2017 PILLAR 3 REPORT

Incorporating the requirements of APS 330

First Quarter Update as at 31 December 2016

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Section 1

Introduction

National Australia Bank Limited (ABN 12 004 044 937) (NAB) applies the Basel framework as a cornerstone of the NAB Group's risk management framework and capital strategy, and recognises that it is critical for achieving the NAB Group's strategic agenda.

In Australia, the Australian Prudential Regulation Authority (APRA) has regulatory responsibility for the implementation of the Basel Accord through the release of prudential standards.

This Pillar 3 Report is designed to provide the NAB Group's stakeholders with detailed information about the approach the NAB Group takes to manage risk and to determine capital adequacy, having regard to the operating environment. The report also addresses the requirements of APRA's *Prudential Standard APS 330: Public Disclosure (APS 330)*.

All figures in this report are in Australian dollars (AUD) unless otherwise noted. Disclosures in this report are based on the APRA Basel III standards that have applied since 1 January 2013, except for market risk Risk-Weighted Assets (RWA) that are calculated on a Basel 2.5 basis for each period presented.

Capital Ratio Summary

The NAB Group's Common Equity Tier 1 (CET1) capital ratio of 9.5% at 31 December 2016 is consistent with the NAB Group's objective of maintaining a strong capital position.

	As at	
	31 Dec 16	30 Sep 16
Capital ratios (Level 2)	%	%
Common Equity Tier 1	9.5	9.8
Tier 1	11.9	12.2
Total	13.8	14.1

The NAB Group remains responsive to economic conditions and continues to maintain strong balance sheet settings. These settings enable the NAB Group to operate effectively through difficult market conditions and ensure that it is well positioned for future regulatory change and balance sheet growth.

1.1 The NAB Group's Capital Adequacy Methodologies

The NAB Group operates in Australia, Asia, New Zealand, the United Kingdom and North America. The following table sets out the NAB Group's approach to the Basel Accord, as applied across the NAB Group as at 31 December 2016.

The NAB Group's Basel Methodologies[1,2,3,4]

Methodology Approach	Credit Risk	Operational Risk	Non-Traded Market Risk	Traded Market Risk
National Australia Bank Limited	Advanced IRB	AMA	IRRBB	Standardised and IMA
Bank of New Zealand	Advanced IRB	AMA	IRRBB	Standardised and IMA

(1) IRB: Internal Ratings Based approach

(2) AMA: Advanced Measurement Approach

(3) IRRBB: Interest Rate Risk in the Banking Book

(4) IMA: Internal Models Approach

Bank of New Zealand (BNZ), the NAB Group's main operating subsidiary in New Zealand, is regulated by the Reserve Bank of New Zealand (RBNZ). Credit risk exposures consolidated in the NAB Group position are calculated under RBNZ requirements.

1.2 APS 330 Disclosure Governance

The NAB Group's Disclosure and External Communications Policy defines Board and management accountabilities for *APS 330* disclosure, including processes and practices to ensure the integrity and timeliness of prudential disclosures and compliance with NAB Group policies.

Section 2

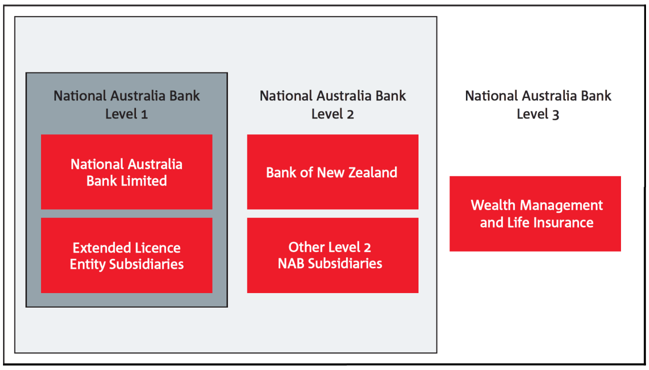
Scope of Application

APRA measures the NAB Group's capital adequacy by assessing financial strength at three levels:

- Level 1: comprises NAB and its subsidiary entities approved by APRA as part of the Extended Licensed Entity (ELE)
- Level 2: comprises NAB and the entities it controls, subject to certain exceptions set out below
- Level 3: comprises the conglomerate NAB Group.

This report applies to the Level 2 consolidated group (the Level 2 Group).

NAB Group Consolidation for Regulatory Purposes



The controlled entities in the Level 2 Group include BNZ and other financial entities (e.g. finance companies and leasing companies).

Wealth management and life insurance activities are excluded from the calculation of RWA and the related controlled entities are deconsolidated from the Level 2 Group for the purposes of calculating capital adequacy. Capital adequacy deductions are applied to the investments in, and profits of, these activities. National Wealth Management Holdings Limited (NWMH) has not been treated as part of the Level 2 Group for the purposes of this report.

The NAB Group is progressing with a transition to the revised Level 2 Group following a clarification of the ADI Level 2 Group definition by APRA.

In the interim period, CET1 Capital reflects the transition arrangements granted by APRA on the removal of capital benefits arising from debt issued directly by NWMH.

In addition, certain securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with APRA's requirements as set out in *APS 120* have been deconsolidated from the Level 2 Group for the purposes of this disclosure. For regulatory purposes, credit risk is removed from the sold assets and there is no requirement to hold capital against them.

Section 3

Capital

Capital Adequacy [APS 330 Attachment C, Table 3a - 3f]

The following table provides the Basel Accord RWA and capital ratios for the Level 2 Group.

	As at	
	31 Dec 16	30 Sep 16
	RWA	RWA
	$m	$m
Credit risk [1]		
IRB approach		
Corporate (including SME) [2]	126,294	124,765
Sovereign	1,606	1,596
Bank	11,544	11,269
Residential mortgage	91,397	90,143
Qualifying revolving retail	3,913	3,925
Retail SME	6,132	6,182
Other retail	3,741	3,666
Total IRB approach	**244,627**	**241,546**
Specialised lending (SL)	**57,256**	**57,900**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	2,649	2,706
Corporate	4,352	4,219
Other	548	554
Total standardised approach	**7,549**	**7,479**
Other		
Securitisation	3,441	3,435
Credit Value Adjustment	12,344	13,871
Central counterparty default fund contribution guarantee	862	473
Other [3]	3,978	6,806
Total other	**20,625**	**24,585**
Total credit risk	**330,057**	**331,510**
Market risk	7,620	7,299
Operational risk	37,500	37,500
Interest rate risk in the banking book	13,174	12,136
Total risk-weighted assets	**388,351**	**388,445**

(1) RWA which are calculated in accordance with APRA's requirements under the Basel Accord are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.

(2) Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.

(3) 'Other' includes non-lending asset exposure.

	As at	
	31 Dec 16	30 Sep 16
Capital ratios (Level 2)	%	%
Common Equity Tier 1	9.5	9.8
Tier 1	11.9	12.2
Total	13.8	14.1

Leverage ratio	As at			
	31 Dec 16	30 Sep 16	30 Jun 16	31 Mar 16
	$m	$m	$m	$m
Tier 1 Capital	46,037	47,336	41,901	42,535
Total exposures	853,855	827,644	855,681	810,505
Leverage ratio (%)	**5.4%**	**5.7%**	**4.9%**	**5.3%**

Section 4

Credit Risk Exposures

Total and Average Credit Risk Exposures [APS 330 Attachment C, Table 4a]

This table provides the credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundational IRB Approach. For the Advanced IRB approach, Exposure at Default (EaD) is reported gross of specific provisions and partial write-offs. For the Standardised approach, EaD is reported net of any specific provision. Exposures exclude non-lending assets, securitisation and Credit Value Adjustment (CVA).

Gross credit risk exposure refers to the potential exposure as a result of a counterparty default prior to the application of credit risk mitigation. It is defined as the outstanding amount on drawn commitments plus a credit conversion factor on undrawn commitments on a given facility. For derivatives, exposure is defined as the mark-to-market plus a potential value of future movements. This table now includes total EaD net of eligible financial collateral (EFC). The average credit risk exposure is the sum of the gross credit risk exposure at the beginning of the reporting period plus the gross credit risk exposure at the end of the reporting period divided by two.

	As at 31 Dec 16					3 months ended 31 Dec 16
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure gross of EFC	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	140,004	65,307	78,692	284,003	222,234	273,051
Sovereign	64,541	496	18,700	83,737	68,623	82,100
Bank	23,547	4,376	49,788	77,711	39,242	69,681
Residential mortgage	313,240	48,169	-	361,409	361,409	359,620
Qualifying revolving retail	6,142	5,661	-	11,803	11,803	11,727
Retail SME	12,380	3,944	-	16,324	16,321	16,305
Other retail	3,430	1,269	-	4,699	4,699	4,657
Total IRB approach	**563,284**	**129,222**	**147,180**	**839,686**	**724,331**	**817,141**
Specialised lending (SL)	**55,178**	**10,742**	**845**	**66,765**	**66,121**	**66,888**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,560	124	-	4,684	4,627	4,726
Corporate	6,963	565	71,573	79,101	11,820	69,646
Other	1,174	1	-	1,175	1,075	1,179
Total standardised approach	**12,697**	**690**	**71,573**	**84,960**	**17,522**	**75,551**
Total exposure (EaD)	**631,159**	**140,654**	**219,598**	**991,411**	**807,974**	**959,580**

	As at 30 Sep 16					3 months ended 30 Sep 16
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure gross of EFC	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	137,853	63,496	60,750	**262,099**	**215,497**	266,680
Sovereign	64,069	537	15,856	**80,462**	**68,252**	85,028
Bank	23,151	3,481	35,018	**61,650**	**37,754**	73,546
Residential mortgage	308,642	49,189	-	**357,831**	**357,831**	356,085
Qualifying revolving retail	5,907	5,744	-	**11,651**	**11,651**	11,664
Retail SME	12,476	3,810	-	**16,286**	**16,283**	16,300
Other retail	3,347	1,267	-	**4,614**	**4,614**	4,625
Total IRB approach	**555,445**	**127,524**	**111,624**	**794,593**	**711,882**	**813,928**
Specialised lending (SL)	**55,574**	**10,022**	**1,415**	**67,011**	**66,399**	**67,383**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,636	132	-	**4,768**	**4,710**	4,850
Corporate	6,497	545	53,148	**60,190**	**9,530**	63,324
Other	1,181	1	-	**1,182**	**1,073**	1,192
Total standardised approach	**12,314**	**678**	**53,148**	**66,140**	**15,313**	**69,366**
Total exposure (EaD)	**623,333**	**138,224**	**166,187**	**927,744**	**793,594**	**950,677**

Section 5

Credit Provision and Losses

Credit Risk Provisions [APS 330 Attachment C, Table 4b - c]

The following tables set out information on credit risk provision by Basel Accord asset class, excluding non-lending assets and securitisation exposures. Definitions of impairment and past due facilities are based on APS 220: Credit Quality. This standard also provides guidance for provisioning, estimated future credit losses and the General Reserve for Credit Losses.

	As at 31 Dec 16			3 months ended 31 Dec 16	
	Impaired facilities[(1)]	Past due facilities ≥90 days	Specific provisions[(2)]	Charges for specific provisions	Net write-offs[(3)]
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	2,183	229	643	176	15
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	367	1,514	97	17	27
Qualifying revolving retail	-	62	-	42	34
Retail SME	78	86	43	6	9
Other retail	3	51	2	26	24
Total IRB approach	**2,631**	**1,942**	**785**	**267**	**109**
Specialised lending (SL)	**213**	**139**	**105**	**5**	**5**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	8	8	3	-	-
Corporate	1	1	6	-	-
Other	-	-	-	-	-
Total standardised approach	**9**	**9**	**9**	**-**	**-**
Total	**2,853**	**2,090**	**899**	**272**	**114**

General reserve for credit losses	**2,367**

(1) *Impaired facilities includes $nil million of restructured loans (September 2016: $nil million).*
Corporate (incl SME) impaired facilities includes $762 million (NZ$792 million) of BNZ dairy exposures currently assessed as no loss based on security held. (September 2016: $785 million (NZ$823 million)).
Impaired facilities includes $6 million of gross impaired loans at fair value (September 2016: $14 million).

(2) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. For regulatory reporting collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, are treated as regulatory specifics and total $413 million (September 2016: $411 million). This value is in addition to the $899 million of specific provisions (September 2016: $712 million) shown above. Specific provisions includes $5 million (September 2016: $6 million) of specific provisions on gross impaired loans at fair value.*

(3) *Net write-offs includes net write-offs of fair value loans.*

	As at 30 Sep 16			3 months ended 30 Sep 16	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,978	181	487	151	23
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	371	1,470	90	24	28
Qualifying revolving retail	-	64	-	54	41
Retail SME	86	91	47	16	7
Other retail	3	51	2	23	32
Total IRB approach	**2,438**	**1,857**	**626**	**268**	**131**
Specialised lending (SL)	**194**	**110**	**78**	**25**	**10**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	9	8	3	-	-
Corporate	1	-	5	(27)	1
Other	-	-	-	-	(1)
Total standardised approach	**10**	**8**	**8**	**(27)**	**-**
Total	**2,642**	**1,975**	**712**	**266**	**141**

General reserve for credit losses	**2,475**

Section 6

Securitisation

Third Party Securitisation Exposures [APS 330 Attachment C, Table 5b]

The following two tables provide information about assets that the Level 2 Group manages as securitisations (predominantly for third party clients) where the exposures are risk weighted under APS 120. These tables do not provide information on Level 2 Group assets that have been sold to securitisations whether or not the assets are risk weighted under APS 120. The table below breaks down the securitisation exposures by type of facility as defined in the Glossary.

	As at 31 Dec 16			As at 30 Sep 16		
Securitisation exposure type	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Liquidity facilities	70	1,715	1,785	119	1,613	1,732
Warehouse facilities	8,390	2,492	10,882	9,680	1,720	11,400
Credit enhancements	-	19	19	2	17	19
Derivative transactions	168	-	168	221	-	221
Securities	9,269	-	9,269	8,264	-	8,264
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	**17,897**	**4,226**	**22,123**	**18,286**	**3,350**	**21,636**

Recent Third Party Securitisation Activity [APS 330 Attachment C, Table 5a]

This table provides information about new securitisation facilities provided in three months to reporting period.

	Notional amount of facilities provided	
Securitisation exposure type	3 months ended 31 Dec 16 $m	3 months ended 30 Sep 16 $m
Liquidity facilities	168	19
Warehouse facilities	496	5
Credit enhancements	-	-
Derivative transactions	21	51
Securities	1,412	393
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	**2,097**	**468**

Recent Group Own Securitisation Activity [APS 330 Attachment C, Table 5a]

This table may include assets which are sold to securitisation SPVs (1) which issue securities which meet the Reserve Bank of Australia's repurchase eligibility criteria; (2) which otherwise do not result in significant risk transfer and are considered on-balance sheet for regulatory purposes; or (3) in which significant risk transfer has taken place and which are considered off-balance sheet for regulatory purposes. The Level 2 Group may retain an exposure to securitisation SPVs which are considered off-balance sheet for regulatory purposes.

	3 months ended 31 Dec 16			3 months ended 30 Sep 16		
Underlying asset [(1)]	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m
Residential mortgage	2,899	-	-	2,942	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**2,899**	**-**	**-**	**2,942**	**-**	**-**

(1) *The amount securitised during the period is securitisation undertaken for funding purposes, where no significant risk transfer has occurred.*

Section 7

Glossary

Term	Description
ABCP	Asset-Backed Commercial Paper being a form of commercial paper that is collateralised by other financial assets. It is a short-term debt instrument created by an issuing party (typically a bank or other financial institution).
Additional regulatory provisions	That portion of collective provisions covering facilities where any assessment of probability of default or loss would give rise to a reasonable expectation that the facilities in question will need in the short term to be subject to a write-down or write-off, or assessment for impairment on an individual facility basis.
ADI	Authorised Deposit-taking Institution.
Advanced IRB approach (IRB)	The Advanced Internal Ratings Based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the PD, LGD and EaD models.
AMA	Advanced Measurement Approach (AMA) is the risk estimation process used for the NAB Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Basel Accord	The Basel regulatory framework (which includes Basel II, Basel 2.5 and Basel III) is the global benchmark for assessing banks' capital adequacy. The guidelines are aimed at promoting a more resilient banking system through the development of capital adequacy standards that are more accurately aligned with the individual risk profile of institutions, by offering greater flexibility for supervisors to recognise and encourage the use of more sophisticated risk management techniques.
Board	Board of Directors of NAB.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the NAB Group is exposed to, and the capital that the NAB Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
Central Counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer.
Common Equity Tier 1 (CET1) Capital	Common Equity Tier 1 (CET1) Capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Corporate (including SME)	Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the NAB Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the NAB Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
Credit Value Adjustment (CVA)	A capital charge to reflect potential mark-to-market losses due to counterparty migration risk on bilateral OTC derivative contracts.
Derivative transactions	In relation to securitisation exposures, derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
EaD	Exposure at Default (EaD) is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default. It is used in the calculation of RWA.
ELE	The Extended Licensed Entity (ELE) comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in *Prudential Standard APS 222 Associations with Related Entities.*
Eligible financial collateral	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach is limited to the collateral items detailed in *Attachment H* of *APS 112.* Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Foundation IRB (FIRB)	Foundation Internal Ratings Based (FIRB) approach refers to an alternative approach to advanced IRB defined under the Basel Accord where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.
General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes.
GRCL calculation methodology	The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
IFRS	International Financial Reporting Standards.
IMA	Internal Model Approach (IMA) describes the approach used in the assessment of traded market risk. The NAB 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.

Term	Description
Impaired facilities	Impaired facilities consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. - Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
IRRBB	Interest rate risk in the banking book.
Level 2 Group	The Level 2 Group, being NAB and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application* of this report.
Level 3 conglomerate Group	Contains APRA-regulated entities with material operations across more than one APRA-regulated industry and/or unregulated entities.
Leverage Ratio	The Leverage Ratio is a simple, transparent; non-risk based supplementary measure that use exposures to supplement the risk-weighted assets based capital requirements and is prepared in accordance with APRA's *Prudential Standard APS110: Capital Adequacy.*
LGD	Loss Given Default (LGD) is 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. It is used in the calculation of RWA.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that came into force on 1 January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the NAB Group's liquidity needs for a 30 day calendar liquidity stress scenario.
Liquidity facilities	Liquidity facilities are provided by the NAB Group to an SPV for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the SPV (asset liquidity facilities), or to cover the inability of the SPV to roll over ABCP (standby liquidity facilities).
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB Group	NAB and its controlled entities.
Net write-offs	Write-offs on loans at amortised cost and Fair Value loans net of recoveries.
Past due facilities ≥ 90 days	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
PD	Probability of Default (PD) is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the NAB Group in the next 12 months.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
Regulatory capital	Regulatory capital is the total capital held by the NAB Group as a buffer against potential losses arising from the business the NAB Group operates in. Unlike economic capital, it is calculated based on guidance and standards provided by the NAB Group's regulators, including APRA. It is designed to support stability in the banking system and protect depositors.
Risk-Weighted Assets (RWA)	A quantitative measure of the NAB Group's 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.
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
Securitisation	Structured finance technique which involves pooling, packaging cash-flows and converting financial assets into securities that can be sold to investors.
SME	Small and medium sized enterprises.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Tier 1 Capital	Tier 1 Capital comprises Common Equity Tier 1 (CET1) Capital and instruments issued by the NAB Group that meet the criteria for inclusion as Addition Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital
Tier 1 Capital ratio	Tier 1 Capital as defined by APRA divided by RWA.
Tier 2 Capital	Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Tier 2 Capital ratio	Tier 2 Capital as defined by APRA divided by RWA.
Total Capital	Total capital is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA.
Total Capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
Warehouse facilities	Warehouse facilities are lending facilities provided by the NAB Group to an SPV 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.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.