in November 2021. Implementation of the prudential standards relating to the risk-weighting framework and other capital requirements is proposed for 1 January 2023, consistent with the internationally agreed timelines for Basel III reforms by the BCBS. APRA is seeking to make improvements to the capital adequacy framework through:
  - improving flexibility via increasing regulatory capital buffers
  - implementing more risk-sensitive risk-weights
  - enhancing competition via a capital floor for IRB ADIs
  - improving transparency and comparability through the disclosure of capital ratios under the standardised approach.

  APRA has reiterated its view that it is not seeking to further increase the overall level of capital in the banking system.
- In August 2021, APRA released its revised prudential standard APS 111 *Capital Adequacy: Measurement of Capital*, including changes to the treatment of equity investments in subsidiaries for the purpose of calculating Level 1 regulatory capital. The revised standard will be implemented from 1 January 2022. In line with APRA's announcement in November 2020, the changes apply to any new or additional equity investments in subsidiaries in the interim period prior to 1 January 2022.
- APRA has also proposed a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology to be implemented from 1 January 2023. The Level 2 Group's leverage ratio as at 30 September 2021 of 5.83% (under the current methodology) is disclosed in further detail in Table 4.4.A *Leverage Ratio Disclosure Template*.

Increased loss-absorbing capacity for ADIs

In July 2019, APRA released its framework for the implementation of an Australian loss-absorbing capacity regime, requiring an increase in Total capital of 3% of risk-weighted assets (RWA) for domestic systemically important banks (D-SIBs) by 1 January 2024. APRA has maintained its overall target calibration of 4% to 5% of RWA and will consult on alternative methods for raising the additional loss-absorbing capacity equal to 1% to 2% of RWA over the next two years, including consideration of how Reserve Bank of New Zealand (RBNZ) capital instruments could be used in supporting overall loss-absorbing capacity.

RBNZ capital review

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

- an increase in credit RWA for banks that use the RBNZ's internal ratings-based approach due to an increase in the scalar, prescribed use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor
- an increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement to 18% of RWA.

Due to uncertainties arising from the impacts of COVID-19, the RBNZ delayed the start of the new capital requirements. The increases to RWA will commence from 1 January 2022, while the required level of capital increases will commence from 1 July 2022 and be phased in through to July 2028.

Dividends

- In its updated December 2020 guidance, APRA removed specific restrictions on capital distributions that were introduced in response to COVID-19, but advised banks to moderate dividend payout ratios and consider the use of capital management initiatives to offset the impact on capital from distributions. APRA has reiterated that Boards need to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and the economic environment.
- The RBNZ has eased restrictions on dividend payments, allowing banks to pay up to 50% of their earnings as dividends to shareholders, and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restriction, subject to economic conditions.

Term Funding Facility (TFF)

On 19 March 2020, the Reserve Bank of Australia (RBA) announced the establishment of the TFF, a collateralised funding facility for the Australian banking system to support ADIs in providing credit into the economy at a low funding cost. The TFF was available to be drawn down until 30 June 2021. As at 30 September 2021, NAB's total TFF allowance was $31.9 billion, with $14.3 billion of Initial Allowance, $9.6 billion of Supplementary Allowance and $8.0 billion of Additional Allowance. NAB drew down the full Initial Allowance of the TFF during the year ended 30 September 2020, and the full Additional Allowance and Supplementary Allowance of the TFF during the year ended 30 September 2021. The TFF is an efficient source of three-year term funding, providing flexibility to manage refinancing and execution risk, while also reducing funding costs.

Contingent liquidity consultation

On 14 July 2021, APRA released a consultation letter on contingent liquidity to locally incorporated ADIs subject to Liquidity Coverage Ratio (LCR) requirements. APRA considers that it would be prudent for an ADI subject to LCR requirements to maintain surplus self-securitised assets as contingent liquidity equal to at least 30% of its LCR net cash outflows.

Committed Liquidity Facility (CLF) reduction

On 10 September 2021, APRA announced that the CLF will be reduced to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of high-quality liquid assets (HQLA).

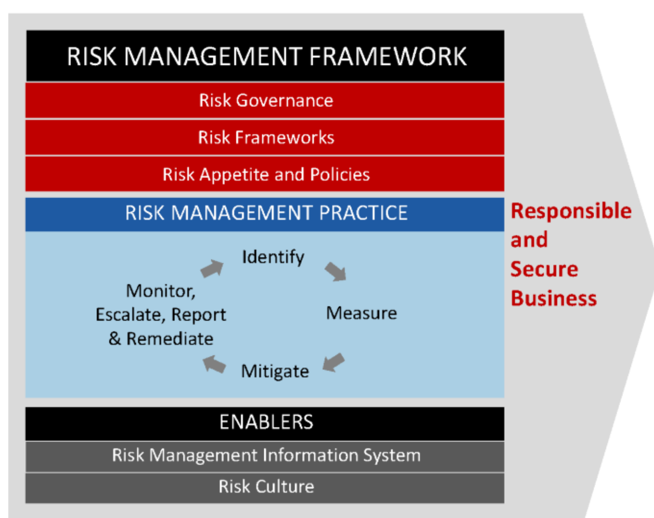
Other regulatory changes

- The continued APRA focus on COVID-19 related impacts, in particular for loan repayment deferrals, has resulted in the implementation of temporary changes to regulatory obligations and associated regulatory reporting requirements.
- The revised APS 220 *Credit Risk Management* prudential standard comes into effect from 1 January 2022. The new standard is broader than existing requirements and sets obligations for end-to-end credit risk management.
- The revised APS 222 *Associations with Related Entities* framework will take effect from 1 January 2022.
- APRA's new reporting standard ARS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* takes effect from 1 January 2023. APRA has provided the option to banks using the Advanced Measurement Approach to implement this from 1 January 2022.
- The BCBS announced its revised market risk and Credit Valuation Adjustment (CVA) frameworks, which are due to come into effect from 1 January 2023 globally. In February 2018, APRA released its discussion paper on revisions to the capital framework, including market risk and CVA. APRA deferred the implementation date for Basel III reforms to APS 116 *Capital Adequacy: Market Risk* and APS 180 *Capital Adequacy: Counterparty Credit Risk* to 2025.
- Consultation by APRA to revise and strengthen the Interest Rate Risk in the Banking Book (IRRBB) framework continues, with implementation expected from 1 January 2024.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) took effect on 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives.

Risk Management

Risk is the potential for harm and an inherent part of the Group's business. Our ability to manage risk effectively is critical to NAB being a safe and secure bank that can serve customers well and help our communities prosper. The Group's risk management is in line with APRA Prudential Standard CPS 220 *Risk Management*.

The Group's Risk Management Framework is outlined in the Risk Management Strategy and illustrated below. The Risk Management Framework consists of systems, structures, policies, processes, and people within the Group that manage our material risks. The Risk Management Framework is comprehensively reviewed every three years for appropriateness, effectiveness, and adequacy by an operationally independent party. The Board is ultimately responsible for the Risk Management Framework and oversees its operation by management. In addition, directors and senior executives are held accountable for the parts of the Group's operations they manage or control, consistent with the Banking Executive Accountability Regime (BEAR).



The Group applies a 'Three Lines of Accountability' operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

- First Line – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them
- Second Line – A functionally segregated Risk function develops risk management frameworks, defines risk boundaries, provides objective review and challenge regarding the effectiveness of risk management within the first line businesses, and executes specific risk management activities where a functional segregation of duties and/or specific risk capability is required
- Third Line – An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the Risk Management Framework.

The Group undertakes annual strategic planning to maintain alignment of the Group's risk appetite and its business strategy. Strategic planning is informed by the ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) assessments of the Group's risk profile and the level of financial resources required to maintain suitable capital and liquidity for those risks. Key outputs of the strategic planning process are the Strategic Plan, Financial Plan, Funding Strategy, Capital Management Strategy and Risk Appetite Statement (RAS). Specific performance targets and risk boundaries are established for the Group, legal entities, and individual businesses. Stress testing and scenario analysis are used to inform risk appetite. These documents collectively form the Group's Business Plan, which is endorsed by management and approved by the Board.

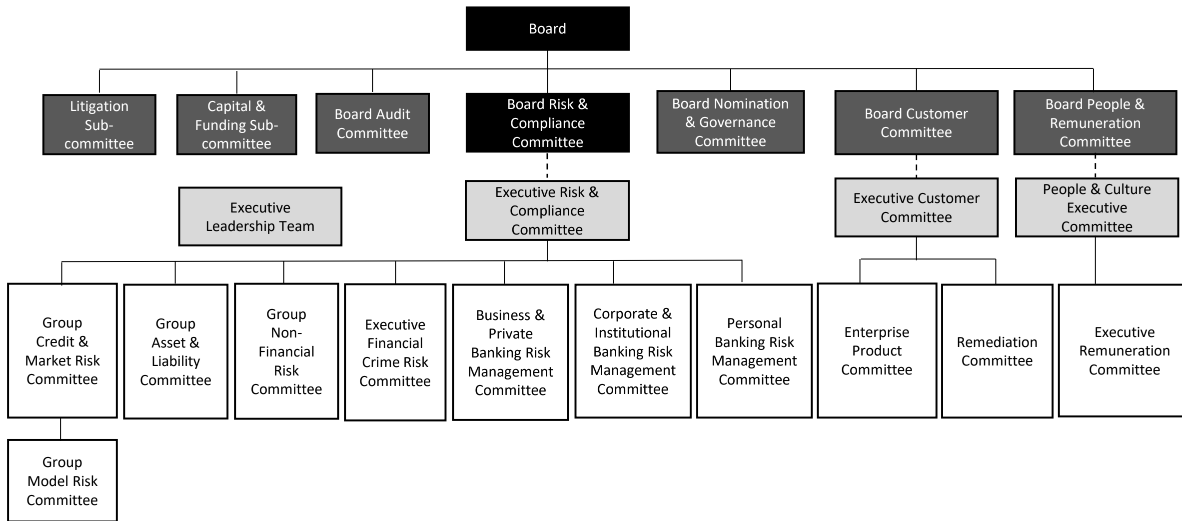
Risk Governance

Risk governance refers to the formal structure used to support risk-based decision making and oversight across all our operations. The Board has established a number of committees, including the Board Risk and Compliance Committee and Board Customer Committee, to assist it in carrying out its responsibilities as specified through respective governance charters, which are available online at www.nab.com.au/about-us/corporate-governance.

The Board delegates responsibility for the day-to-day management of the Group's operations to the Group Chief Executive Officer (Group CEO). The Group CEO delegates authority to members of the Executive Leadership Team. The delegations from the Board to the Group CEO, and the Group CEO to the Executive Leadership Team are reviewed on an annual basis. Both

the Board, supported by its committees, and management, through its executives, promote awareness of a risk-based culture, supporting an acceptable balance between risk and return.

The Group CEO oversees enterprise-wide risk management through the Executive Risk and Compliance Committee and its eight supporting sub-committees. Each sub-committee oversees and governs the effective management of risk which supports the relevant accountable executives. Through two sub-committees of the Executive Customer Committee, new and existing product offerings are evaluated and customer remediation activities are monitored to ensure transparent decision-making and consistent customer outcomes. The Executive Remuneration Committee reviews and makes recommendations to the Board People and Remuneration Committee on remuneration consequences of risk issues and events, including in connection with deferred incentives.



Material Risks

A number of measures exist across each of the Group's material risks, including but not limited to those outlined in the table below. Further disclosure on risk factors is included in the 2021 Annual Financial Report. The Board, supported by its committees, is responsible for all material risks. In respect of strategic risk, the risk is managed directly by the Board.

Material risk	Definition	Key measures	Governing policies and key committees
Strategic	The risk associated with the positioning of strategic objectives articulated in the strategic ambition.	- Measures as outlined in the strategic ambition	**Governing policies** - Group Organic Investment Policy - Group Inorganic Investment Policy
Financial risk categories			
Credit	The risk that a customer will fail to meet its obligations to the Group in accordance with agreed terms. It is a financial risk that the Group consciously elects to take through both the Group's lending activities (banking book) and markets and trading activities (trading book).	- Economic capital limits - Credit concentration limits, for example, single large exposures, industries, and countries - Portfolio limits, settings and indicators in respect to credit quality having regard to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EaD), RWA, and a range of more granular measures applicable to the nature of the credit risk (for example, Loan to Value Ratios, days past due, impairments and write-offs)	**Governing policies** - Group Credit Policy - Group Model Risk Policy **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Credit and Market Risk Committee - Group Model Risk Committee
Market	The risk of loss from both trading and balance sheet risk management activities. Losses can arise from adverse market price movements caused by changes in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices.	- Economic capital limits - Earnings at risk limits - Trading desk limits and settings (for example, stop loss limits) - Globally diversified Value at Risk (VaR), stressed VaR and inner stress limits	**Governing policies** - Group Traded Market Risk Policy - Interest Rate Risk in the Banking Book Policy - Group Foreign Exchange Risk in the Banking Book Policy - Funds Transfer Pricing Policy - Group Model Risk Policy **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Credit and Market Risk Committee - Group Model Risk Committee
Balance Sheet and Liquidity	The risk of failing to manage and monitor key banking book structural risks such as liquidity risk and capital risk.	- LCR - Net Stable Funding Ratio (NSFR) - Common Equity Tier 1 (CET1) capital ratio - Customer Funding Index	**Governing policies** - Group Capital Risk Policy - Group Liquidity Risk Policy - Group Equity Risk in the Banking Book Policy - Third Party Securitisation Policy - Group Model Risk Policy **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Asset and Liability Committee - Group Model Risk Committee
Non-financial risk categories			
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal	- Economic capital limits - Operational risk metrics which ensure the Group operates within Board approved limits and risk settings applicable to the management of	**Governing policies** - Operational Risk Management Framework - Group Operational Risk Management Policy - Information Risk Policy - Anti-Fraud Policy

Material risk	Definition	Key measures	Governing policies and key committees
Operational (continued)	risk, but excludes strategic and reputation risk.	operational risk, such as actual financial losses, customer complaints, control environment and technology incidents	- Business Continuity Management Policy - Travel Security Policy - Physical Security Policy - Group Executive Protection Policy - Group Outsourcing Policy - Group Model Risk Policy **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Non-Financial Risk Committee
Compliance	The risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives, as well as internal policies, standards, procedures and frameworks that support fair and equitable treatment of customers.	- Compliance obligation management - Compliance breach investigations - Timeliness of customer exits in managing financial crime risk exposure - Enhanced customer due diligence for new to bank high risk customers	**Governing policies** - Compliance Obligation Management Policy - Regulatory Breach Management Policy - Conflicts of Interest Framework - Cross Border Policy - G20 Risk Mitigation Policy - Dodd Frank Act Policies - Group External Reporting Policy - Anti-Bribery and Corruption Policy - Anti-Fraud Policy - Anti-Money Laundering & Counter-Terrorism Financing Policy - Economic and Trade Sanctions Policy **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Non-Financial Risk Committee - Executive Financial Crime Risk Committee
Conduct	The risk that any action of the Group, or those acting on behalf of the Group, will result in unfair outcomes for customers.	- Measures through risk appetite settings and key risk indicators	**Governing policies** - Conduct Risk Framework - Code of Conduct - Group Customer Complaints Policy - Customer Outcomes Framework **Key committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Enterprise Product Committee - Remediation Committee
Sustainability	The risk that Environmental, Social or Governance (ESG) events or conditions negatively impact the risk and return profile of the Group or its customers and suppliers.	- Measures through risk appetite settings, including credit portfolio limits, and key risk indicators - Policy breach reporting - ESG risk assessment as part of the credit risk assessment and due diligence process for high risk customers and potential customers - Operational emissions and targets - Attributable financed emissions	**Governing Policies** - Group Environmental Management Policy - Group Environmental Reporting and Offset Management Policy - Group Human Rights Policy - Group Procurement Policy - Group Outsourcing Policy - Group Credit Policy **Key Committees** - Board Risk and Compliance Committee - Executive Risk and Compliance Committee - Group Credit and Market Risk Committee - Group Non-Financial Risk Committee

4.1 CAPITAL ADEQUACY

Capital Management Strategy

The Capital Management Strategy is focused on adequacy, efficiency and flexibility. The amount of capital that is held is informed by the ICAAP to assess required levels of capital, including regulatory requirements. This approach is consistent across the Group's subsidiaries.

The Capital Management Strategy covers the Group capital outlook, potential risks, initiatives and distributions. The Capital Management Strategy also considers stressed scenarios and sensitivities to ensure the Group maintains capital adequacy in these situations and can adjust plans accordingly if required.

The Board sets capital targets above the internal risk-based assessment of capital. Target ranges take into account market, regulatory and rating agency expectations. The operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

Risk Identification and Assessment

The process of assessing capital adequacy begins with the Group measuring all material risks and where appropriate, generating a capital adequacy requirement. In managing the business, the Group considers both regulatory and economic capital requirements, as summarised in the following table.

	Regulatory capital	**Economic capital**
Nature	Regulatory view of the capital required to be held to protect against risks associated with business activities.	Management's view of the capital required to be held to support the specific risk characteristics of the business and its portfolio.
Calculation	Calculated under regulatory requirements and expressed as a percentage of RWA.	Internal risk-based models.
Risk types	Credit risk, market risk, operational risk and IRRBB.	As per regulatory capital requirements, plus other risks, including business/strategic risk, equity risk and foreign exchange risk in the banking book.

The ICAAP describes capital adequacy for the Level 1 and Level 2 Groups. The process is designed to assess the ability to withstand unexpected losses and continue to support customers and protect depositors through a range of adverse scenarios. Key features include:

- identification of risks arising from the activities for which capital is a mitigant
- calibration of capital limits commensurate with the risk profile and appetite and appropriate triggers to mitigate potential limit breaches
- assessment of capital adequacy on a current and forward-looking basis, including scenario planning and stress testing
- detail on capital management actions available to provide additional capital as required
- processes for reporting on the ICAAP and its outcomes to the Board and senior management and ensuring that the ICAAP is taken into account in making business decisions.

Governance, Reporting and Oversight

The ICAAP document, Capital Management Strategy, RAS, Group Strategic Plan and Financial Plan together detail the governance, management, and reporting of the Group's capital adequacy. These documents are reviewed and endorsed by key management committees, including the Group Asset and Liability Committee and the Executive Risk and Compliance Committee, and are approved by the Board.

The ICAAP is supported by the Group Capital Risk Policy, which defines the framework for the management, monitoring and governance of the Group's capital position.

Group Treasury is responsible for managing capital risk. The Group and BNZ's treasury functions each prepare an annual capital management strategy (incorporating capital targets) and execute the Board-approved strategies.

Balance Sheet and Liquidity Risk Management is independent of Group Treasury and is responsible for capital oversight. Balance Sheet and Liquidity Risk Management maintains a risk framework to provide oversight and monitoring of stress testing of the Group's capital position, capital planning and forecasting, and capital activities to ensure compliance with regulatory capital standards.

Group Treasury, along with Balance Sheet and Liquidity Risk Management, monitor the Group's capital position on a monthly basis and report to management and Board committees.

4.1 CAPITAL ADEQUACY (CONTINUED)

Embedding Capital Requirements in Business Decisions

Capital requirements are taken into consideration in:
- product and facility pricing decisions
- business development, including acquisitions and divestments
- strategic planning
- performance measurement and management, including incentive determination
- setting of risk appetite and risk limits, including single large exposure limits, industry limits and country limits.

Table 4.1.A Risk-weighted Assets

The following table provides RWA for each risk type. A description of the credit risk asset classes is contained in Section 5.3 *Internal Ratings-based Portfolios*.

	As at	
	30 Sep 21	31 Mar 21
	$m	$m
Credit risk		
Subject to IRB approach		
Corporate (including small and medium-sized enterprises (SME))	128,615	126,791
Sovereign	1,608	1,720
Bank	6,404	8,026
Retail SME	6,330	6,168
Residential mortgage	110,557	111,366
Qualifying revolving retail	2,206	2,438
Other retail	2,030	2,178
Total IRB approach	**257,750**	**258,687**
Specialised lending	**58,870**	**57,471**
Subject to standardised approach		
Corporate	4,445	4,241
Residential mortgage	979	1,255
Other	419	432
Total standardised approach	**5,843**	**5,928**
Other		
Securitisation exposures	5,602	5,028
Credit valuation adjustment	7,619	10,189
Central counterparty default fund contribution guarantee	108	82
Other[1]	12,249	10,807
Total other	**25,578**	**26,106**
Total credit risk	**348,041**	**348,192**
Market risk	9,644	12,626
Operational risk	47,866	48,627
Interest rate risk in the banking book	11,612	8,165
Total RWA	**417,163**	**417,610**

(1) Other consists of other assets, claims and exposures and overlay adjustments for regulatory prescribed methodology requirements. Other includes RWA of $67 million for equity exposures (31 March 2021: $54 million).

The following table provides RWA for the Level 1 Group.

	As at	
	30 Sep 21	31 Mar 21
	$m	$m
Total RWA	**379,901**	**380,109**

4.1 CAPITAL ADEQUACY (CONTINUED)

Table 4.1.B Capital and Leverage Ratios

The following tables provide:

- the key capital ratios for the Level 1 and Level 2 Group
- the key capital ratios for the Group's significant overseas bank subsidiary, BNZ
- the leverage ratio for the Level 2 Group as at 30 September 2021 and for the three previous quarters

	As at	
	30 Sep 21	31 Mar 21
Capital ratios	%	%
Level 2 Common Equity Tier 1	13.00	12.37
Level 2 Tier 1	14.64	14.01
Level 2 Total	18.91	17.90
Level 1 Common Equity Tier 1	12.78	12.40
Level 1 Tier 1	14.58	14.20
Level 1 Total	19.20	18.33

	As at	
	30 Sep 21	31 Mar 21
Significant overseas bank subsidiary capital ratios(1)	%	%
BNZ Common Equity Tier 1	13.8	12.9
BNZ Tier 1	15.1	14.2
BNZ Total	16.9	16.0

(1) BNZ's capital ratios have been derived under the RBNZ's capital adequacy framework.

	As at			
	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20
Leverage ratio	$m	$m	$m	$m
Tier 1 capital	61,073	59,687	58,487	57,905
Total exposures	1,047,595	1,027,956	976,870	976,034
Leverage ratio (%)	**5.83%**	**5.81%**	**5.99%**	**5.93%**

4.2 CAPITAL STRUCTURE

Regulatory capital is calculated in accordance with APS 111. The Group's capital structure comprises various forms of capital which are summarised in the table below.

CET1 capital	Tier 1 capital	Total capital
CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111.	CET1 capital plus Additional Tier 1 capital. Additional Tier 1 capital comprises high quality components of capital that satisfy the following characteristics: - provide a permanent and unrestricted commitment of funds - are freely available to absorb losses - rank behind the claims of depositors and other more senior creditors in the event of winding-up of the issuer - provide for fully discretionary capital distributions.	Tier 1 capital plus Tier 2 capital. Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Further details of Additional Tier 1 and Tier 2 securities are available online in the capital instruments section of the Group's website at https://capital.nab.com.au/disclaimer-area/capital-instruments.phps.

4.2 CAPITAL STRUCTURE (CONTINUED)

Restrictions and Major Impediments on the Transfer of Funds or Regulatory Capital within the Group

Prudential regulation of subsidiary entities and thin capitalisation rules

In response to the impacts of COVID-19, the RBNZ has restricted the payment of dividends on BNZ's ordinary shares allowing payment of up to 50% of earnings as dividends, and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022 (subject to economic conditions).

In addition, the transfer of funds or regulatory capital within the Group will take into account tax legislation that imposes interest deduction limitations based on prescribed minimum capital levels.

Intragroup exposure limits

Exposures to related entities are managed in accordance with the Conglomerate Group Aggregate Risk Exposure Policy and prudential limits prescribed in APS 222.

Table 4.2.A Regulatory Capital Structure

The table below provides the structure of regulatory capital for the Level 2 Group. A detailed breakdown as at 30 September 2021 is shown in Table 4.3.A *Regulatory Capital Disclosure Template*.

	As at	
	30 Sep 21	**31 Mar 21**
	$m	**$m**
Common Equity Tier 1 capital before regulatory adjustments	62,709	61,392
Regulatory adjustments to Common Equity Tier 1 capital	(8,475)	(9,744)
Common Equity Tier 1 capital (CET1)	**54,234**	**51,648**
Additional Tier 1 capital before regulatory adjustments	6,859	6,859
Regulatory adjustments to Additional Tier 1 capital	(20)	(20)
Additional Tier 1 capital (AT1)	**6,839**	**6,839**
Tier 1 capital (T1 = CET1 + AT1)	**61,073**	**58,487**
Tier 2 capital before regulatory adjustments	17,922	16,356
Regulatory adjustments to Tier 2 capital	(96)	(98)
Tier 2 capital (T2)	**17,826**	**16,258**
Total capital (TC = T1 + T2)	**78,899**	**74,745**

4.3 DETAILED CAPITAL DISCLOSURES

Table 4.3.A Regulatory Capital Disclosure Template

The capital ratios for the Level 2 Group and other regulatory capital information are presented in the following regulatory capital disclosure template. The capital disclosure template is based on the post 1 January 2018 Basel III requirements as the Group is applying the regulatory adjustments under Basel III in full as implemented by APRA.

Explanation of how amounts in the template reconcile to the Level 2 Group balance sheet is contained in Table 4.3.B *Reconciliation between the Group and Level 2 Group Balance Sheet* and Table 4.3.C *Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template*.

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

		As at 30 Sep 21 $m
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	43,247
2	Retained earnings	18,922
3	Accumulated other comprehensive income (and other reserves)	540
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**62,709**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	1
8	Goodwill	1,964
9	Other intangibles other than mortgage-servicing rights (net of related deferred tax balance)	2,420
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	86
12	Shortfall of provisions to expected losses	19
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(121)
15	Defined benefit superannuation plan assets (net of related tax liability)	27
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage service rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the ordinary shares of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
APRA specific regulatory adjustments		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	4,079
26a	of which: treasury shares	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred net fee income	683
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23 (adjusted for intangible assets held by those entities)	651
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	2,555
26f	of which: capitalised expenses	118
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	39
26h	of which: covered bonds in excess of asset cover in pools	-
26i	of which: undercapitalisation of a non-consolidated subsidiary	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	33
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**8,475**
29	**Common Equity Tier 1 capital (CET1)**	**54,234**

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

		As at 30 Sep 21 $m
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	6,859
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	6,859
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 capital before regulatory adjustments**	**6,859**
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	20
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**20**
44	**Additional Tier 1 capital (AT1)**	**6,839**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**61,073**
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	16,051
47	Directly issued capital instruments subject to phase out from Tier 2	44
48	Tier 2 instruments (and CET1 and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions[(1)]	1,827
51	**Tier 2 capital before regulatory adjustments**	**17,922**
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	75
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
55	Significant investments in the Tier 2 capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	21
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	21
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 capital**	**96**
58	**Tier 2 capital (T2)**	**17,826**
59	**Total capital (TC = T1 + T2)**	**78,899**
60	**Total RWA based on APRA standards**	**417,163**

(1) Provisions consists of surplus provisions on non-defaulted exposures subject to the IRB approach ($1,766 million) and the General Reserve for Credit Losses (GRCL) for exposures subject to the standardised approach ($61 million).

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

		As at 30 Sep 21
		$m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of RWA)	13.00%
62	Tier 1 (as a percentage of RWA)	14.64%
63	Total capital (as a percentage of RWA)	18.91%
64	Buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any countercyclical buffer requirements expressed as a percentage of RWA)(1)	8.01%
65	of which: capital conservation buffer requirement	3.50%
66	of which: ADI-specific countercyclical buffer requirements	0.01%
67	of which: Global Systemically Importable Bank (G-SIB) buffer requirement	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of RWA)	13.00%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a
71	National Total capital minimum ratio (if different from Basel III minimum)	n/a
Amounts below the thresholds for deduction (not risk-weighted)(2)		
72	Non-significant investments in the capital of other financial entities	631
73	Significant investments in the ordinary shares of financial entities (adjusted for intangible assets held by those entities)	20
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2,555
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	61
77	Cap on inclusion of provisions in Tier 2 under standardised approach	291
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	1,766
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,949
Capital instruments subject to phase-out arrangements (applicable between 1 January 2018 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on Additional Tier 1 instruments subject to phase out arrangements	606
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on Tier 2 instruments subject to phase out arrangements	562
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-

(1) Comprises a minimum CET1 ratio of 4.5% per APS 110 *Capital Adequacy* paragraph 23(a), a capital conservation buffer of 2.5% of RWA, an additional capital buffer applicable to D-SIBs of 1% of RWA and a countercyclical capital buffer (refer to Table 4.3.E *Countercyclical Capital Buffer*).

(2) Amounts below the thresholds for deduction under Basel III requirements are an APRA specific regulatory adjustment.

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

Table 4.3.B Reconciliation between the Group and Level 2 Group Balance Sheet

The following table shows the Group's balance sheet and adjustments to derive the Level 2 Group balance sheet as at 30 September 2021.

	Group balance sheet $m	Adjustments[1] $m	Level 2 Group balance sheet $m	Reference[2]
Assets				
Cash and liquid assets	50,832	(3)	50,829	
Due from other banks	107,546	-	107,546	
Collateral placed	6,430	-	6,430	
Trading securities	50,020	-	50,020	
Debt instruments	41,878	-	41,878	
Other financial assets	2,794	-	2,794	
Derivative assets	27,474	45	27,519	
Loans and advances	621,156	(1,521)	619,635	
of which: deferred net fee income	683	-	683	Row 26c
Current tax assets	36	-	36	
Due from controlled entities	-	11	11	
Deferred tax assets	2,953	-	2,953	Table C
Property, plant and equipment	2,814	-	2,814	
Investments in controlled entities	-	20	20	
Goodwill and other intangible assets	4,113	-	4,113	Table A
Other assets	7,922	(123)	7,799	
Total assets	**925,968**	**(1,571)**	**924,397**	
Liabilities				
Due to other banks	74,160	-	74,160	
Collateral received	4,664	-	4,664	
Other financial liabilities	27,046	-	27,046	
Derivative liabilities	24,031	-	24,031	
Deposits and other borrowings	605,043	-	605,043	
Current tax liabilities	271	11	282	
Provisions	2,834	-	2,834	
Due to controlled entities	-	57	57	
Bonds, notes and subordinated debt	109,154	(1,561)	107,593	
Other debt issues	6,831	-	6,831	
Deferred tax liabilities	29	(2)	27	Table C
Other liabilities	9,126	(6)	9,120	
Total liabilities	**863,189**	**(1,501)**	**861,688**	
Net assets	**62,779**	**(70)**	**62,709**	
Equity				
Ordinary shares, fully paid	43,247	-	43,247	Row 1
Foreign currency translation reserve	288	(10)	278	
Asset revaluation reserve	25	-	25	
Cost of hedging reserve	(266)	-	(266)	
Cash flow hedge reserve	86	-	86	Row 11
Equity-based compensation reserve	136	-	136	
Debt instruments at fair value through other comprehensive income reserve	266	-	266	
Equity instruments at fair value through other comprehensive income reserve	15	-	15	
Total reserves	**550**	**(10)**	**540**	Row 3
Retained profits	18,982	(60)	18,922	Row 2
Total equity	**62,779**	**(70)**	**62,709**	

(1) The adjustments remove the assets, liabilities and equity balances of Level 3 entities deconsolidated for regulatory purposes, and reinstate any intragroup assets and liabilities, treating them as external to the Level 2 Group.
(2) References are directly to rows in Table 4.3.A *Regulatory Capital Disclosure Template* or to reconciliations to the disclosure template in Table 4.3.C *Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template*.

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

Table 4.3.C Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template

The following tables provide information on the differences between the Level 2 Group Balance Sheet in Table 4.3.B and amounts in the Regulatory Capital Disclosure Template (Table 4.3.A).

Table A	As at 30 Sep 21 $m	Disclosure template row
Goodwill and other intangible assets	4,113	
Associated net deferred tax asset	271	
Total	**4,384**	
which comprises:		
Goodwill	1,964	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax)	2,420	Row 9

Table B	As at 30 Sep 21 $m	Disclosure template row
Non-defaulted expected loss	2,375	
Less		
Collective provision for credit impairment	4,202	
Add		
Standardised approach general reserve for credit losses	61	Row 50, 76
IRB approach surplus provisions on non-defaulted exposures (after application of cap)	1,766	Row 50, 78
Non-defaulted: shortfall of provisions to expected losses	-	
Defaulted expected loss	1,299	
Less		
Individual provision for credit impairment subject to the IRB approach[1]	635	
Partial write-offs	132	
Collective provision for credit impairment for defaulted exposures subject to the IRB approach	513	
Defaulted: shortfall of provisions to expected loss	**19**	
Gross deduction of shortfall of provisions to expected losses	**19**	Row 12

(1) Individual provision for credit impairment subject to the standardised approach amounts to $29m.

Table C	As at 30 Sep 21 $m	Disclosure template row
Deferred tax assets	2,953	
Deferred tax liabilities	(27)	
Less		
Unrealised revaluation on funding vehicles	149	
Net deferred tax assets included in other regulatory adjustments or associated with reserves ineligible for inclusion in regulatory capital	251	
Add		
Impact of calculating the deduction on a jurisdictional basis	29	
Deferred tax assets APRA specific regulatory adjustment	**2,555**	Row 26e, 75

Table D	As at 30 Sep 21 $m	Disclosure template row
Face value of NAB Capital Notes 2	1,499	
Face value of NAB Capital Notes 3	1,874	
Face value of NAB Capital Notes 5	2,386	
Face value of NAB Wholesale Capital Notes	500	
Face value of NAB Wholesale Capital Notes 2	600	
Directly issued qualifying Additional Tier 1 instruments classified as liabilities	**6,859**	Row 32

4.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

Table E	As at 30 Sep 21 $m	Disclosure template row
Subordinated medium term notes	16,051	
Directly issued qualifying Tier 2 instruments	**16,051**	Row 46
Subordinated medium term notes	40	
Perpetual floating rate notes	4	
Directly issued Tier 2 instruments subject to phase out	**44**	Row 47

Table 4.3.D Entities Excluded from Level 2 Group Balance Sheet

The following table provides details of entities included in the accounting scope of consolidation and excluded from the regulatory scope of consolidation.

		As at 30 Sep 21	
Entity name	**Principal activity**	**Total assets $m**	**Total liabilities $m**
BNZ Life Insurance Limited	Insurance	126	17
NAB Trust Services Limited	Trustee	11	-
National Australia Managers Limited	Funds Manager	2	-
National RMBS Trust 2018-1	Securitisation	769	770
National RMBS Trust 2018-2	Securitisation	797	798

Table 4.3.E Countercyclical Capital Buffer

The countercyclical capital buffer represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 capital of up to 2.5% of RWA. It is calculated in accordance with APS 110 (Attachment C). Its primary objective is to use a buffer of capital to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk.

The following table provides the geographic breakdown of private sector credit exposures (gross of eligible financial collateral) and associated RWA that are used to calculate the Level 2 Group's countercyclical capital buffer ratio. The geographic breakdown is at a country level based on the country of ultimate risk.

	As at 30 Sep 21			
Country	**Countercyclical capital buffer %**	**Private sector credit exposure $m**	**RWA $m**	**ADI-specific buffer %**
Hong Kong	1.00	4,251	1,305	0.004
Luxembourg	0.50	1,648	578	0.001
Other	-	936,941	321,990	0.000
Total	**n/a**	**942,840**	**323,873**	**0.005**

4.4 LEVERAGE RATIO

The leverage ratio is a non-risk based measure that uses exposures to supplement the RWA based capital requirements. It is calculated in accordance with APS 110 (Attachment D). The leverage ratio is intended to:

- restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy
- reinforce the risk-based requirements with a simple, transparent, non-risk based supplementary measure.

The leverage ratio calculation is presented in the disclosure template below. The leverage ratio decreased from 5.99% at 31 March 2021 to 5.83% at 30 September 2021, due to a relatively larger increase in total exposures ($70.7 billion or 7.2%) than the increase in Tier 1 capital ($2.6 billion or 4.4%).

The increase in Tier 1 capital was mainly due to the MLC Wealth business sale and an increase in retained profits.

The increase in total exposures was primarily driven by an increase in on-balance sheet exposures of $64.4 billion, mainly related to an increase in amounts due from other banks and loans and advances of $31.4 billion and $31.6 billion respectively. In addition, there was an increase in other off-balance sheet exposures of $8.6 billion, due to the volume of off-balance sheet exposures and a change in classification of insurance standby letters of credit from performance to financial guarantees, which attracts a higher conversion to credit equivalent amount.

Table 4.4.A Leverage Ratio Disclosure Template

		As at	
		30 Sep 21	31 Mar 21
		$m	$m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	832,126	769,067
2	(Asset amounts deducted in determining Tier 1 capital)	(8,412)	(9,712)
3	**On-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**823,714**	**759,355**
Derivative exposures[1]			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,594	10,234
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	19,557	21,532
6	Gross-up for derivatives collateral provided where not included in on-balance sheet items	1,341	1,397
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(3,876)	(3,506)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	1,068	888
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(100)	(105)
11	**Derivative exposures (sum of rows 4 to 10)**	**28,584**	**30,440**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	74,616	76,730
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(9,865)	(6,414)
14	Counterparty Credit Risk (CCR) exposure for SFT assets	15,171	9,962
15	Agent transaction exposures	-	-
16	**Securities financing transaction exposures (sum of rows 12 to 15)**	**79,922**	**80,278**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	213,263	205,999
18	(Adjustments for conversion to credit equivalent amounts)	(97,888)	(99,202)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**115,375**	**106,797**
Capital and total exposures			
20	**Tier 1 capital**	**61,073**	**58,487**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**1,047,595**	**976,870**
Leverage ratio			
22	**Leverage ratio**	**5.83%**	**5.99%**

(1) Derivative exposures under the current exposure method.

4.4 LEVERAGE RATIO (CONTINUED)

Table 4.4.B Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

		As at	
		30 Sep 21	31 Mar 21
		$m	$m
Items			
1	Total consolidated assets as per published financial statements	925,968	871,573
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1,571)	(1,713)
3	Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	1,064	(37)
5	Adjustment for SFTs	15,171	9,962
6	Adjustment for off-balance sheet exposures (credit equivalent amount)	115,375	106,797
7	Other adjustments	(8,412)	(9,712)
8	**Leverage ratio exposure**	**1,047,595**	**976,870**

5.1 GENERAL DISCLOSURES

Credit risk is the potential that a customer will fail to meet its obligations to the Group in accordance with agreed terms.

The Group's approach to credit risk management is designed to:

- shape and inform the future credit risk portfolio and Group's broader strategic priorities
- maintain exposure to credit risk within acceptable parameters while maximising the Group's risk-adjusted rate of return and ensure alignment to risk appetite
- be embedded within the Group's day-to-day business.

Governance

The Board delegates credit decision-making authority to the Board Risk and Compliance Committee and then through the organisation via the Group CEO, Group Chief Risk Officer and Group Chief Credit and Market Risk Officer, who set the Delegated Commitment Authority (DCA) framework. The Group Chief Credit and Market Risk Officer sub-delegates the decision-making authority to the Group's divisions and individuals.

The Executive Risk and Compliance Committee and its subcommittees oversee the Group's credit risk appetite, principles, policies, models and systems for the management of credit risk. Internal risk committees oversee implementation of these disciplines at a divisional level.

The Board Risk and Compliance Committee or its delegates are able to set limits on the amount of risk accepted at single counterparty, counterparty group, geographic or industry levels. These limits are consistent with the Group's risk appetite. Such risks are monitored on a regular basis and are subject to annual or more frequent reviews.

Management

Exposure to credit risk is managed by regularly analysing the ability of current and potential future counterparties to meet principal and interest repayment obligations, and by changing lending limits and lending conditions where appropriate.

Group credit policy encompasses the Group's:

- credit risk appetite and principles
- credit underwriting standards
- approach to ensure compliance with regulatory standards.

Senior management and line management within each division have primary responsibility for ensuring their respective areas follow the Group's credit policies, processes and standards.

The risk functions are charged with implementing a sound risk framework to maintain appropriate asset quality across the Group in line with credit risk appetite, credit risk underwriting standards and policy.

Risk plays a key role in managing risk appetite, credit risk oversight, portfolio measurement, assisting businesses with portfolio management, and measuring compliance with strategic targets and limits. Risk also:

- owns the credit risk policies and systems, concentration limits, large counterparty credit approvals and the management of large underperforming loans
- ensures that such policies and systems comply with the various regulatory and prudential requirements
- owns and monitors the performance of credit models and methodology.

A key assurance area across non-retail banking activities is the Credit Assurance function. This function independently reviews and reports on asset quality across transaction-managed lending portfolios. The function operates independently from the credit approval process and reports its findings to the respective divisions and risk management committees highlighting adverse trends and required remedial action.

Monitoring and Reporting

The Group has a comprehensive process for reporting credit and asset quality. The Group Chief Risk Officer receives regular reports covering credit risk, credit quality, asset concentrations, asset quality, Environmental, Social or Governance risk, material exposures, defaults and assurance outcomes for retail and non-retail loans. These reports incorporate key credit risk measures including detailed analysis of concentration risk, large credit approvals and updates on defaulted counterparties. Key reports are provided to internal committees and the Board Risk and Compliance Committee.

Periodically the Board Risk and Compliance Committee and the Executive Risk and Compliance Committee are provided with portfolio and industry reviews.

Definitions of Default and Impairment

Default occurs when a loan obligation is 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions, such as realisation of security.

5.1 GENERAL DISCLOSURES (CONTINUED)

A facility is classified as impaired when the ultimate ability to collect principal and interest and other amounts (including legal, enforcement and realisation costs) in a timely manner is compromised.

Impaired facilities consist of:

- retail loans (excluding unsecured portfolio-managed facilities) which are contractually 90 days past due with insufficient security to cover principal and interest
- unsecured portfolio-managed facilities which are 180 days past due (if not written off)
- non-retail loans which are contractually past due and/or sufficient doubt exists about the ability to collect principal and interest in a timely manner
- off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

For eligible COVID-19 payment deferrals granted in respect of otherwise performing loans, the counting of days past due is stopped when the repayment deferral is granted in accordance with APRA guidance.

Creation of Provisions, the General Reserve for Credit Losses and Write-offs

Specific provision for credit impairment

A specific provision is raised for impaired facilities for which a loss is expected and represents the estimated shortfall between the gross carrying value of the asset and the estimated future cash flows, including the estimated realisable value of securities after costs.

Collective provision for credit impairment

Collective provisions are raised for facilities that are performing or facilities in default but for which no loss is expected. This process involves grouping financial assets with similar credit risk characteristics and collectively assessing them for expected loss in accordance with the requirements of Australian Accounting Standard AASB 9 *Financial Instruments*.

The assessment of collective provisions for retail assets relies on the portfolio delinquency profile and risk characteristics of credit rating models, while the non-retail assessment relies on the risk characteristics of credit rating models.

Collective provisions also incorporate an estimate of the expected loss using management's forward looking assessment of macroeconomic and industry specific factors. This process includes judgements and estimates that the Group believes to be reasonable in line with the requirements of AASB 9.

Provisions for facilities in default but for which no loss is expected are reported as additional regulatory specific provisions in this report.

General Reserve for Credit Losses (GRCL)

APS 220 *Credit Quality* requires a reserve to be held to cover credit losses estimated but not certain to arise in the future over the full life of all individual facilities. The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions for facilities in default but for which no loss is expected (which are reported as additional regulatory specific provisions). The GRCL represents an appropriation of retained profits to non-distributable reserves when the regulatory reserve is greater than the accounting provision.

Write-offs

Where there is no reasonable expectation of recovery of a portion or the entire value of an exposure, a write-off is reflected against the related provision. Such assets are written off after all the necessary recovery procedures have been completed and the amount of the loss has been determined. Recoveries of amounts post write-off are offset against the credit impairment charge in the income statement.

Presentation of Credit Risk Information

Information presented in this section excludes credit risk information in respect of certain securitisation exposures and other assets, claims and exposures. In particular, it excludes information on third party securitisation exposures and own asset securitisations with capital relief which have separate disclosures in Section 6 *Securitisation*.

Exposure at default throughout this section represents credit risk exposures net of offsets for eligible financial collateral, except where indicated.

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.A Credit Risk Exposures Summary

The following table provides information on credit exposures and asset quality.

	As at 30 Sep 21					6 months ended 30 Sep 21
	Exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss (EL)	Impaired facilities	Specific provision for credit impairment	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach						
Corporate (including SME)	285,466	128,615	1,314	691	396	111
Sovereign	174,383	1,608	3	-	-	-
Bank	28,429	6,404	9	-	-	-
Retail SME	16,901	6,330	200	93	65	28
Residential mortgage	412,110	110,557	1,104	291	95	27
Qualifying revolving retail	8,932	2,206	102	-	-	32
Other retail	2,841	2,030	77	5	4	19
Total IRB approach	**929,062**	**257,750**	**2,809**	**1,080**	**560**	**217**
Specialised lending	**68,170**	**58,870**	**865**	**142**	**75**	**12**
Subject to standardised approach						
Corporate	11,060	4,445	-	19	24	3
Residential mortgage	1,991	979	-	17	5	-
Other	1,158	419	-	-	-	-
Total standardised approach	**14,209**	**5,843**	**-**	**36**	**29**	**3**
Total exposure at default	**1,011,441**	**322,463**	**3,674**	**1,258**	**664**	**232**

	As at 31 Mar 21					6 months ended 31 Mar 21
	Exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss (EL)	Impaired facilities	Specific provision for credit impairment	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach						
Corporate (including SME)	268,715	126,791	1,583	1,022	515	46
Sovereign	125,352	1,720	3	-	-	-
Bank	32,853	8,026	11	-	-	-
Retail SME	16,810	6,168	202	95	63	12
Residential mortgage	393,688	111,366	1,108	316	104	19
Qualifying revolving retail	9,277	2,438	119	-	-	31
Other retail	3,012	2,178	96	4	3	18
Total IRB approach	**849,707**	**258,687**	**3,122**	**1,437**	**685**	**126**
Specialised lending	**65,996**	**57,471**	**941**	**217**	**95**	**1**
Subject to standardised approach						
Corporate	10,515	4,241	-	4	10	-
Residential mortgage	1,638	1,255	-	11	4	-
Other	1,117	432	-	-	-	-
Total standardised approach	**13,270**	**5,928**	**-**	**15**	**14**	**-**
Total exposure at default	**928,973**	**322,086**	**4,063**	**1,669**	**794**	**127**

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.B Total and Average Credit Risk Exposures

The following table provides a breakdown of credit risk exposures between on and off-balance sheet. The table also includes average credit risk exposure, which is the simple average of the credit risk exposure at the beginning and end of the reporting period.

	As at 30 Sep 21				6 months ended 30 Sep 21
Exposure type	On-balance sheet $m	Non-market related off-balance sheet $m	Market related off-balance sheet $m	Total exposure at default $m	Average exposure at default $m
Subject to IRB approach					
Corporate (including SME)	172,229	88,633	24,604	**285,466**	277,091
Sovereign	149,836	1,613	22,934	**174,383**	149,867
Bank	17,368	1,729	9,332	**28,429**	30,641
Retail SME	12,280	4,621	-	**16,901**	16,856
Residential mortgage	355,868	56,242	-	**412,110**	402,899
Qualifying revolving retail	3,655	5,277	-	**8,932**	9,105
Other retail	1,814	1,027	-	**2,841**	2,927
Total IRB approach	**713,050**	**159,142**	**56,870**	**929,062**	**889,386**
Specialised lending	**58,403**	**8,669**	**1,098**	**68,170**	**67,083**
Subject to standardised approach					
Corporate	4,891	745	5,424	**11,060**	10,787
Residential mortgage	1,738	253	-	**1,991**	1,814
Other	1,158	-	-	**1,158**	1,138
Total standardised approach	**7,787**	**998**	**5,424**	**14,209**	**13,739**
Total exposure at default	**779,240**	**168,809**	**63,392**	**1,011,441**	**970,208**

	As at 31 Mar 21				6 months ended 31 Mar 21
Exposure type	On-balance sheet $m	Non-market related off-balance sheet $m	Market related off-balance sheet $m	Total exposure at default $m	Average exposure at default $m
Subject to IRB approach					
Corporate (including SME)	159,231	85,554	23,930	**268,715**	267,418
Sovereign	110,785	1,797	12,770	**125,352**	109,763
Bank	18,765	1,776	12,312	**32,853**	33,918
Retail SME	12,099	4,711	-	**16,810**	16,931
Residential mortgage	340,869	52,819	-	**393,688**	390,230
Qualifying revolving retail	4,073	5,204	-	**9,277**	9,335
Other retail	1,995	1,017	-	**3,012**	3,120
Total IRB approach	**647,817**	**152,878**	**49,012**	**849,707**	**830,715**
Specialised lending	**56,339**	**8,362**	**1,295**	**65,996**	**66,307**
Subject to standardised approach					**-**
Corporate	4,562	689	5,264	**10,515**	10,785
Residential mortgage	1,495	143	-	**1,638**	1,672
Other	1,115	2	-	**1,117**	1,081
Total standardised approach	**7,172**	**834**	**5,264**	**13,270**	**13,538**
Total exposure at default	**711,328**	**162,074**	**55,571**	**928,973**	**910,560**

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.C Credit Risk Exposures by Geography

The following table provides credit risk exposures by major geographical area, based on the booking office where the exposure was transacted.

	As at 30 Sep 21			
	Australia	New Zealand	Asia, Europe and Americas	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach				
Corporate (including SME)	189,169	43,313	52,984	**285,466**
Sovereign	150,784	14,485	9,114	**174,383**
Bank	16,569	3,349	8,511	**28,429**
Retail SME	15,165	1,736	-	**16,901**
Residential mortgage	358,494	53,616	-	**412,110**
Qualifying revolving retail	8,932	-	-	**8,932**
Other retail	1,244	1,597	-	**2,841**
Total IRB approach	**740,357**	**118,096**	**70,609**	**929,062**
Specialised lending	**58,669**	**7,737**	**1,764**	**68,170**
Subject to standardised approach				
Corporate	9,552	835	673	**11,060**
Residential mortgage	1,950	11	30	**1,991**
Other	1,158	-	-	**1,158**
Total standardised approach	**12,660**	**846**	**703**	**14,209**
Total exposure at default	**811,686**	**126,679**	**73,076**	**1,011,441**

	As at 31 Mar 21			
	Australia	New Zealand	Asia, Europe and Americas	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach				
Corporate (including SME)	180,631	41,530	46,554	**268,715**
Sovereign	99,280	10,474	15,598	**125,352**
Bank	21,232	3,671	7,950	**32,853**
Retail SME	15,092	1,718	-	**16,810**
Residential mortgage	345,335	48,353	-	**393,688**
Qualifying revolving retail	9,277	-	-	**9,277**
Other retail	1,335	1,677	-	**3,012**
Total IRB approach	**672,182**	**107,423**	**70,102**	**849,707**
Specialised lending	**56,968**	**7,296**	**1,732**	**65,996**
Subject to standardised approach				
Corporate	9,384	796	335	**10,515**
Residential mortgage	1,591	11	36	**1,638**
Other	1,117	-	-	**1,117**
Total standardised approach	**12,092**	**807**	**371**	**13,270**
Total exposure at default	**741,242**	**115,526**	**72,205**	**928,973**

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.D Credit Risk Exposures by Industry

The following table provides credit risk exposures by major industry type. Industry classifications follow ANZSIC Level 1 classifications. Exposures are disclosed based on the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties.

	As at 30 Sep 21														
	Accommodation and hospitality	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Government and public authorities	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Utilities	Other[1]	Total exposure at default
Exposure type	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Subject to IRB approach															
Corporate (including SME)	9,101	56,910	20,327	13,359	9,551	70,058	-	18,976	53	-	28,938	25,077	12,002	21,114	**285,466**
Sovereign	-	-	-	-	-	112,856	61,340	-	-	-	-	-	-	187	**174,383**
Bank	-	-	-	-	-	26,100	2,329	-	-	-	-	-	-	-	**28,429**
Retail SME	779	3,745	2,520	269	2,120	1,017	-	1,102	7	-	2,661	915	45	1,721	**16,901**
Residential mortgage	-	-	-	-	-	-	-	-	-	412,110	-	-	-	-	**412,110**
Qualifying revolving retail	-	-	-	-	-	-	-	-	8,932	-	-	-	-	-	**8,932**
Other retail	-	-	-	-	-	-	-	-	2,841	-	-	-	-	-	**2,841**
Total IRB approach	**9,880**	**60,655**	**22,847**	**13,628**	**11,671**	**210,031**	**63,669**	**20,078**	**11,833**	**412,110**	**31,599**	**25,992**	**12,047**	**23,022**	**929,062**
Specialised lending	**90**	**1,186**	**24**	**63,091**	**296**	**-**	**-**	**-**	**4**	**-**	**-**	**743**	**2,230**	**506**	**68,170**
Subject to standardised approach															
Corporate	11	96	432	25	76	6,787	-	245	10	75	578	128	6	2,591	**11,060**
Residential mortgage	-	-	-	-	-	-	-	-	-	1,991	-	-	-	-	**1,991**
Other	-	-	-	-	-	-	-	-	1,085	-	-	-	-	73	**1,158**
Total standardised approach	**11**	**96**	**432**	**25**	**76**	**6,787**	**-**	**245**	**1,095**	**2,066**	**578**	**128**	**6**	**2,664**	**14,209**
Total exposure at default	**9,981**	**61,937**	**23,303**	**76,744**	**12,043**	**216,818**	**63,669**	**20,323**	**12,932**	**414,176**	**32,177**	**26,863**	**14,283**	**26,192**	**1,011,441**

(1) Other includes health and community services, and education.

5.1 GENERAL DISCLOSURES (CONTINUED)

	As at 31 Mar 21														
	Accommodation and hospitality	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Government and public authorities	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Utilities	Other[1]	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach															
Corporate (including SME)	8,837	52,385	20,139	12,681	9,214	62,344	-	18,112	60	-	27,609	25,318	11,539	20,477	**268,715**
Sovereign	-	-	-	-	-	67,689	57,491	-	-	-	-	-	-	172	**125,352**
Bank	-	-	-	-	-	30,513	2,340	-	-	-	-	-	-	-	**32,853**
Retail SME	785	3,752	2,457	293	2,096	1,067	-	1,070	7	-	2,636	897	44	1,706	**16,810**
Residential mortgage	-	-	-	-	-	-	-	-	-	393,688	-	-	-	-	**393,688**
Qualifying revolving retail	-	-	-	-	-	-	-	-	9,277	-	-	-	-	-	**9,277**
Other retail	-	-	-	-	-	-	-	-	3,012	-	-	-	-	-	**3,012**
Total IRB approach	**9,622**	**56,137**	**22,596**	**12,974**	**11,310**	**161,613**	**59,831**	**19,182**	**12,356**	**393,688**	**30,245**	**26,215**	**11,583**	**22,355**	**849,707**
Specialised lending	**73**	**1,153**	**24**	**60,564**	**303**	**-**	**-**	**-**	**4**	**-**	**-**	**978**	**2,201**	**696**	**65,996**
Subject to standardised approach															
Corporate	13	107	412	25	68	6,428	-	252	14	86	517	141	3	2,449	**10,515**
Residential mortgage	-	-	-	-	-	-	-	-	-	1,638	-	-	-	-	**1,638**
Other	-	-	-	-	-	-	-	-	1,040	19	-	-	-	58	**1,117**
Total standardised approach	**13**	**107**	**412**	**25**	**68**	**6,428**	**-**	**252**	**1,054**	**1,743**	**517**	**141**	**3**	**2,507**	**13,270**
Total exposure at default	**9,708**	**57,397**	**23,032**	**73,563**	**11,681**	**168,041**	**59,831**	**19,434**	**13,414**	**395,431**	**30,762**	**27,334**	**13,787**	**25,558**	**928,973**

(1) Other includes health and community services, and education.

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.E Credit Risk Exposures by Maturity

The following table provides a breakdown of credit risk exposures by residual contractual maturity.

Overdraft and other similar revolving facilities are allocated to the maturity bucket that most appropriately captures the maturity characteristics of the product. The maturity of derivatives subject to an International Swaps and Derivatives Association (ISDA) netting agreement is based on individual contract maturity. No specified maturity includes exposures related to credit cards, on demand facilities and guarantees with no fixed maturity date.

	As at 30 Sep 21				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	102,394	152,354	23,310	7,408	285,466
Sovereign	101,368	27,237	45,679	99	174,383
Bank	15,971	10,387	2,051	20	28,429
Retail SME	6,459	7,143	2,709	590	16,901
Residential mortgage	23,686	6,307	382,117	-	412,110
Qualifying revolving retail	-	-	-	8,932	8,932
Other retail	227	768	267	1,579	2,841
Total IRB approach	**250,105**	**204,196**	**456,133**	**18,628**	**929,062**
Specialised lending	**28,647**	**36,366**	**2,839**	**318**	**68,170**
Subject to standardised approach					
Corporate	5,161	2,917	2,851	131	11,060
Residential mortgage	179	22	1,790	-	1,991
Other	1,008	150	-	-	1,158
Total standardised approach	**6,348**	**3,089**	**4,641**	**131**	**14,209**
Total exposure at default	**285,100**	**243,651**	**463,613**	**19,077**	**1,011,441**

	As at 31 Mar 21				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	100,499	137,548	23,177	7,491	268,715
Sovereign	67,104	18,222	39,918	108	125,352
Bank	19,535	10,991	2,321	6	32,853
Retail SME	6,779	6,983	2,443	605	16,810
Residential mortgage	24,611	6,621	362,456	-	393,688
Qualifying revolving retail	-	-	-	9,277	9,277
Other retail	251	852	254	1,655	3,012
Total IRB approach	**218,779**	**181,217**	**430,569**	**19,142**	**849,707**
Specialised lending	**32,861**	**29,133**	**3,634**	**368**	**65,996**
Subject to standardised approach					
Corporate	5,048	2,642	2,690	135	10,515
Residential mortgage	111	37	1,490	-	1,638
Other	995	119	3	-	1,117
Total standardised approach	**6,154**	**2,798**	**4,183**	**135**	**13,270**
Total exposure at default	**257,794**	**213,148**	**438,386**	**19,645**	**928,973**

5.1 GENERAL DISCLOSURES (CONTINUED)

Credit Provisions and Losses

Table 5.1.F Provisions by Asset Class

The following table provides information on asset quality.

	As at 30 Sep 21			6 months ended 30 Sep 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	691	334	396	(20)	111
Retail SME	93	323	65	30	28
Residential mortgage	291	3,818	95	14	27
Qualifying revolving retail	-	22	-	41	32
Other retail	5	36	4	20	19
Total IRB approach	**1,080**	**4,533**	**560**	**85**	**217**
Specialised lending	**142**	**85**	**75**	**(7)**	**12**
Subject to standardised approach					
Corporate	19	2	24	18	3
Residential mortgage	17	23	5	1	-
Total standardised approach	**36**	**25**	**29**	**19**	**3**
Total	**1,258**	**4,643**	**664**	**97**	**232**
Additional regulatory specific provisions			1,444		
Total regulatory specific provisions			**2,108**		
General reserve for credit losses			**3,271**		

	As at 31 Mar 21			6 months ended 31 Mar 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	1,022	337	515	15	46
Retail SME	95	326	63	10	12
Residential mortgage	316	4,836	104	12	19
Qualifying revolving retail	-	21	-	34	31
Other retail	4	46	3	12	18
Total IRB approach	**1,437**	**5,566**	**685**	**83**	**126**
Specialised lending	**217**	**62**	**95**	**(1)**	**1**
Subject to standardised approach					
Corporate	4	1	10	2	-
Residential mortgage	11	35	4	-	-
Total standardised approach	**15**	**36**	**14**	**2**	**-**
Total	**1,669**	**5,664**	**794**	**84**	**127**
Additional regulatory specific provisions			1,547		
Total regulatory specific provisions			**2,341**		
General reserve for credit losses			**3,662**		

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.G Provisions by Industry

The following table provides asset quality information by industry. Industry classifications follow ANZSIC Level 1 classifications.

	As at 30 Sep 21			6 months ended 30 Sep 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation and hospitality	68	55	45	5	5
Agriculture, forestry, fishing and mining	138	171	46	(16)	31
Business services and property services	156	71	99	21	8
Commercial property	162	102	82	(6)	19
Construction	43	70	30	6	9
Finance and insurance	18	21	15	1	-
Manufacturing	68	64	46	5	-
Personal	7	60	3	58	62
Residential mortgages	308	3,841	100	15	27
Retail and wholesale trade	137	95	79	(9)	43
Transport and storage	91	54	60	8	20
Utilities	-	1	-	-	-
Other[1]	62	38	59	9	8
Total	**1,258**	**4,643**	**664**	**97**	**232**
Additional regulatory specific provisions			**1,444**		

(1) Other includes health and community services, and education.

	As at 31 Mar 21			6 months ended 31 Mar 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge[1]	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation and hospitality	79	55	45	4	3
Agriculture, forestry, fishing and mining	357	114	91	-	4
Business services and property services	134	89	67	14	13
Commercial property	239	76	104	3	2
Construction	59	80	34	11	4
Finance and insurance	39	16	34	1	-
Manufacturing	61	44	44	(24)	16
Personal	7	69	3	50	51
Residential mortgages	327	4,871	108	12	19
Retail and wholesale trade	187	130	131	(5)	6
Transport and storage	115	67	72	11	7
Utilities	-	1	-	-	-
Other[2]	65	52	61	7	2
Total	**1,669**	**5,664**	**794**	**84**	**127**
Additional regulatory specific provisions			**1,547**		

(1) The breakdown of specific credit impairment charge by industry for the six months ended 31 March 2021 has been restated from that previously disclosed.
(2) Other includes health and community services, and education.

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.H Provisions by Geography

The following table provides asset quality information by major geographical area, based on the booking office where the exposure was transacted.

	As at 30 Sep 21			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	1,015	4,498	526	4,043
New Zealand	222	140	128	625
Asia, Europe and Americas	21	5	10	47
Total	**1,258**	**4,643**	**664**	**4,715**
Additional regulatory specific provisions			1,444	(1,444)
Plus reserve created through retained profits				-
General reserve for credit losses (GRCL)				**3,271**

	As at 31 Mar 21			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
		$m	$m	$m
Geographic region				
Australia	1,198	5,509	601	4,549
New Zealand	453	148	184	614
Asia, Europe and Americas	18	7	9	46
Total	**1,669**	**5,664**	**794**	**5,209**
Regulatory specific provisions			1,547	(1,547)
Plus reserve created through retained profits				-
General reserve for credit losses (GRCL)				**3,662**

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.I Movement in Provisions

The following table provides details of the movement in provisions over the reporting period for both specific provisions and the GRCL.

	6 months ended 30 Sep 21 $m	6 months ended 31 Mar 21 $m
General reserve for credit losses		
Collective provision balance at beginning of period	4,975	5,191
Net transfer to specific provision	(83)	(77)
New and increased provision (net of releases)	(98)	(132)
Derecognised in respect of a sale of loans	(299)	-
Foreign currency translation and other adjustments	26	(7)
Collective provision on loans and advances at amortised cost	4,521	4,975
Collective provision on loans and derivatives at fair value	194	234
Less additional regulatory specific provisions	(1,444)	(1,547)
General reserve for credit losses	**3,271**	**3,662**
Specific provisions		
Balance at beginning of period	770	820
Net transfer from collective provision	83	77
New and increased provision (net of releases)	214	138
Write-back of specific provision	(172)	(98)
Write-off from specific provision	(250)	(163)
Foreign currency translation and other adjustments	5	(4)
Specific provision on loans and advances at amortised cost	650	770
Specific provision on loans at fair value	14	24
Additional regulatory specific provisions	1,444	1,547
Total regulatory specific provisions	**2,108**	**2,341**
Total provisions	**5,379**	**6,003**

Factors Impacting Loss Experience in the Period

90+ days past due loans

90+ days past due facilities at 30 September 2021 decreased compared to 31 March 2021 due to improved delinquencies across the Australian mortgage portfolio.

Impaired facilities

Impaired facilities as at 30 September 2021 decreased compared to 31 March 2021 predominantly driven by work-outs for a small number of larger exposures in both the New Zealand dairy and Business and Private Banking business lending portfolios.

Specific provision for credit impairment

Specific provisions for credit impairment at 30 September 2021 decreased compared to 31 March 2021 mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Specific credit impairment charge

The specific credit impairment charge for the six months ended 30 September 2021 was $97 million, $13 million higher than the six months ended 31 March 2021. This was driven by the impairment of a small number of larger exposures in the Australian business lending portfolio, partially offset by write-backs for a small number of larger exposures in Business and Private Banking and New Zealand Banking.

Net write-offs

Net write-offs for the six months ended 30 September 2021 was $232 million, $105 million higher than the six months ended 31 March 2021, due to an increased level of write-off activity across the Group's business lending portfolio.

5.1 GENERAL DISCLOSURES (CONTINUED)

Table 5.1.J (i) Loss Experience

The following table provides annual actual losses (i.e. net write-offs) and EL, both calculated as an exposure weighted average (before credit risk mitigation). Actual losses are historical, whereas EL is a forward-looking measure of estimated loss that may be experienced over the next 12 months at a point in time.

Actual losses will differ from EL estimates as actual losses are a lag indicator of the quality of the assets in prior periods. Other differences between these measures are:

- actual losses do not take into account modelled economic costs such as internal workout costs factored into estimates of loss.
- EL is based on the quality of exposures at a point in time using long-run probability of default (PD) and stressed loss given default (LGD). In most periods actual losses would be below the EL estimate.
- EL includes expected losses on non-defaulted assets which is a function of long-run PDs and downturn stressed LGDs. For defaulted exposures, EL is based on the Group's best estimate of expected loss.

	30 Sep 21	
Exposure type subject to IRB approach	Exposure weighted average actual loss[1] $m	Exposure weighted average EL[1] $m
Corporate (including SME)	395	2,054
Sovereign	-	4
Bank	4	37
Retail SME	63	225
Residential mortgage	81	922
Qualifying revolving retail	163	208
Other retail	94	143
Total IRB approach	**800**	**3,593**

(1) Actual losses and EL averaged over a period of twelve years to 30 September 2021.

	31 Mar 21	
Exposure type subject to IRB approach	Exposure weighted average actual loss[1] $m	Exposure weighted average EL[1] $m
Corporate (including SME)	388	2,150
Sovereign	-	2
Bank	2	39
Retail SME	62	230
Residential mortgage	83	952
Qualifying revolving retail	165	219
Other retail	95	151
Total IRB approach	**795**	**3,743**

(1) Actual losses and EL averaged over a period of eleven years to 31 March 2021.

	30 Sep 20	
Exposure type subject to IRB approach	Exposure weighted average actual loss[1] $m	Exposure weighted average EL[1] $m
Corporate (including SME)	427	2,100
Sovereign	-	4
Bank	4	40
Retail SME	65	228
Residential mortgage	85	908
Qualifying revolving retail	171	214
Other retail	98	145
Total IRB approach	**850**	**3,639**

(1) Actual losses and EL averaged over a period of eleven years to 30 September 2020.

5.1 GENERAL DISCLOSURES (CONTINUED)

Accuracy of Risk Estimates

The following tables have been provided to compare the estimates of credit risk factors used within the calculation of regulatory capital with actual outcomes across asset classes. Estimates for specialised lending have not been included as these exposures are subject to the supervisory slotting criteria approach, which relies upon the application of supervisory risk-weights.

An explanation of the internal ratings process and the application of credit risk models to calculate PD, EaD and LGD is provided within Section 5.3 *Internal Ratings-based Portfolios*.

Table 5.1.J (ii) Accuracy of Risk Estimates for PD and EaD

The following table compares internal estimates of long-run PD with actual default rates. Averages of actual and estimated PD are calculated using the cohort that is not in default at the beginning of the reporting period and averaged out over the observation period since 2010.

The EaD ratio compares EaD for customers that are not in default at the beginning of the reporting period, with EaD prior to default for customers that defaulted.

	As at 30 Sep 21		
Exposure type	Average estimated PD[1] %	Average actual PD[1] %	Ratio of estimated to actual EaD
Subject to IRB approach			
Corporate (including SME)	1.70	1.68	1.1
Sovereign[2]	0.42	0.10	1.0
Bank[2]	0.38	0.10	1.1
Retail SME	2.25	2.12	1.1
Residential mortgage	0.92	0.91	1.0
Qualifying revolving retail	1.47	1.42	1.1
Other retail	2.69	2.80	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of twelve years to 30 September 2021.
(2) Average actual PDs for sovereign and bank exposures are based on a low number of observed defaults.

	As at 31 Mar 21		
Exposure type	Average estimated PD[1] %	Average actual PD[1] %	Ratio of estimated to actual EaD
Subject to IRB approach			
Corporate (including SME)	1.69	1.65	1.1
Sovereign[2]	0.44	0.06	1.2
Bank[2]	0.39	0.14	1.0
Retail SME	2.28	2.09	1.1
Residential mortgage	0.95	0.91	1.0
Qualifying revolving retail	1.57	1.43	1.1
Other retail	2.78	2.84	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of eleven years to 31 March 2021.
(2) Average actual PDs for sovereign and bank exposures are based on a low number of observed defaults.

5.1 GENERAL DISCLOSURES (CONTINUED)

Exposure type	As at 30 Sep 20 Average estimated PD[1] %	Average actual PD[1] %	Ratio of estimated to actual EaD
Subject to IRB approach			
Corporate (including SME)	1.71	1.71	1.0
Sovereign[2]	0.43	0.10	1.2
Bank[2]	0.37	0.11	1.1
Retail SME	2.24	2.14	1.1
Residential mortgage	0.92	0.89	1.0
Qualifying revolving retail	1.51	1.48	1.1
Other retail	2.72	2.86	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of eleven years to 30 September 2020.
(2) Average actual PDs for sovereign and bank exposures are based on a low number of observed defaults.

Table 5.1.J (iii) Accuracy of Risk Estimates for LGD

The following table compares internal estimates of downturn LGD at the beginning of the year with actual losses.

Actual LGD has been calculated using net write-offs from defaults over the observation period since 2010 to the reporting date, excluding recent defaults to allow sufficient time to complete the workout of the asset and recognition of any losses. For defaults relating to qualifying revolving retail and other retail, this period is the most recent 12 months and for all other asset classes this period is the most recent two years.

Exposure type	As at 30 Sep 21 Average estimated downturn LGD[1] %	Average actual LGD[1] %
Subject to IRB approach		
Corporate (including SME)[2]	38.2	21.8
Sovereign	45.0	n/a
Bank	51.1	-
Retail SME	34.9	18.0
Residential mortgage[2]	20.5	4.3
Qualifying revolving retail	84.8	53.5
Other retail	75.6	45.1

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the twelve years to 30 September 2021.
(2) Estimated downturn LGD subject to APRA and RBNZ imposed regulatory floors.

Exposure type	As at 31 Mar 21 Average estimated downturn LGD[1] %	Average actual LGD[1] %
Subject to IRB approach		
Corporate (including SME)[2]	38.4	21.7
Sovereign	45.0	n/a
Bank	52.9	1.0
Retail SME	35.2	17.8
Residential mortgage[2]	20.5	4.3
Qualifying revolving retail	85.4	53.8
Other retail	76.1	46.3

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eleven years to 31 March 2021.
(2) Estimated downturn LGD subject to APRA and RBNZ imposed regulatory floors.

5.1 GENERAL DISCLOSURES (CONTINUED)

	As at 30 Sep 20	
	Average estimated downturn LGD[1]	Average actual LGD[1]
Exposure type	**%**	**%**
Subject to IRB approach		
Corporate (including SME)[2]	38.5	22.9
Sovereign	45.0	n/a
Bank	51.1	1.3
Retail SME	35.2	18.3
Residential mortgage[2]	20.5	4.7
Qualifying revolving retail	85.3	54.0
Other retail	75.9	45.6

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eleven years to 30 September 2020.
(2) Estimated downturn LGD subject to APRA and RBNZ imposed regulatory floors.

5.2 STANDARDISED AND SUPERVISORY SLOTTING PORTFOLIOS

Standardised Credit Risk Portfolios

There are several regulatory prescribed portfolios (such as qualifying central clearing counterparties, self-managed superannuation funds and margin lending), plus some other small portfolios where the standardised approach to credit risk is applied by the Group.

Fitch Ratings, Moody's Investor Services and S&P Global Ratings credit ratings are used to determine the risk-weights within the APRA standardised approach, as presented in the table below. APRA's external rating grades table is used to map external ratings into an external rating grade or credit rating grade that defines the appropriate risk-weight as outlined in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

External rating grade classification

External rating grade	S&P	Moody's	Fitch
1	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-
2	A+, A, A-	A1, A2, A3	A+, A, A-
3	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
4	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-
5	B+, B, B-	B1, B2, B3	B+, B, B-
6	CCC+, CCC, CCC-, CC, C, D	Caa1, Caa2, Caa3, Ca, C	CCC+, CCC, CCC-, CC, C, D

Table 5.2.A Standardised Exposures by Risk-weight

The following table provides credit risk exposures subject to the standardised approach by risk-weight.

	As at	
	30 Sep 21	31 Mar 21
	Exposure at default	Exposure at default
Risk-weights	$m	$m
2%	5,401	5,171
4%	261	186
20%	2,046	1,979
35%	1,056	131
50%	413	333
75%	477	523
100%	4,347	4,751
150%	22	40
Central counterparty default fund contribution guarantee[1]	186	156
Total exposure at default subject to the standardised approach	**14,209**	**13,270**

(1) Default fund contributions to qualifying central clearing counterparties are shown separately as they do not align to the risk-weights above.

5.2 STANDARDISED AND SUPERVISORY SLOTTING PORTFOLIOS (CONTINUED)

Table 5.2.B Standardised Exposures by Risk Grade

The following table provides credit risk exposures subject to the standardised approach by risk grade.

	As at	
	30 Sep 21	31 Mar 21
Asset class by rating grade	Exposure at default $m	Exposure at default $m
Corporate		
External rating grade 1	4,459	3,836
External rating grade 2	1,615	1,738
Unrated	4,986	4,941
Sub-total	11,060	10,515
Residential mortgage		
Unrated	1,991	1,638
Other		
Unrated	1,158	1,117
Total exposure at default subject to the standardised approach	**14,209**	**13,270**

Portfolios Subject to Supervisory Risk-weights in the IRB Approach

Specialised lending is represented by the following four sub-asset classes:

- project finance exposures
- income-producing real estate exposures
- object finance exposures
- commodities finance exposures.

The Group maps its internal rating grades for specialised lending to the five supervisory slotting categories of strong, good, satisfactory, weak and default. The criteria to map these exposures are outlined in APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (Attachment F). For income- producing real estate, the Group maps a combination of internal rating grade and LGD to the supervisory slotting categories. Each slotting category is associated with a specific risk-weight for unexpected loss that broadly corresponds to a range of external credit assessments as detailed below.

Supervisory category	Risk-weight	External rating equivalent
Strong	70%	BBB- or better
Good	90%	BB+ or BB
Satisfactory	115%	BB- or B+
Weak	250%	B to C
Default	N/A	N/A

Table 5.2.C Supervisory Slotting Exposures by Risk-weight

The following table provides credit exposures for specialised lending products subject to supervisory slotting by risk-weight.

	As at	
	30 Sep 21	31 Mar 21
Risk-weights	Exposure at default $m	Exposure at default $m
70%	26,064	24,521
90%	34,101	32,973
115%	6,896	7,302
250%	623	586
Default	486	614
Total specialised lending exposure subject to supervisory slotting	**68,170**	**65,996**

5.3 INTERNAL RATINGS-BASED PORTFOLIOS

General Disclosure on the Internal Ratings-based Approach

The Group has been accredited by APRA and RBNZ to use its internal credit models and processes in determining RWA for its retail and non-retail credit portfolios across its NAB and BNZ banking operations.

The Group's internal ratings system measures credit risk using PD, EaD and LGD. Distinct PD, EaD and LGD models exist for the retail and non-retail credit portfolios, based on asset classes and customer segments.

Non-retail customers are assessed individually using a combination of expert judgement and statistical risk rating tools. For retail customers, operational scorecards are the primary method of risk rating. Rating approaches for each asset class are summarised in the table below.

Exposure type	Description	Rating approach
Non-retail exposures		
Corporate (including SME)	Companies, partnerships or proprietorships not classified elsewhere, including non-banking entities held by banks.	Statistical risk model, external credit rating and expert judgement
Sovereign	Sovereign and Australian dollar claims on the RBA. Sovereign includes government guaranteed exposures.	Statistical risk model, external credit rating and expert judgement
Bank	ADIs and overseas banks.	Statistical risk model, external credit rating and expert judgement
Retail SME	Small business and agriculture exposures where the total aggregated business related exposures of the customer and its related entities are less than $1 million.	Statistical risk model
Specialised lending	Exposures associated with the financing of individual projects where the repayment is highly dependent on the performance of the underlying pool or collateral, rather than the customer's creditworthiness. Specialised lending includes project finance, income-producing real estate, object finance and commodities finance.	Statistical risk model, expert judgement, supervisory slotting
Retail exposures		
Residential mortgage	Exposures partly or fully secured by residential properties.	Statistical risk model
Qualifying revolving retail	Consumer credit card exposures less than $100,000, excluding BNZ credit cards (which are classified as other retail under RBNZ rules).	Statistical risk model
Other retail	Retail exposures other than residential mortgage and qualifying revolving retail. Other retail includes personal loan products, overdrafts, transaction account exposures and BNZ credit cards.	Statistical risk model

Internal Risk Rating and External Ratings

The structure of the internal risk rating system and its relationship with external ratings is outlined below.

Description	Internal rating	Probability of default (%)	S&P rating	Moody's rating
Super senior investment grade	1, 2	0<0.03	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3
Senior investment grade	3, 4, 5	0.03<0.11	A+, A, A-	A1, A2, A3
Investment grade	6, 7, 8, 9, 10, 11	0.11<0.55	BBB+, BBB, BBB-	Baa1, Baa2, Baa3
Acceptable	12, 13, 14, 15, 16, 17, 18, 19	0.55<5.01	BB+, BB, BB-, B+	Ba1, Ba2, Ba3, B1
Weak/doubtful	20, 21, 22, 23	5.01<99.99	B, B-, CCC+, CCC, CCC-	B2, B3, Caa,Ca
Default	98, 99	100	D	C

Internal Ratings-based Approach Overview

Probability of Default (PD)

PD measures the likelihood that a customer will default within a 12 month period. The Group uses two types of PD estimates:

- Point in time, which estimates the likelihood of default in the next 12 months taking account of the current economic conditions. Point in time PDs are used for management of the portfolio and the collective provision calculation.
- Through the cycle, which estimates the likelihood of default through a full credit cycle. Through the cycle PDs are used for regulatory and economic capital calculations.

The Group has a common masterscale across all counterparties (non-retail and retail) for PD.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Loss Given Default (LGD)

LGD measures the portion of the exposure owed to the Group that would be lost in the event of the customer defaulting. LGD is calculated by using a set of estimated parameters including loss given realisation, post-default path rates and bank value of collateral.

The Group applies stresses to the model factors to obtain downturn LGD estimates using internal data, external reference data and benchmarks, and by applying expert judgement or utilising regulatory imposed floors.

Exposure at Default (EaD)

EaD is calculated according to the facility type. The Group's EaD models predict the amount that is outstanding if the customer defaults. This amount includes principal, fees and interest owed at the time of default.

The Group applies stresses to the model factors to obtain downturn EaD estimates using internal data, benchmark studies and expert judgement.

Use of PD, LGD and EaD

PD, LGD and EaD estimates are used for various regulatory and internal credit risk calculations, such as EL, RWA, economic capital and provisioning.

Credit rating system control

In addition to monthly performance reporting, credit models are reviewed at least annually in accordance with Group Model Risk Policy. Regular independent reviews are also conducted.

The outcomes of the model validation process, including proposed actions, are presented to the authorised risk committees for review and endorsement of any actions for implementation.

Internal Ratings-based Approach for Non-Retail Credit

PD models

The Group has a number of PD models that differ by industry or segment, counterparty size and incorporate regional variances.

The rating model used is dependent on:
- industry, based on ANZSIC classification
- available financial information
- qualitative information
- exposure and product.

The quantitative factors consist of financial ratios and indicators, such as profitability, leverage and debt service coverage. The qualitative factors are based on qualitative data using the expert judgement of the lender and credit officer, such as management ability and industry outlook.

While factors predictive of default have broad similarities across segments (for example, debt service capability and management quality) and are inherently correlated, the modelling process establishes those factors that are most robustly predictive for each segment, along with their relative weightings. External benchmarking is used for certain segments that have insufficient internal data, a small population and/or low defaults. This is the case for externally rated banks and sovereigns, where external rating agency data is used. The resulting rating is updated at least annually.

EaD models

EaD is calculated according to the facility type. Conversion factors are used for estimating off-balance sheet exposures into an equivalent on-balance sheet amount, based on internal data.

Eligible collateral is determined in accordance with APS 112 (Attachment G).

LGD models

LGD for the non-retail portfolio is calculated by using a set of estimated parameters including post default path relativities, secured and unsecured loss experience as well as bank value of collateral. LGD is segmented by customer type, customer size and nature of facility.

As the market value of the collateral and unsecured recoveries is affected by credit cycle changes, the impact of a credit cycle downturn on LGD has been incorporated.

The Group also uses the following factors for non-retail credit LGD models:
- relevant external benchmarks
- secured and unsecured recovery rates
- time value of money
- principal and interest write-offs.

Where limited internal default data exists, data is supplemented by external benchmarks, market data and expert judgement.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Internal Ratings-based Approach for Retail Credit

PD models

Retail PD models are developed using:
- application data including external credit bureau data
- customer and account level behavioural data (for example, delinquency or limit utilisation).

Each account is scored to assign a PD. This process allows groups of accounts with similar scores to be pooled together and mapped to the PD masterscale.

Appropriate long run adjustments have been made to the models to account for performance over an economic cycle.

EaD models

Retail EaD models use a combination of credit conversion factors similar to those used in non-retail, and scaling factors.

For retail products, credit conversion factors have been developed mainly for revolving credit products, such as credit cards and overdrafts and estimate the amount of unutilised credit a customer may draw in the lead up to default.

Scaling factors are applied mainly to term lending products, where the customer has less availability of unutilised credit from which to draw in the lead up to default.

LGD models

Key account variables, such as months exposure held and balance, are identified and modelled to provide an estimate of the probability that a loan that has defaulted would return to full performance (i.e. cure).

For accounts that do not cure and are written off, internal recovery data is used to assess the ultimate loss (i.e. initial loss, less recoveries achieved, plus costs of recovery).

Adjustments based on external data and expert judgement are made to the LGD to account for a downturn in the economic cycle, and are applied by varying the cure and recovery rates.

In Australia, lenders mortgage insurance is generally required for borrowing where the Loan to Value Ratio is above 80% at origination. Such insurance does not currently influence the retail LGD metrics used. For loans secured by residential property, APRA has mandated the use of a supervisory floor of 20% for RWA purposes.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Portfolios Subject to IRB Approach

Table 5.3.A Non-retail Exposures by Risk Grade

The following table provides a breakdown of non-retail credit exposures by PD risk grade. Exposures have been categorised into PD grades as assessed by the Group's own internal ratings system, however for disclosure purposes have been categorised into bands that broadly correspond to externally recognised risk grades. Moody's Investor Services risk grades have been included as a reference point.

	As at 30 Sep 21						
	PD risk grade mapping						
External credit rating equivalent	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default							
Corporate (including SME)	-	69,784	102,714	87,064	19,642	4,617	1,645
Sovereign	169,384	4,830	66	2	101	-	-
Bank	-	25,635	2,738	52	1	3	-
Retail SME	-	1,945	5,444	5,922	2,244	719	627
Total exposure at default	**169,384**	**102,194**	**110,962**	**93,040**	**21,988**	**5,339**	**2,272**
Undrawn commitments[1]							
Corporate (including SME)	-	25,502	31,680	15,180	2,580	674	91
Sovereign	1,262	257	18	-	1	-	-
Bank	-	801	115	6	-	-	-
Retail SME	-	1,134	1,555	974	262	78	34
Total undrawn commitments	**1,262**	**27,694**	**33,368**	**16,160**	**2,843**	**752**	**125**
Subject to IRB approach							
Average exposure at default ($m)[2]							
Corporate (including SME)	-	2.13	0.88	0.57	0.36	0.37	0.43
Sovereign	50.23	3.37	0.38	0.01	1.82	0.01	-
Bank	-	0.31	0.60	0.89	0.03	0.25	-
Retail SME	-	0.04	0.05	0.05	0.04	0.02	0.04
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	50.7%	34.9%	29.8%	28.2%	30.8%	39.3%
Sovereign	4.0%	36.5%	45.0%	43.8%	15.3%	45.0%	-
Bank	-	50.7%	57.0%	59.6%	59.6%	59.6%	-
Retail SME	-	24.1%	24.8%	27.0%	28.3%	28.4%	32.9%
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	23.7%	39.7%	55.7%	69.3%	121.6%	187.2%
Sovereign	0.5%	12.5%	34.3%	102.3%	55.7%	186.3%	-
Bank	-	19.4%	50.1%	119.3%	170.6%	226.3%	-
Retail SME	-	5.9%	14.0%	31.4%	49.9%	80.4%	218.2%

(1) Undrawn commitments are included in total exposure shown above.
(2) Simple average of exposure by number of arrangements.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

	As at 31 Mar 21						
	PD risk grade mapping						
External credit rating equivalent	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
Subject to IRB approach	$m	$m	$m	$m	$m	$m	$m
Exposure at default							
Corporate (including SME)	-	62,227	95,559	83,289	20,271	5,002	2,367
Sovereign	118,037	7,137	66	8	104	-	-
Bank	-	29,240	3,471	137	2	3	-
Retail SME	-	2,111	5,585	5,710	2,078	636	690
Total exposure at default	**118,037**	**100,715**	**104,681**	**89,144**	**22,455**	**5,641**	**3,057**
Undrawn commitments[1]							
Corporate (including SME)	-	24,030	31,540	15,106	2,960	560	110
Sovereign	1,465	249	18	1	1	-	-
Bank	-	776	310	6	-	-	-
Retail SME	-	1,243	1,610	941	242	59	42
Total undrawn commitments	**1,465**	**26,298**	**33,478**	**16,054**	**3,203**	**619**	**152**

Subject to IRB approach							
Average exposure at default ($m)[2]							
Corporate (including SME)	-	1.87	0.82	0.57	0.37	0.39	0.40
Sovereign	31.76	5.03	0.33	0.05	2.03	0.03	-
Bank	-	1.87	0.05	2.54	0.06	0.28	-
Retail SME	-	0.04	0.05	0.04	0.04	0.02	0.04
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	50.5%	35.4%	30.6%	29.3%	31.5%	38.5%
Sovereign	4.0%	38.8%	44.9%	49.3%	15.2%	45.0%	-
Bank	-	52.3%	57.1%	59.6%	46.9%	59.6%	-
Retail SME	-	24.7%	25.8%	28.2%	28.7%	30.7%	33.8%
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	24.1%	39.7%	56.8%	71.5%	128.2%	189.9%
Sovereign	0.7%	11.4%	34.6%	91.3%	55.6%	147.5%	-
Bank	-	21.0%	50.4%	94.1%	141.6%	227.9%	-
Retail SME	-	6.1%	14.4%	32.7%	51.2%	85.8%	234.2%

(1) Undrawn commitments are included in total exposure shown above.
(2) Simple average of exposure by number of arrangements.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Table 5.3.B Retail Exposures by Risk Grade

The following table provides a breakdown of the retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades, ranging from super senior investment grade to defaulted exposures.

	As at 30 Sep 21					
	PD risk grade					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default						
Residential mortgage	61,451	192,651	129,881	13,127	10,509	4,491
Qualifying revolving retail	1,829	4,058	1,819	856	346	24
Other retail	769	567	689	511	259	46
Total exposure at default	**64,049**	**197,276**	**132,389**	**14,494**	**11,114**	**4,561**
Undrawn commitments[1]						
Residential mortgage	27,017	22,822	5,748	505	127	22
Qualifying revolving retail	1,669	2,902	562	102	38	2
Other retail	558	267	152	38	13	-
Total undrawn commitments	**29,244**	**25,991**	**6,462**	**645**	**178**	**24**
Subject to IRB approach						
Average exposure at default ($m)[2]						
Residential mortgage	0.17	0.33	0.30	0.40	0.43	0.36
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Other retail	small	small	small	0.01	small	small
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	19.9%	19.8%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.0%	74.6%	75.6%	75.6%	76.5%
Other retail	85.1%	82.2%	77.4%	74.5%	75.2%	83.1%
Exposure-weighted average risk-weight (%)						
Residential mortgage	4.8%	16.3%	33.0%	76.0%	125.3%	191.1%
Qualifying revolving retail	2.7%	8.6%	32.3%	69.5%	158.6%	317.4%
Other retail	12.6%	40.5%	86.1%	109.6%	146.5%	368.2%

(1) Undrawn commitments are included in total exposures shown above.
(2) Simple average of exposure by number of arrangements.

5.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

	As at 31 Mar 21					
	PD risk grade					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default						
Residential mortgage	60,549	180,327	121,424	14,068	11,786	5,534
Qualifying revolving retail	1,749	4,214	1,956	907	427	24
Other retail	756	609	736	548	307	56
Total exposure at default[1]	**63,054**	**185,150**	**124,116**	**15,523**	**12,520**	**5,614**
Undrawn commitments[2]						
Residential mortgage	26,204	20,512	5,460	514	102	27
Qualifying revolving retail	1,577	2,904	581	102	38	2
Other retail	527	276	157	41	15	1
Total undrawn commitments	**28,308**	**23,692**	**6,198**	**657**	**155**	**30**

Subject to IRB approach						
Average exposure at default ($m)[3]						
Residential mortgage	0.19	0.32	0.29	0.39	0.42	0.37
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Other retail	small	small	small	0.01	small	small
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.1%	19.9%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.1%	74.7%	75.5%	75.5%	76.9%
Other retail	85.1%	82.3%	77.5%	74.8%	75.8%	82.7%
Exposure-weighted average risk-weight (%)						
Residential mortgage	4.8%	16.3%	33.4%	77.0%	124.7%	210.4%
Qualifying revolving retail	2.7%	8.8%	32.0%	69.5%	161.8%	301.9%
Other retail	12.7%	40.0%	86.6%	110.1%	148.3%	252.1%

(1) Retail exposures with PD between 0 and 0.1% and 0.1 and 0.5% have been restated from that previously disclosed for the asset classes in this table to provide consistent grouping of amounts across all PD bands and reflect exposures with a 0.1% PD in the 0.1<0.5% band rather than the 0<0.1% band. Consequently, undrawn commitments, average exposure at default, exposure-weighted average LGD and exposure-weighted average risk-weight have also been restated.
(2) Undrawn commitments are included in total exposures shown above.
(3) Simple average of exposure by number of arrangements.

5.4 CREDIT RISK MITIGATION

The Group employs a range of techniques to reduce risk in its credit portfolio. Credit risk mitigation commences with an objective credit evaluation of the counterparty. This includes an assessment of the counterparty's character, industry, business model and capacity to meet its commitments without distress. Other methods to mitigate credit risk include a prudent approach to facility structure, collateral, lending covenants and terms and conditions.

Collateral Management

Collateral provides a secondary source of repayment for funds being advanced in the event that counterparty cannot meet its contractual repayment obligations.

Collateral commonly includes:
- fixed and floating charges over business assets
- residential, commercial and rural property
- cash deposits
- fixed income products
- listed shares, bonds or securities
- guarantees, letters of credit and pledges.

To ensure that collateral held is sufficiently liquid, legally valid, enforceable and regularly valued, credit risk policy provides a framework to:
- establish the amount and quality of collateral required to support an exposure
- determine acceptable valuation type and revaluation requirements for each collateral class
- record market value and bank value, being a conservative assessment of value in the event the collateral is realised.

Guarantees from financially sound parties are sometimes required to support funds advanced to a counterparty. This can reduce the risk of default on their obligations. Where allowed in credit risk policy, guarantors that are risk rated may enhance the counterparty customer rating.

Credit Hedging

Credit hedging is utilised in the banking book to avoid counterparty concentrations and achieve portfolio diversification.

Credit risk to individual hedge counterparties is mitigated through careful selection of either counterparties with strong credit quality (either investment grade or supported by appropriate credit support) and/or use of collateral agreements to manage net exposures.

Credit Exposure Netting

Credit exposure netting may be adopted to calculate counterparty credit exposures on a net basis. This recognises that the change in value for different products over time is not perfectly correlated. Transactions with positive value when netted may offset those with negative value.

Credit exposure netting is subject to execution of supporting legal documentation. A credit exposure measurement and reporting system manages the netting pools in accordance with that documentation.

Portfolio Management

The Risk function manages the overall risk of the corporate, sovereign and bank credit portfolios. Where credit risks are identified, a variety of techniques are used to mitigate the risk, including credit derivatives and, on occasion, the sale of loan assets (in consultation with the counterparties).

Internal reporting systems are utilised to record all:
- approved derivative, money market, credit line and/or credit trading facility limits
- credit exposure arising from securities sales and purchases, money market lines, commodities, trade, derivative and foreign exchange transactions
- country risk exposures for country limit purposes.

Limits may be established at a facility, product group or individual product level. A specialist administration unit operating independently from relationship managers, dealers and credit approvers record and maintain the limits.

5.4 CREDIT RISK MITIGATION (CONTINUED)

Table 5.4.A Mitigation by Eligible Financial Collateral

The following table provides credit risk exposures, in the form of gross exposures, covered by eligible financial collateral. The gross exposure amount is before the application of eligible financial collateral, and excludes positive haircut adjustments made in the calculation of exposure at default for repurchase agreements.

	As at 30 Sep 21	
Exposure type	Gross exposure $m	Covered by eligible financial collateral $m
Subject to IRB approach		
Corporate (including SME)	354,542	70,018
Sovereign	207,376	42,011
Bank	58,899	30,726
Retail SME	16,907	6
Residential mortgage	412,109	-
Qualifying revolving retail	8,932	-
Other retail	2,842	1
Total IRB approach	**1,061,607**	**142,762**
Specialised lending	**68,387**	**217**
Subject to standardised approach		
Corporate	44,712	33,652
Residential mortgage	1,991	-
Other	1,187	29
Total standardised approach	**47,890**	**33,681**
Total exposure at default	**1,177,884**	**176,660**

	As at 31 Mar 21	
Exposure type	Gross exposure $m	Covered by eligible financial collateral $m
Subject to IRB approach		
Corporate (including SME)	335,349	67,379
Sovereign	146,011	25,366
Bank	61,405	28,808
Retail SME	16,815	5
Residential mortgage	393,688	-
Qualifying revolving retail	9,277	-
Other retail	3,014	2
Total IRB approach	**965,559**	**121,560**
Specialised lending	**66,284**	**288**
Subject to standardised approach		
Corporate	41,667	31,153
Residential mortgage	1,638	-
Other	1,145	28
Total standardised approach	**44,450**	**31,181**
Total exposure at default	**1,076,293**	**153,029**

5.4 CREDIT RISK MITIGATION (CONTINUED)

Table 5.4.B Mitigation by Guarantees and Credit Derivatives

The following table provides credit risk exposures, in the form of gross exposure at default, covered by guarantees and credit derivatives. Gross exposure at default is before the application of eligible financial collateral.

	As at 30 Sep 21		
Exposure type	Gross exposure at default $m	Covered by guarantees $m	Covered by credit derivatives $m
Subject to IRB approach			
Corporate (including SME)	355,484	24,942	-
Sovereign	216,394	-	-
Bank	59,155	37	-
Retail SME	16,907	-	-
Residential mortgage	412,110	-	-
Qualifying revolving retail	8,932	-	-
Other retail	2,842	-	-
Total IRB approach	**1,071,824**	**24,979**	**-**
Specialised lending	**68,387**	**-**	**-**
Subject to standardised approach			
Corporate	44,712	-	-
Residential mortgage	1,991	-	-
Other	1,187	-	-
Total standardised approach	**47,890**	**-**	**-**
Total exposure at default	**1,188,101**	**24,979**	**-**

	As at 31 Mar 21		
Exposure type	Gross exposure at default $m	Covered by guarantees $m	Covered by credit derivatives $m
Subject to IRB approach			
Corporate (including SME)	336,094	27,009	-
Sovereign	150,718	-	-
Bank	61,661	50	-
Retail SME	16,815	-	-
Residential mortgage	393,688	-	-
Qualifying revolving retail	9,277	-	-
Other retail	3,014	-	-
Total IRB approach	**971,267**	**27,059**	**-**
Specialised lending	**66,284**	-	-
Subject to standardised approach			
Corporate	41,668	-	-
Residential mortgage	1,638	-	-
Other	1,145	-	-
Total standardised approach	**44,451**	-	**-**
Total exposure at default	**1,082,002**	**27,059**	**-**

5.5 COUNTERPARTY CREDIT RISK

This section describes the Group's approach to managing credit risk relating to derivatives. Counterparty Credit Risk is the risk that a counterparty to a transaction may default before final settlement of the transaction's cash flows. An economic loss would occur if a transaction with a defaulting counterparty has a positive economic value to the Group.

Credit Limits

Credit limits for derivatives are approved and assigned by an appropriately authorised DCA based on the same principles (i.e. amount, tenor, PD, LGD and product type), and internal credit policies used for approving loans.

Credit exposures for each transaction are measured as the current mark-to-market value and the potential future credit exposure which is an estimate of the future replacement cost.

Credit risk economic capital is then allocated to individual counterparty exposures based on their relative risk contribution to unexpected loss.

Limit excesses, whether they are active or passive, are subject to formal approval by a DCA.

Collateral

Counterparty credit exposures may be collateralised by an approved list of eligible collateral via market standard master agreements (ISDA master agreements and credit support annex). Eligible collateral may be subject to haircuts depending on asset type. Counterparties may also be subject to posting additional collateral before transacting.

Wrong Way Risk

Wrong way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Credit exposures and potential losses may increase under these circumstances as a result of market conditions. The Group manages these risks through the implementation of risk policies.

Downgrade Impact

As at 30 September 2021, the Group would need to post an estimated amount of $5 million of collateral in the event of a one notch downgrade to the Group's credit rating, and $6 billion in the event of a two notch downgrade.

5.5 COUNTERPARTY CREDIT RISK (CONTINUED)

Table 5.5.A (i) Net Derivatives Credit Exposure

The following table provides the calculation of net derivatives credit exposure. The exposure represents the EaD under the standardised approach for measuring counterparty credit risk exposures (SA-CCR).

	30 Sep 21	31 Mar 21
	$m	$m
Gross positive fair value of derivative contracts	83,592	91,722
Netting and collateral benefits	(71,049)	(79,345)
Replacement cost (RC)	**12,543**	**12,377**
Potential future credit exposure	13,932	15,349
Effective expected positive exposure	**26,475**	**27,726**
Impact of 1.4 scaling factor and incurred credit valuation adjustment[1]	10,471	10,932
Total net derivatives credit exposure	**36,946**	**38,658**

(1) Incurred credit valuation adjustment is the loss expensed for accounting purposes.

Table 5.5.A (ii) Distribution of Current Credit Exposure

The following table provides details of the net derivative credit exposure by type of derivative.

	30 Sep 21	31 Mar 21
	Exposure at default	Exposure at default
Exposure type	$m	$m
Interest rate contracts	11,363	12,063
Foreign exchange and gold contracts	17,386	17,050
Equity contracts	134	1,800
Commodity contracts other than precious metals	2,120	1,915
Other market related contracts	52	25
Central counterparty[1]	5,891	5,805
Total exposure at default	**36,946**	**38,658**

(1) Derivative contracts with qualifying central clearing counterparties have not been broken down by type of derivative.

Table 5.5.B Credit Derivative Transactions

The following table provides the notional value of credit derivative transactions, segregated between use for the Group's own credit portfolio, as well as in its intermediation activities. This is broken down further by protection bought and sold.

	As at 30 Sep 21			As at 31 Mar 21		
	Protection bought notional	Protection sold notional	Total notional	Protection bought notional	Protection sold notional	Total notional
Credit derivative products	$m	$m	$m	$m	$m	$m
Credit default swaps used for own credit portfolio	3,221	-	3,221	3,860	-	3,860
Credit default swaps used for intermediation	145	1,044	1,189	105	888	993
Total credit derivative notional value	**3,366**	**1,044**	**4,410**	**3,965**	**888**	**4,853**

Introduction

Securitisation is a financing structure where the cash flows from a pool of assets are used to service obligations to at least two different tranches or classes of creditors (typically holders of debt securities), with each class or tranche reflecting a different degree of credit risk (i.e. one class of creditors is entitled to receive payments from the pool before another class of creditors).

Objectives in Relation to Securitisation Activities

The Group engages in securitisation activities in relation to third parties, as well as its own assets.

Third party securitisation activities include arranging securitisation transactions and providing facilities and funding to securitisation special purpose vehicles (SPVs). They also include investing in securities issued by third-party securitisation SPVs through primary and secondary market transactions. These activities support client and portfolio management objectives, and generate fee and interest income.

Own asset securitisation activities may be used for funding, capital and liquidity management purposes. This involves the sale of assets originated by the Group to an SPV, which then issues notes to third party investors. Where significant credit risk transfer is achieved, regulatory capital relief may be achieved. Facilities such as liquidity facilities and interest rate swaps may be provided to the SPV on an arm's length basis.

The Group has also established internal securitisation SPVs and holds the issued residential mortgage-backed securities (RMBS). These internal RMBS are available as collateral for contingent liquidity purposes as outlined in Section 9.1 *Funding and Liquidity Risk*.

Roles

The major roles undertaken by the Group in respect of securitisation are set out in the table below.

Securitisation activity	Role
Third party	Arranger, Dealer, Joint Lead Manager, Cross Currency Swap Provider, Interest Rate Swap Provider, Liquidity Facility Provider, Funding Provider, Investor
Own asset	Originator, Seller, Arranger, Lead Manager, Manager, Trust Administrator, Servicer, Cross Currency Swap Provider, Interest Rate Swap Provider, Liquidity Facility Provider

Third party securitisation activity is undertaken by Corporate & Institutional Banking, while own asset activity is conducted by Group Treasury. Both third party and own asset securitisation activity is also undertaken by BNZ.

Risk Management

Risks arising from securitisation activities include credit risk, market risk, balance sheet and liquidity risk and operational risk. These risks are managed in accordance with the Group's risk management policies and frameworks described in Section 3 *Risk Governance and Management* and the sections on these material risks in this report.

Credit risk arising from securitisation exposures is managed in line with the framework and policies outlined in Section 5.1 *Credit Risk General Disclosures*. All securitisation exposures are subject to initial credit assessment and annual review. Factors such as underlying pool composition, type and level of credit enhancement, and structural features of the transaction are considered. Future cash flows are modelled and risk factors applied as appropriate. Exposures are monitored against limits relating to overall portfolio size and other attributes such as underlying asset class and geographical split.

Balance sheet and liquidity risk includes various structural, non-traded market risks which arise from exposures held in the banking book. Debt securities held in banking book portfolios are subject to VaR limits which are set in accordance with approved risk appetite and monitored daily. An independent price validation process is conducted monthly to evaluate the holding values of portfolio exposures. Contingent liquidity and potential collateral outflows are monitored against approved limits.

In conjunction with the policies and frameworks described above, third party securitisation activity is governed by the Third Party Securitisation Risk Policy. Compliance with this policy and the prudential requirements of APS 120 is monitored by a functionally independent risk oversight team.

All securitisation exposures are identified and recorded in appropriate finance and risk management applications. Underlying pool exposure data is obtained from both internal and external providers. This provides updated information on transaction performance and provides inputs into the regulatory capital calculation. Reporting, exposure monitoring and portfolio insights are prepared on a regular basis and are reported to the relevant risk committees as appropriate.

The Group has no exposures which are classified as resecuritisation exposures and does not actively target these types of exposures for investment.

Regulatory Capital and Compliance

The Group's management of the risks associated with securitisation and calculation of capital held against these exposures is governed by APS 120. The Group has policies and procedures in place to ensure compliance with the requirements of this prudential standard, which include:

- having a risk management framework in place for securitisation activities
- ensuring disclosure of the nature of obligations arising from securitisation exposures
- not providing implicit support to securitisation vehicles
- calculating regulatory capital for credit risk from securitisation exposures.

An assessment demonstrating compliance with the prudential standard is prepared for all securitisation transactions.

The Group complies with the approaches prescribed by APS 120 for calculating regulatory capital, namely the External Ratings-based Approach (ERBA) and the Supervisory Formula Approach (SFA). Under the ERBA, risk-weights are matched to external ratings provided by External Credit Assessment Institutions (ECAIs), varying according to tranche seniority and maturity. Where the use of ECAIs is relevant, the Group applies the ratings provided by S&P Global Ratings, Moody's Investor Services and/or Fitch Ratings. For unrated transactions, the SFA adjusts risk-weights according to the structural characteristics of the transaction, as well as the nature and performance of the underlying pool assets. In the event neither approach can be applied, the exposure is deducted from CET1 capital.

Securitisation exposures held in the trading book are subject to APS 116.

Accounting Policies

Third party securitisation - The accounting treatment for debt securities issued by, and warehouse facilities provided to, third party securitisation SPVs reflects the Group's business model for managing the asset.

Where debt securities give rise to contractual cash flows that are solely payments of principal and interest, they are measured at amortised cost provided the underlying pool of assets in the SPV contains one or more instruments that have contractual cash flows that are solely payments of principal and interest and the exposure to credit risk in the tranche is equal to or lower than the credit risk in the underlying pool of assets. Warehouse facilities are measured at amortised cost provided they meet similar contractually linked guidance.

Where debt securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, they are measured at fair value through other comprehensive income.

Derivatives with third party securitisation SPVs are measured at fair value through profit or loss.

Own asset securitisation - The accounting treatment for each transaction in the Group's own asset securitisation program is assessed against the requirements of the applicable accounting standards, particularly AASB 9 and AASB 10 *Consolidated Financial Statements*. Where the Group does not transfer substantially all risks and rewards associated with ownership, the assets are not derecognised from the balance sheet.

A funding liability measured at amortised cost is recognised in respect of the debt securities issued to third party investors.

Further information on the Group's accounting policies that are relevant to securitisation can be found in the 2021 Annual Financial Report, in particular in the financial instruments overview section, and the notes on financial asset transfers and interest in subsidiaries and other entities.

Table 6.1.A Exposures Securitised

The following table provides banking book exposures securitised by the Group and third party securitised assets where the Group is classified as a sponsor. The Group originated exposures can be broken down as follows:

- capital relief – significant risk transfer of the underlying exposure is achieved for regulatory purposes
- funding only – significant risk transfer is not achieved
- internal RMBS – securities are issued and held internally for contingent liquidity purposes (also known as self-securitisation).

	As at 30 Sep 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS[1]	Third party originated assets
Underlying asset	$m	$m	$m	$m
Residential mortgage	1,561	858	114,804	-

(1) Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Group's liquid asset holdings. The amount of these securitised assets is $102,950 million.

	As at 31 Mar 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS[1]	Third party originated assets
Underlying asset	$m	$m	$m	$m
Residential mortgage	1,831	1,104	130,351	-

(1) Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Group's liquid asset holdings. The amount of these securitised assets is $115,575 million.

There were no exposures securitised either in the trading book or synthetically by the Group as at 30 September 2021 or 31 March 2021.

Table 6.1.B Past Due and Impaired Banking Book Exposures Securitised

The following table provides past due and impaired assets that have been originated and securitised by the Group in the banking book and any losses that have been recognised on these securitised exposures.

	As at 30 Sep 21			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
Underlying asset	$m	$m	$m	$m
Residential mortgage	117,223	55	899	-

	As at 31 Mar 21			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
Underlying asset	$m	$m	$m	$m
Residential mortgage	133,286	67	1,214	-

Table 6.1.C Recent Securitisation Activity

The following table provides the net movement in exposures securitised by the Group, and any gain or loss recognised on the sale of assets by the Group to securitisation SPVs.

	6 months ended 30 Sep 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	$m	$m	$m	$m
Residential mortgage	(270)	(246)	(15,547)	-

	6 months ended 31 Mar 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	$m	$m	$m	$m
Residential mortgage	(269)	(144)	(18,114)	-

The Group intended to securitise $13,330 million banking book exposures into internal RMBS vehicles as at 30 September 2021 (31 March 2021: nil). There were no outstanding trading book exposures intended to be securitised as at 30 September 2021 or 31 March 2021.

Table 6.1.D Securitisation Exposures Retained or Purchased

The following table provides the amount of securitisation exposures and facilities held in the banking book, broken down between on and off-balance sheet exposures.

	As at 30 Sep 21			As at 31 Mar 21		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
Securitisation exposure type	$m	$m	$m	$m	$m	$m
Liquidity facilities	145	1,508	**1,653**	325	1,282	**1,607**
Warehouse facilities	13,292	7,075	**20,367**	12,495	5,207	**17,702**
Securities	8,201	-	**8,201**	7,934	-	**7,934**
Derivatives	-	68	**68**	-	88	**88**
Total	**21,638**	**8,651**	**30,289**	**20,754**	**6,577**	**27,331**

The Group had $513 million of derivative exposures held in the trading book subject to the IMA under APS 116 as at 30 September 2021 (31 March 2021: $788 million). The Group had no trading book exposures subject to APS 120 which were either risk-weighted or deducted from capital at 30 September 2021 or 31 March 2021.

The Group had no exposures subject to early amortisation in either the banking or trading book at 30 September 2021 or 31 March 2021.

Table 6.1.E Securitisation Exposures by Risk-weight

The following table provides banking book securitisation exposures and associated RWA by risk-weight bands.

	As at 30 Sep 21		As at 31 Mar 21	
	Exposure	RWA	Exposure	RWA
Risk-weight bands	**$m**	**$m**	**$m**	**$m**
15% ≤ 25%	29,141	4,857	26,532	4,449
> 25% ≤ 35%	412	110	275	71
> 35% ≤ 50%	252	98	109	45
> 50% ≤ 75%	420	236	360	202
> 75% ≤100%	1	1	1	1
> 100% ≤ 650%	43	128	27	59
> 650% ≤ 850%	11	80	16	112
>850% < 1250%	9	92	8	89
Deductions from CET1 capital[1]	-	-	3	-
Total	**30,289**	**5,602**	**27,331**	**5,028**

(1) Deductions relate to subordinated exposure to residential mortgages.

Introduction

The Group makes a distinction between traded and non-traded market risks for the purpose of managing market risk. This section relates to traded market risk. Non-traded market risk is discussed in Section 9 *Balance Sheet and Liquidity Risk*.

The Group undertakes trading activities to support its customers and to profit in the short term from differences in markets, such as interest rates, credit spreads, foreign exchange rates, commodity prices and equity prices. Traded market risk is the risk of losses or gains from the Group's trading activities resulting from market price movements.

The Group's exposure to market risk arises out of its trading activities which are carried out by Corporate & Institutional Banking Markets and BNZ Markets. This exposure is quantified for regulatory capital purposes using both the APRA approved IMA and the standard method.

Management and Governance

The Group's risk appetite for market risk is determined by the Board and is expressed in the RAS, and governed by the Group Traded Market Risk Policy.

The market risk settings outlined in the Risk Setting Statement and the comprehensive market risk setting framework complement the RAS by providing further depth on the allocation of market risk appetite to asset classes, regions and trading desks as well as detailing permitted products and markets.

The overall framework of Group Traded Market Risk Policy and the RAS provide direction for the monitoring, oversight, escalation and governance of traded market risk including delegated authorities, risk measurement, and reporting and control standards. These policies are consistent with the prudential regulatory requirements.

The market risk profile of the Group is overseen by the Board via the Board Risk and Compliance Committee, and by senior executive management via the key committees listed in Section 3 *Risk Governance and Management* and the Corporate & Institutional Banking Risk Management Committee and Corporate & Institutional Banking Markets Risk Council. These various committees and councils manage market risk with the following responsibilities:

- designing and implementing policies and procedures to ensure market risk is managed within the appetite set by the Board
- reviewing market risks for consistency with approved market risk settings and risk appetite
- overseeing the effectiveness and appropriateness of the Risk Management Framework
- reviewing and approving models
- escalating market risk issues to the more senior committees as necessary.

Group Market Risk is independent and separate from the areas that carry out trading activities, and has responsibility for the daily measurement and monitoring of market risk exposures. The following key controls are in place for effective internal management, as well as compliance with prudential requirements:

- trading authorities and responsibilities are defined and monitored at all levels
- a comprehensive and controlled framework of risk reporting and limit breach management
- new product approval process and usage authority permitting desks to transact a particular product
- daily end of day and intra-day risk oversight as well as periodic desk review
- back-testing of VaR results under internal models for capital adequacy
- segregation of duties in the origination, processing, and valuation of transactions operated under clear and independent reporting lines
- regular and effective reporting of market risk to executive management and the Board
- periodic review and update of compliance with internal and regulatory policies
- independent and periodic review of compliance with policies, procedures, process and limits by Internal Audit.

Key methodologies for compliance with prudential requirements for positions held in the trading book are:

- models that are used to determine risk and financial profit and loss are independently validated with the review outcome documented and reported to the relevant committees on a regular basis
- all trades are measured at fair value daily using independently sourced and validated rates in accordance with Finance Rates and Revaluation Policy
- use of Model Reserve Framework and Fair Value Adjustments to support compliance with prudential validations.

Measurement

VaR estimates the likelihood that a given portfolio's losses will exceed a certain amount. The Group uses VaR estimates for both regulatory capital calculations in accordance with APS 116 and for internal risk control purposes.

The Group is accredited by APRA to use a historical simulation model to simulate the daily change in market factors. VaR is calculated for all trades on an individual basis using a full revaluation approach. For capital purposes, VaR for products

modelled using the IMA is calculated on a globally diversified basis and reported in Australian dollars in accordance with the following parameters:

- confidence level – 99% one tail
- holding period – 10 days
- observation period – 550 days (unweighted, updated daily).

VaR limits are assigned to individual trading desks and regions or product lines in accordance with the RAS.

Group Market Risk monitors positions daily against the relevant limits and escalates any breaches in accordance with market risk standards and procedures. Additionally, Group Market Risk performs back-testing analysis to assess the validity of the VaR numbers when compared to the actual and hypothetical trading outcomes and to escalate any anomalies that may arise. Results of the back-testing are overseen by relevant risk councils and committees.

Stressed VaR is calculated using the same methodology as VaR but with an observation period based on a one-year period of significant market volatility.

Stress testing is carried out daily to test the profit and loss implications of extreme but plausible scenarios, and to reveal sensitivities in the portfolio that may only become transparent when modelling extreme market moves.

'Stop loss limits' represent trigger points at which an overnight or accumulated loss incurred by a trading desk would lead to escalation in accordance with agreed procedures.

Sensitivity and other market risk limits are set by Group Market Risk to manage market risk at a more granular level, for example, to manage concentration risk. These limits are monitored by Corporate & Institutional Banking Markets and independently by Group Market Risk.

Corporate & Institutional Banking Markets are responsible for managing risk, to deliver profits, while ensuring compliance with all limits and policies.

Capital Methodology

As detailed in the following table, the Group is accredited by APRA to use the IMA under APS 116 for all trading asset classes except for specific market risk, equities, and some inflation products. These asset classes are managed with regulatory capital calculated as an add-on to that from the IMA. There are two types of market risk measures related to regulatory capital:

- general market risk which is related to changes in the overall market prices
- specific market risk which is related to changes for the specific issuer.

In accordance with APS 110, the RWA equivalent for traded market risk using the IMA is the capital requirement multiplied by 12.5.

	Internal Model Approach	**Standard Method**
Calculation	Internally developed VaR calculation	As per APS 116 (Attachment B)
General market risk	Foreign exchange, commodities, credit, interest rate and inflation products	Equities, some inflation products
Specific market risk	N/A	All applicable products

Table 7.1.A Market Risk and Standard Method Risk-weighted Assets

	As at	
	30 Sep 21	**31 Mar 21**
Market risk RWA	**$m**	**$m**
Internal model approach	9,203	12,256
Standard method	441	370
Total	**9,644**	**12,626**

	As at	
	30 Sep 21	**31 Mar 21**
Standard method RWA	**$m**	**$m**
Interest rate risk	436	362
Equity position risk	5	8
Total	**441**	**370**

Table 7.1.B Internal Model Approach VaR and Stressed VaR

The following table provides information on the mean, minimum and maximum VaR and stressed VaR over the reporting period and at period end. VaR and stressed VaR provided are based on a 1-day holding period.

	6 months ended 30 Sep 21			As at
	Mean value	Minimum value	Maximum value	30 Sep 21
	$m	$m	$m	$m
At a 99% confidence level				
VaR	23.0	16.3	32.3	20.5
Stressed VaR	63.5	34.9	79.7	40.5

	6 months ended 31 Mar 21			As at
	Mean value	Minimum value	Maximum value	31 Mar 21
	$m	$m	$m	$m
At a 99% confidence level				
VaR	25.3	15.8	40.4	23.0
Stressed VaR	77.0	54.8	103.6	67.7

Back-testing

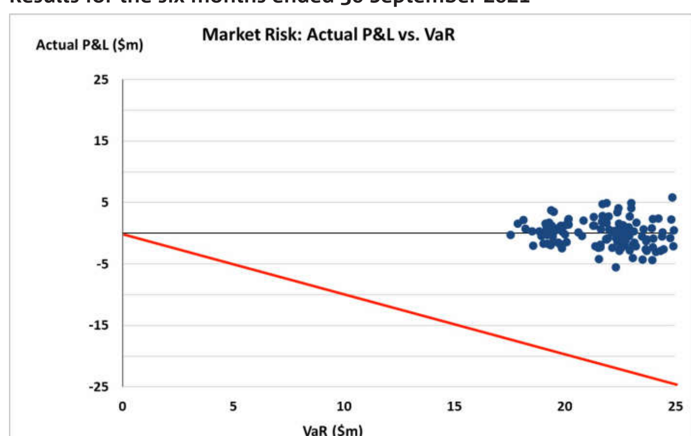
VaR estimates are back-tested regularly for reasonableness. Back-testing is a process that compares the Group's daily VaR estimates against both actual and hypothetical daily profit and loss (P&L) to ensure that model integrity is maintained.

The results of back-testing are reported to senior management, risk committees and regulators. In addition to back-testing, the risk measurement model and all pricing models are subject to periodic reviews and independent validation at frequencies specified by the Group Model Risk Policy.

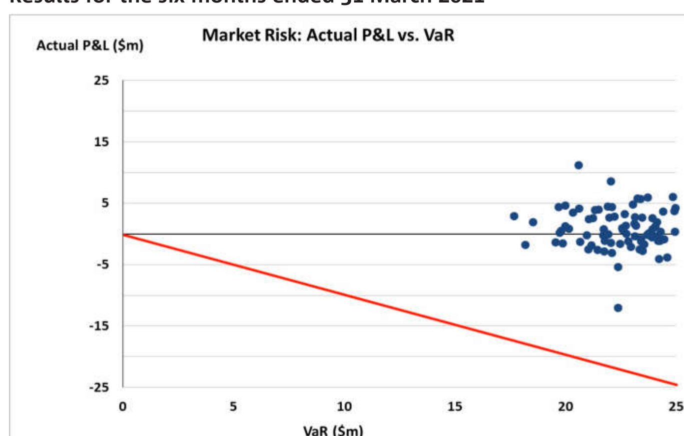
Back-testing Results

The following graphs compare the Group's daily VaR estimates against actual P&L. The red line represents a one-to-one relationship between negative actual P&L and VaR, which is an indicator of the VaR model's performance.

Results for the six months ended 30 September 2021



Results for the six months ended 31 March 2021



Back-testing, carried out by comparing the Group's daily VaR estimate against actual P&L, identified no exceptions during the six months ended 30 September 2021 or the six months ended 31 March 2021. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

Introduction

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

The primary objective for the management of operational risk is to ensure that where operational risk exists, it is identified, assessed and managed to acceptable levels, and at the same time, allows for the achievement of business and strategic objectives and compliance with our obligations.

Structure and Organisation

The Board Risk and Compliance Committee, on the recommendation of the Executive Risk and Compliance Committee, is responsible for approving and/or endorsing the Risk Management Strategy and RAS. The Group’s risk governance structure provides the Board and Board Risk and Compliance Committee with assurance over the performance of the overall Risk Management Framework. This is primarily achieved through Resilience Risk which provides the Board, Board Risk and Compliance Committee, Executive Risk and Compliance Committee, Group Non-Financial Risk Committee and the Risk Leadership Team with the information required to manage these responsibilities. This flow of information ultimately allows the Board to discharge its responsibilities for managing the Group’s operational risk exposures.

Management

Resilience Risk provides the framework, policies, standards, processes and tools (Operational Risk Management Framework) for the business to use in the identification, assessment, management, monitoring, measurement and reporting of operational risks.

Implementation of the Group Operational Risk Management Framework leads to:
- all staff taking responsibility for managing the operational risk inherent in their day-to-day activities
- promoting and embedding a risk conscious culture and behaviour throughout the Group
- consistency in the identification, assessment, management, monitoring, measurement and reporting of operational risk
- proactive identification and management of operational risks and events
- estimates of operational risk regulatory capital that reflect the operational risk profile of the Group
- risk decisions being made on an informed basis, considering risk appetite and the capital implications, thereby enhancing awareness and/or acceptance of operational risks.

The Group creates a risk conscious environment through promoting a risk culture:
- of effective integration of operational risk management into day-to-day business decisions
- where risk-awareness and questioning are supported (including the exercise of appropriate judgement in the identification and management of risk)
- of compliance, not only within the strict parameters of the law, delegated authorities and other compliance requirements, but also extending to doing what is right.

The Operational Risk Management Framework applies to all entities within the Group, including any outsourced services undertaken on behalf of the Group.

Measurement

The capital attributed to operational risk is calculated using the Group’s internal AMA operational risk models and supporting processes. From time to time additional overlays may be made by APRA.

The Group’s model has been subjected to review by independent external third parties and uses data captured from:
- historical internal loss data which is representative of the Group's operational loss profile
- scenario analysis data received from business and risk management professionals which considers potential extreme events faced by the Group
- relevant data from losses incurred by other financial institutions
- factors reflecting the business environment and internal controls.

Monitoring and Reporting

Resilience Risk provides the following reporting:

- monthly reporting on significant loss events, emerging issues, oversight, monitoring, and review activity. This information is available to the Board Risk and Compliance Committee and Executive Risk and Compliance Committee as part of the Group Chief Risk Officer reporting material.
- regular material risk update paper to the Board Risk and Compliance Committee via the Executive Risk and Compliance Committee.

At times, the Group Chief Risk Officer and risk committees may also request Resilience Risk to report on topics of operational risk such as technology risk, information security risk or business continuity management. Resilience Risk may also choose or be requested to undertake a deep dive review or provide analysis on a particular emerging issue or theme. Findings are reported to the requestor and, if material, escalated through the risk governance structure.

Risk Mitigation through Insurance

A strategy to mitigate the financial impacts of operational risk exposures at the Group level is the Group's insurance program. The Group maintains and monitors the insurance program within a defined risk appetite and ensures that it aligns with the Group's current and projected operational risk exposures.

The regulatory capital measure for operational risk does not include any adjustment for insurance.

9.1 FUNDING AND LIQUIDITY RISK

Introduction

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. These obligations primarily include the repayment of deposits and the repayment of borrowings and loan capital as they mature.

Funding risk is the risk which arises due to change in appetite or capacity of the market to provide adequate short-term and long-term funds to meet the Group's strategic plans and objectives at an acceptable cost.

The objectives of the Group in managing its funding and liquidity risks are to:

- ensure that the current and future payment obligations of the Group are met as they become due
- retain adequate liquidity buffers in the Group and subsidiary balance sheets so as to withstand severe market and institutional disruptions
- meet planned business funding needs over a forward horizon
- maintain access to global short-term and long-term debt capital markets and global secured funding markets
- diversify funding sources in terms of maturity, currency, instrument, investor type and geographic region.

Liquidity and Funding Risk Management Framework

The Group's Liquidity Risk Management Framework is approved by the Board on an annual basis. The framework comprises the RAS, a liquidity risk policy, the Funding Strategy, the Contingent Funding Plan and the ILAAP.

The RAS includes specific metrics relating to liquidity and funding risk. These metrics are determined with reference to outcomes of liquidity stress testing, management experience, rating agency expectations and peer alignment. Liquidity stress testing includes systemic and idiosyncratic scenarios run over a mix of short and longer timeframes and includes an offshore market closure scenario and a local market disruption scenario.

The Group Liquidity Risk Policy requires that the Group maintains a liquid asset portfolio, comprising HQLA that can be readily converted to cash and used to support intraday payments. The Group's liquid asset portfolio is maintained by geography, currency and legal entity across NAB, BNZ and branches in London, New York and Asia. The liquidity portfolio comprises a mix of:

- cash
- Australian government and semi-government securities, and foreign sovereign securities
- central bank reserves
- other securities that are eligible for repurchase with the RBA to support the CLF and TFF.

The target size, diversity and tenor of the Group's funding mix is set annually in the Funding Strategy. The strategy is updated quarterly to reflect current market conditions and outlook. The Group's funding is sourced from:

- customer deposits generated through transactional accounts, savings accounts and term deposits from individuals, small and medium sized enterprises and corporations
- wholesale funding debt programs in domestic and international markets including medium term notes, covered bonds, RMBS, commercial paper and certificates of deposits.

The Group's Contingent Funding Plan provides guidance on how the Group will respond in the event of a liquidity crisis including clear instructions on accountabilities, communication, escalation process, asset liquidation options and operational requirements. The Contingent Funding Plan is tested and updated annually. Early warning indicators provide insight into emerging periods of funding or liquidity stress and when to trigger the Contingent Funding Plan.

Measurement, Monitoring and Reporting

Liquidity risk is measured, managed and monitored daily on a cash flow basis, using scenario analysis, gap analysis and stress testing. Regulatory liquidity metric results are reported to the Board Risk and Compliance Committee, Executive Risk and Compliance Committee and Group Asset and Liability Committee. The Group has clearly defined escalation procedures whereby liquidity events, both systemic and name specific, are monitored and appropriate actions outlined against triggers.

9.2 INTEREST RATE RISK IN THE BANKING BOOK

Introduction

IRRBB arises from changes in market interest rates that adversely impact the Group's financial condition in terms of earnings (net interest income) or economic value of the balance sheet. This includes:
- repricing risk, arising from changes to the overall level of interest rates and inherent mismatches in the repricing term of banking book items
- yield curve risk, arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve
- basis risk, arising from differences between the actual and expected interest margins on banking book items over the implied cost of funds of those items
- optionality risk, arising from the existence of stand-alone or embedded options in banking book items, to the extent that the potential for those losses is not included in the above risk types.

The objective of the Group's framework is to ensure that IRRBB is managed to optimise and stabilise the Group's economic value and earnings over an investment horizon.

Management

The Board approves the risk appetite for IRRBB as limits for economic capital and Earnings at Risk.

The key elements of the management framework for IRRBB include:
- the Interest Rate Risk in the Banking Book Policy and guidance notes define the compliance and management framework to ensure that all interest rate risk positions in the banking book are identified, measured, managed and reported, and are aligned to the requirements of APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book*
- the Group and BNZ's treasury functions are responsible for managing the interest rate risk profile of the balance sheet in line with the approved risk appetite. This includes development and execution of interest rate risk management strategies
- the Funds Transfer Pricing Policy and guidance notes define the funds transfer pricing mechanism in place to transfer interest rate risk out of originating divisions and into the Group Treasury functions for the management of interest rate risk
- the Group's balance sheet market risk teams are responsible for IRRBB monitoring and oversight and are independent of Group Treasury. They maintain a risk framework for IRRBB and have responsibility for IRRBB measurement of exposures, compliance monitoring and reporting
- periodic reporting to management and governance committees of IRRBB exposures and compliance.

Measurement

The Group has been accredited by APRA to use its internal model for the measurement of IRRBB. Interest rate risk is measured, managed and monitored using both the economic valuation approach and the earnings approach. The principal metrics used to measure and monitor IRRBB are as follows:

Measure	Definition
VaR	The potential loss in economic value implied by the static balance sheet that arises from changes to the current yield curve based upon historical observations for a given holding period and confidence level
Earnings at Risk	The potential loss in earnings implied by the static balance sheet over a 12-month forecast period, that arises from changes in the current yield curve based on historical observations for a given holding period and confidence level
Market value	The present value of all known future cash flows implied by the static balance sheet on both a spot and historically cumulative basis
Embedded value	The economic gain or loss implied by the static balance sheet which equates to the market value less the book value, less accrued interest
Economic value sensitivity	The potential impact of a parallel decrease in interest rates on the present value of all known future cash flows implied by the static balance sheet
Net interest income sensitivity	The potential impact of a parallel decrease in interest rates on the earnings over a 12-month forecast period implied by the static balance sheet
Stress testing	The potential loss in earnings and economic value from large parallel and non-parallel yield curve shocks

VaR and Earnings at Risk are measured with a three-month holding period and 99% confidence level for internal reporting purposes.

9.2 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

The Group incorporates behavioural modelling where contractual-based modelling is inappropriate for measuring IRRBB, such as for prepayments, non-interest bearing accounts, rate locks and CET1 capital. Any changes to the material assumptions require approval by subsidiary asset, liability and capital committees or the Group Asset and Liability Committee.

IRRBB regulatory capital includes a value for repricing and yield curve risk, basis risk, optionality risk and embedded value. The components of IRRBB regulatory capital are calculated using a historical VaR simulation using at least six years of historical data at a 99% confidence level, a one-year investment term of capital, and a 12-month holding period.

Monitoring and Reporting

The IRRBB metrics are measured and monitored on a monthly basis as a minimum. Compliance with limits is reported to subsidiary asset, liability and capital committees and the Group Asset and Liability Committee on a monthly basis. IRRBB regulatory capital is also calculated monthly.

Table 9.2.A Impact on Economic Value from Rate Shocks

The following table provides the increase or decrease in economic value for upward and downward rate shocks broken down by currency. The Group's major currencies are modelled on an individual basis. The remaining minor currencies are aggregated and modelled using a single yield curve. The 200 basis point (bp) interest rate shock results include earnings offset.

	As at 30 Sep 21		As at 31 Mar 21	
	200 bp parallel increase $m	200 bp parallel decrease $m	200 bp parallel increase $m	200 bp parallel decrease $m
Change in economic value				
AUD	(558)	623	(417)	480
CAD	(1)	1	-	-
CHF	-	-	1	(1)
EUR	(32)	34	(31)	33
GBP	19	(19)	(8)	8
HKD	1	(1)	-	-
JPY	3	(4)	3	(4)
NZD	(136)	141	(127)	131
USD	(36)	38	4	(7)
Other	1	(1)	2	(1)
Total change in economic value	**(739)**	**812**	**(573)**	**639**

9.3 EQUITY HOLDINGS IN THE BANKING BOOK

Introduction

The Group mainly holds equities in the banking book for strategic purposes. From time to time, the Group also takes an equity stake in a customer as part of debt management activities. This exposes the Group to non-traded equity risk, which is the potential for financial loss as a result of reduction in the value of an equity investment.

Management

Banking book equity risk is managed via Group Investment Policy and Group Corporate Structure protocols. The Group Equity Risk in the Banking Book Policy defines the compliance and management framework in relation to undertaking, valuation and measurement, monitoring and reporting of equity investments outside of the trading book.

Business units are responsible for managing their approved equity investments in line with the requirements of the non-traded equity risk framework. Balance Sheet and Liquidity Risk Management review and challenge the effectiveness of non-traded equity risk management.

Reporting of equity risk is included in reporting provided to senior management and risk committees.

Valuation and Accounting

The accounting treatment for equity investments depends on whether the Group has significant influence over the investee. Where significant influence exists, the investment is classified as an associate and is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The Group's profit or loss includes its share of the associate's profit or loss, and the Group's other comprehensive income includes its share of the associate's other comprehensive income.

Equity investments that are not associates are classified on initial recognition as fair value through other comprehensive income or fair value through profit or loss. Fair value is defined as the sales price that would be received in an orderly transaction between market participants. Fair value for unlisted equities is determined using acceptable market valuation techniques.

Table 9.3.A Equity Holdings in the Banking Book

The following table provides the carrying value of equity investments as reported on the Level 2 Group's balance sheet, as well as the estimated fair value of those investments.

	As at 30 Sep 21		As at 31 Mar 21	
	Carrying value	Fair value	Carrying value	Fair value
	$m	$m	$m	$m
Unlisted equities	679	679	689	689

Table 9.3.B Gains and Losses from Equity Holdings

The following table provides realised and unrealised gains or losses gross of any tax effect from equity instruments, where:

- realised gains or losses represent the difference between the cost of equity instruments and proceeds where there has been a sale and/or liquidation in the six months to the end of the reporting period
- cumulative unrealised gains or losses represent the difference between the cost of equity instruments and their carrying value.

	30 Sep 21	31 Mar 21
	$m	$m
Gains/(losses) on equity investments		
Realised gains/(losses)	17	(9)
Cumulative unrealised losses	(275)	(275)

9.4 FOREIGN EXCHANGE RISK IN THE BANKING BOOK

The Group's banking book has exposure to risk arising from currency movements as a result of participation in global financial markets and international operations. Foreign Exchange Risk in the Banking Book (FXRBB) arises from both operating business activities and structural foreign exchange exposures from foreign investments and capital management activities. Currency movements can impact profit and loss, cash flows and the balance sheet.

The Group's objective in relation to foreign exchange risk is to protect the Group's capital ratios from the impact of currency movements and to manage non-structural foreign exchange risk within risk appetite. The Group's main structural foreign exchange exposures are due to its investment in BNZ.

The Board approves the risk appetite for FXRBB as a limit for economic capital. In addition, with guidance from the Board Risk and Compliance Committee, the Board monitors and reviews the adequacy of the Group's foreign exchange risk compliance and management framework developed by management.

Key elements of the management framework for FXRBB include:

- the Group Foreign Exchange Risk in the Banking Book Policy which defines the compliance and management framework to ensure all foreign exchange positions (both structural and non-structural) in the banking book are identified, measured, managed and reported
- the Group and subsidiary treasuries are responsible for the development and execution of Board and Group Asset and Liability Committee approved foreign exchange risk management strategies
- the Group and subsidiary balance sheet market risk teams provide independent oversight. They are responsible for monitoring and oversight to ensure FXRBB is managed in compliance with policy
- periodic reporting to management and governance committees of FXRBB exposures and compliance.

9.5 LIQUIDITY DISCLOSURES

Liquidity Coverage Ratio

The LCR measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

The Group manages its LCR position daily within a target range that reflects management's risk appetite across the legal entity structure, major currencies and jurisdictions in which business activities are undertaken. The APRA minimum LCR is 100%.

The LCR for the three months ended 30 September 2021 and 30 June 2021 is presented in Table 9.5.A *Liquidity Coverage Ratio Disclosure Template*, and is based on a simple average of daily LCR outcomes excluding non-business days.

Average LCR for the three months ended 30 September 2021 decreased marginally to 128% with higher liquid assets offset by increased net cash outflows.

Average liquid assets for the three months ended 30 September 2021 and 30 June 2021 were $191 billion and $182 billion respectively, of which HQLA were on average $163 billion and $143 billion respectively and Alternative Liquid Assets (ALA) were on average $27 billion and $38 billion respectively. The ALA value used in the LCR calculation is the lesser of the undrawn portion of the CLF and TFF and the value of the collateral held at any given time to support these facilities. This collateral is a combination of internal RMBS and other marketable securities eligible for repurchase with the RBA. The decrease in average ALA was due to the full drawdown of the TFF of $11 billion on average.

A $9 billion increase in average net cash outflows was largely driven by deposit growth, primarily from at call deposits.

9.5 LIQUIDITY DISCLOSURES (CONTINUED)

Table 9.5.A Liquidity Coverage Ratio Disclosure Template

		3 months ended			
		30 Sep 21 66 data points		30 Jun 21 62 data points	
		Unweighted value (average) $m[1]	Weighted value (average) $m	Unweighted value (average) $m[1]	Weighted value (average) $m
Liquid assets, of which:			**190,916**		**181,899**
1	High-quality liquid assets (HQLA)[2][3]		162,905		143,361
2	Alternative liquid assets (ALA)[3]		26,859		37,909
3	Reserve Bank of New Zealand (RBNZ) securities[2][3]		1,152		629
Cash outflows					
4	Retail deposits and deposits from small business customers	246,545	26,088	239,274	25,384
5	of which: stable deposits	110,371	5,519	107,695	5,385
6	of which: less stable deposits	136,174	20,569	131,579	19,999
7	Unsecured wholesale funding	190,660	92,720	177,918	85,667
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	94,944	23,736	88,233	22,058
9	of which: non-operational deposits (all counterparties)	79,812	53,080	74,848	48,772
10	of which: unsecured debt	15,904	15,904	14,837	14,837
11	Secured wholesale funding[3]		3,295		3,975
12	Additional requirements	192,948	35,806	189,868	35,903
13	of which: outflows related to derivatives exposures and other collateral requirements	14,833	14,833	16,715	16,715
14	of which: outflows related to loss of funding on debt products	-	-	-	-
15	of which: credit and liquidity facilities	178,115	20,973	173,153	19,188
16	Other contractual funding obligations	1,423	754	1,339	632
17	Other contingent funding obligations	55,311	4,040	53,063	3,849
18	**Total cash outflows**		**162,703**		**155,410**
Cash inflows					
19	Secured lending	27,477	1,705	30,907	1,876
20	Inflows from fully performing exposures	19,279	10,823	21,691	12,141
21	Other cash inflows	914	914	751	751
22	**Total cash inflows**	**47,670**	**13,442**	**53,349**	**14,768**
23	**Total liquid assets**		**190,916**		**181,899**
24	**Total net cash outflows**		**149,261**		**140,642**
25	**Liquidity Coverage Ratio (%)**		**128%**		**129%**

(1) Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.
(2) Weighted values exclude New Zealand dollar (NZD) liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations. The amount excluded during the three months to 30 September 2021 and 30 June 2021 was on average $7 billion and $6 billion respectively.
(3) Disclosed on a weighted basis only, consistent with the disclosure template prescribed by APS 330.

9.5 LIQUIDITY DISCLOSURES (CONTINUED)

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) measures the extent to which assets are funded with stable sources of funding in order to mitigate the risk of future funding stress. The APRA minimum NSFR is 100%.

Available Stable Funding (ASF) is calculated by applying weightings to capital and liabilities to reflect the portion that is expected to be available over a one-year time horizon. The maturity of funding is taken as being the earliest date at which the funding can be withdrawn. Required Stable Funding (RSF) reflects the liquidity characteristics of the assets and the expectation that these assets and off-balance sheet exposures will require funding over the next year. The maturity of assets is taken as being the latest possible date at which the asset may mature.

The NSFR as at 30 September 2021 and 30 June 2021 is presented in Table 9.5.B *Net Stable Funding Ratio Disclosure Template*, and is based on spot balances. The NSFR remained flat at 123% as at 30 September 2021 with a $12 billion increase to $580 billion of ASF, offset by an $11 billion increase to $473 billion of RSF. The increase in ASF was primarily the result of growth in deposits and higher regulatory capital, partially offset by lower wholesale term funding. The increase in RSF resulted from growth in mortgage and business lending.

9.5 LIQUIDITY DISCLOSURES (CONTINUED)

Table 9.5.B Net Stable Funding Ratio Disclosure Template

		As at 30 Sep 2021				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	62,710	-	1,499	23,114	87,323
2	of which: regulatory capital	62,710	-	1,499	23,114	87,323
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	238,708	56,317	245	40	271,782
5	of which: stable deposits	109,882	10,073	-	-	113,958
6	of which: less stable deposits	128,826	46,244	245	40	157,824
7	Wholesale funding	140,840	215,299	28,648	117,686	218,897
8	of which: operational deposits	92,618	-	-	-	46,309
9	of which: other wholesale funding	48,222	215,299	28,648	117,686	172,588
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	17,042	-	1,926	1,926
12	of which: NSFR derivative liabilities[1]			3,355		
13	of which: all other liabilities and equity not included in the above categories	-	13,687	-	1,926	1,926
14	**Total ASF**					**579,928**
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					4,302
15b	Alternative liquid assets (ALA)					6,287
15c	RBNZ securities					259
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	11,203	118,855	50,582	459,223	421,014
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	45,908	6,692	44	7,981
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	30	16,914	6,135	21,377	27,011
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	10,292	45,848	30,513	139,794	163,637
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	10,133	6,587
22	of which: performing residential mortgages:	-	7,723	7,012	289,789	212,457
23	of which: with a risk-weight equal to 35% under APS 112	-	7,723	7,012	245,841	175,101
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	881	2,462	230	8,219	9,928
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	17,162	5,861	22	24,042	30,862
27	of which: physical traded commodities, including gold	520				442
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)[1]			2,617		2,224
29	of which: NSFR derivative assets[1]			8,598		5,243
30	of which: NSFR derivative liabilities before deduction of variation margin posted[1]			10,156		2,031
31	of which: all other assets not included in the above categories	16,642	5,861	22	2,671	20,922
32	Off-balance sheet items[1]			184,520		10,284
33	**Total RSF**					**473,008**
34	**Net Stable Funding Ratio (%)**					**123%**

(1) These amounts are not required to be allocated to a maturity bucket by APS 330.

9.5 LIQUIDITY DISCLOSURES (CONTINUED)

		As at 30 Jun 2021				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	61,313	-	-	23,047	84,360
2	of which: regulatory capital	61,313	-	-	23,047	84,360
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	223,046	58,901	212	32	259,689
5	of which: stable deposits	103,865	10,388	-	-	108,540
6	of which: less stable deposits	119,181	48,513	212	32	151,149
7	Wholesale funding	139,358	214,521	30,792	121,208	222,021
8	of which: operational deposits	90,146	-	-	-	45,073
9	of which: other wholesale funding	49,212	214,521	30,792	121,208	176,948
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	17,024	-	1,899	1,899
12	of which: NSFR derivative liabilities[1]			2,867		
13	of which: all other liabilities and equity not included in the above categories	-	14,157	-	1,899	1,899
14	**Total ASF**					**567,969**
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					3,854
15b	Alternative liquid assets (ALA)					6,287
15c	RBNZ securities					231
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	12,962	127,557	51,820	441,235	410,638
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	50,127	9,517	67	9,839
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	26	15,042	6,604	15,883	21,468
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	11,128	51,768	28,067	132,522	159,074
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	10,969	7,130
22	of which: performing residential mortgages:	-	7,586	6,812	285,122	209,304
23	of which: with a risk-weight equal to 35% under APS 112	-	7,586	6,812	241,124	171,905
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,808	3,034	820	7,641	10,953
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	17,141	3,254	11	24,280	31,481
27	of which: physical traded commodities, including gold	642				546
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)[1]			2,451		2,084
29	of which: NSFR derivative assets[1]			8,722		5,855
30	of which: NSFR derivative liabilities before deduction of variation margin posted[1]			9,717		1,943
31	of which: all other assets not included in the above categories	16,499	3,254	11	3,390	21,053
32	Off-balance sheet items[1]			178,958		9,503
33	**Total RSF**					**461,994**
34	**Net Stable Funding Ratio (%)**					**123%**

(1) These amounts are not required to be allocated to a maturity bucket by APS 330.

Term	Description
Additional regulatory specific provisions	In line with APRA's July 2017 guidance "Provisions for regulatory purposes and AASB 9 Financial Instruments", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as general reserve for credit losses.
ADI	Authorised Deposit-taking Institution.
Advanced Internal Ratings-based approach (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	The risk estimation process used for operational risk, combining internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
Alternative liquid assets (ALA)	Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency in the Liquidity Coverage Ratio framework. The Committed Liquidity Facility and Term Funding Facility provided by the Reserve Bank of Australia to ADIs are treated as ALAs in the Liquidity Coverage Ratio.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Available Stable Funding (ASF)	The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.
Banking book	Exposures not contained in the trading book.
BCBS	Basel Committee on Banking Supervision.
BEAR	Banking Executive Accountability Regime.
BNZ	Bank of New Zealand.
Central counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.
Common Equity Tier 1 capital ratio	CET1 capital divided by risk-weighted assets.
Committed Liquidity Facility (CLF)	A facility provided by the Reserve Bank of Australia to certain ADIs to assist them in meeting the Basel III liquidity requirements.
CPS	Prudential Standards issued by APRA applicable to regulated entities, including ADIs.
Credit valuation adjustment (CVA)	A capital charge to reflect potential mark-to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.
DCA	Delegated Commitment Authority.
Default fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a central counterparty's mutualised loss sharing arrangements.
D-SIB	Domestic Systemically Important Bank.
Economic capital	Economic capital represents the Group's internal assessment of the amount of capital required to protect against potential unexpected future losses arising from its business activities, in line with its target credit rating.
Eligible financial collateral (EFC)	Under the standardised approach, EFC is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based approach, EFC is limited to the collateral items detailed in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*. Recognition of EFC is subject to the minimum conditions detailed in APS 112.
Exposure at default (EaD)	An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral.
Extended Licensed Entity	The ADI and any APRA approved subsidiaries assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 *Associations with Related Entities*.
General Reserve for Credit Losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 *Credit Quality*. The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions for facilities in default but for which no loss is expected (which are reported as additional regulatory specific provisions). Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
Group	NAB and its controlled entities.
High-quality liquid assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 *Liquidity*.
ICAAP	Internal Capital Adequacy Assessment Process.
ILAAP	Internal Liquidity Adequacy Assessment Process.

Term	Description
Internal Model Approach (IMA) - Non-traded Market Risk	The approach used in the assessment of non-traded market risk. The Group uses, under approval from APRA, the IMA to calculate interest rate risk in the banking book for all transactions in the banking book.
Internal Model Approach (IMA) - Traded Market Risk	The approach used in the assessment of traded market risk. The Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the standard method.
IRRBB	Interest rate risk in the banking book.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Loss given default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.
NAB	National Australia Bank Limited ABN 12 004 044 937.
Net Stable Funding Ratio (NSFR)	A ratio of the amount of available stable funding to the amount of required stable funding.
Net write-offs	Write-offs, net of recoveries.
Past due facilities ≥ 90 days	Well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due. For eligible COVID-19 payment deferrals granted in respect of otherwise performing loans, the counting of days past due is stopped when the repayment deferral is granted in accordance with APRA guidance. Past due facilities do not include impaired facilities.
Probability of default (PD)	An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.
RAS	Risk Appetite Statement.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory expected loss (EL)	A calculation of the estimated loss that may be experienced over the next 12 months. Regulatory expected loss calculations are based on the probability of default, loss given default and exposure at default values of the portfolio at the time of the estimate which includes stressed loss given default for economic conditions. As such, regulatory expected loss is not an estimate of long-run average expected loss.
Required Stable Funding (RSF)	The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI, including off-balance sheet exposures.
Risk-weighted assets (RWA)	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
RMBS	Residential mortgage-backed securities.
Securitisation exposures	Securitisation exposures include the following exposure types: - liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the securitisation vehicle or to cover the inability of the securitisation vehicle to roll-over securities due to market disruption - warehouse facilities: lending facilities provided to securitisation vehicles for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis - securities: holding of debt securities issued by securitisation vehicles - derivatives: derivatives provided to securitisation vehicles, other than for credit risk mitigation purposes.
SME	Small and medium-sized enterprises.
SPV	Special purpose vehicle.
Standardised approach	An alternative approach to the assessment of credit risk whereby an ADI uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine risk-weighted assets.
Standard method	The standard method for market risk applies supervisory risk-weights to positions arising from trading activities.
Term Funding Facility (TFF)	A facility provided by the Reserve Bank of Australia to certain ADIs to support lending to Australian businesses. The facility closed to new drawdowns of funding on 30 June 2021.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Total capital ratio	Total capital divided by risk-weighted assets.
Trading book	Positions in financial instruments, including derivatives and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.
Value at Risk (VaR)	A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Table number	Table title	APS 330 reference
Table 4.1.A	Risk-weighted Assets	APS 330 Table 6b-f
Table 4.1.B	Capital and Leverage Ratios	APS 330 Table 6g
Table 4.2.A	Regulatory Capital Structure	n/a
Table 4.3.A	Regulatory Capital Disclosure Template	APS 330 Table 1
Table 4.3.B	Reconciliation between the Group and Level 2 Group Balance Sheet	APS 330 paragraph 12a, 12c and 12d
Table 4.3.C	Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template	APS 330 paragraph 12d
Table 4.3.D	Entities Excluded from the Level 2 Group Balance Sheet	APS 330 paragraph 12b
Table 4.3.E	Countercyclical Capital Buffer	APS 330 Attachment A, paragraph 2
Table 4.4.A	Leverage Ratio Disclosure Template	APS 330 Table 18
Table 4.4.B	Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure	APS 330 Table 19
Table 5.1.A	Credit Risk Exposures Summary	APS 330 Table 7b
Table 5.1.B	Total and Average Credit Risk Exposures	APS 330 Table 7b and 7i
Table 5.1.C	Credit Risk Exposures by Geography	APS 330 Table 7c
Table 5.1.D	Credit Risk Exposures by Industry	APS 330 Table 7d
Table 5.1.E	Credit Risk Exposures by Maturity	APS 330 Table 7e
Table 5.1.F	Provisions by Asset Class	APS 330 Table 9e
Table 5.1.G	Provisions by Industry	APS 330 Table 7f
Table 5.1.H	Provisions by Geography	APS 330 Table 7g
Table 5.1.I	Movement in Provisions	APS 330 Table 7h and 7j
Table 5.1.J (i)	Loss Experience	APS 330 Table 9f
Table 5.1.J (ii)	Accuracy of Risk Estimates for PD and EaD	APS 330 Table 9f
Table 5.1.J (iii)	Accuracy of Risk Estimates for LGD	APS 330 Table 9f
Table 5.2.A	Standardised Exposures by Risk-weight	APS 330 Table 8b
Table 5.2.B	Standardised Exposures by Risk Grade	APS 330 Table 8b
Table 5.2.C	Supervisory Slotting Exposures by Risk-weight	APS 330 Table 8b
Table 5.3.A	Non-retail Exposures by Risk Grade	APS 330 Table 9d
Table 5.3.B	Retail Exposures by Risk Grade	APS 330 Table 9d
Table 5.4.A	Mitigation by Eligible Financial Collateral	APS 330 Table 10b
Table 5.4.B	Mitigation by Guarantees and Credit Derivatives	APS 330 Table 10c
Table 5.5.A (i)	Net Derivatives Credit Exposure	APS 330 Table 11b
Table 5.5.A (ii)	Distribution of Current Credit Exposure	APS 330 Table 11b
Table 5.5.B	Credit Derivative Transactions	APS 330 Table 11c
Table 6.1.A	Exposures Securitised	APS 330 Table 12g and 12o
Table 6.1.B	Past Due and Impaired Banking Book Exposures Securitised	APS 330 Table 12h
Table 6.1.C	Recent Securitisation Activity	APS 330 Table 12i, 12j, 12p and 12q
Table 6.1.D	Securitisation Exposures Retained or Purchased	APS 330 Table 12k, 12m, 12r, 12s, 12t and 12v
Table 6.1.E	Securitisation Exposures by Risk-weight	APS 330 Table 12l
Table 7.1.A	Market Risk and Standard Method Risk-weighted Assets	APS 330 Table 13b
Table 7.1.B	Internal Model Approach VaR and Stressed VaR	APS 330 Table 14f
Table 9.2.A	Impact on Economic Value from Rate Shocks	APS 330 Table 17b
Table 9.3.A	Equity Holdings in the Banking Book	APS 330 Table 16b-c
Table 9.3.B	Gains and Losses from Equity Holdings	APS 330 Table 16d-f
Table 9.5.A	Liquidity Coverage Ratio Disclosure Template	APS 330 Table 20
Table 9.5.B	Net Stable Funding Ratio Disclosure Template	APS 330 Table 21

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