2016 PILLAR 3 REPORT

Incorporating the requirements of APS 330
Half Year Update as at
31 March 2016

National Australia Bank

This page has been left blank intentionally

Contents

This page has been left blank intentionally

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 9.69% at 31 March 2016 is consistent with the NAB Group's objective of maintaining a strong capital position.

	As at	
	31 Mar 16	**30 Sep 15**
Capital ratios (Level 2)	**%**	**%**
Common Equity Tier 1	9.69	10.24
Tier 1	11.77	12.44
Total	13.25	14.15

The NAB Group maintains a strong capital, funding and liquidity position, in line with its ongoing commitment to maintain balance sheet strength.

Over the six months ended 31 March 2016, the NAB Group has accessed a diverse range of wholesale funding across senior, subordinated and secured debt markets.

The NAB Group remains vigilant in its evaluation of the economic and regulatory environment, and continues to ensure that the NAB Group's balance sheet remains strong to enable it to respond to changing market and regulatory conditions.

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 approach to the Basel Accord, which is applied across the NAB Group as at 31 March 2016.

The NAB Group's Basel Methodologies

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

IRB: Internal Ratings Based Approach
AMA: Advanced Measurement Approach
IRRBB: Interest Rate Risk in the Banking Book
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 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.

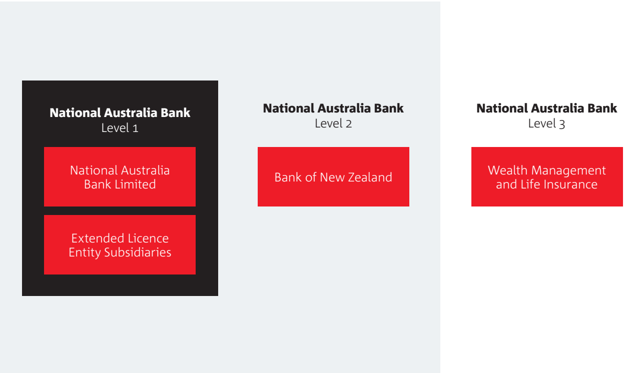
2. Scope of Application

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 May 2014.

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.

As announced on 28 October 2015, the NAB Group has agreed to sell 80% of MLC Limited to Nippon Life Limited. The transaction is subject to certain conditions, including regulatory approvals, extraction of the investments and superannuation business and establishing MLC Limited as a standalone life insurance company. Some of these conditions are subject to approvals from third parties and government agencies. The transaction may not proceed if any contractual conditions cannot be satisfied.

In addition, certain securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with APRA's requirements as set out in *Prudential Standard APS 120 Securitisation* 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.

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

For financial reporting, the NAB Group applies International Financial Reporting Standards (IFRS) and consolidates all entities in which it has the power to govern the financial and operating policies so as to obtain benefit from their activities. This includes life insurance, funds management and securitisation SPVs used to house securitised assets. As noted above, these entities receive a different treatment for Level 2 regulatory consolidation purposes. A list of material controlled entities included in the consolidated NAB Group for financial reporting purposes can be found in the NAB Group's 2015 Annual Financial Report, excluding CYB Investments Limited and Clydesdale Bank PLC.

Basis of Preparation

Prior period historical information has not been restated on a continuing basis following the CYBG PLC (CYBG) demerger.

Restrictions on the Transfer of Funds and Regulatory Capital within the NAB Group

Limits are placed on the level of capital and funding transfers and on the level of exposure (debt and equity) that the NAB Group may have to a related entity. These limits are subject to the NAB Group Balance Sheet and Liquidity Risk (GBSLR) Policy which requires that contagion risk be managed under APRA *Prudential Standard APS 222 Associations with Related Entities* and the Board's risk appetite for intra-group exposures.

Each banking subsidiary works with the NAB Group to manage capital to target capital ranges approved by their local Boards. Any capital transfer is subject to maintaining adequate subsidiary and parent company capitalisation.

Disclosure 2A: Scope of Application

There were no capital deficiencies in non-consolidated subsidiaries of the NAB Group as at 30 September 2015 or 31 March 2016.

Clydesdale Bank plc

On 8 February 2016, the NAB Group completed the demerger of CYBG PLC (CYBG), which was the holding company of Clydesdale Bank plc.

The overall impact of the demerger, including the conduct indemnity relating to Clydesdale Bank plc's historic conduct issues, reduced NAB's CET1 capital ratio by 60 basis points.

Following the recent CYBG demerger, total operational risk capital for the Group has been maintained at $40 billion of RWA. Group operational risk capital levels are subject to reassessment as a part of a broader review which follows the release on 4 March 2016 of the Basel Committee on Banking Supervision (BCBS) consultation paper on the Standardised Measurement Approach for operational risk.

Bank of New Zealand

BNZ is a wholly owned subsidiary of NAB and operates as a regionally autonomous, full-service bank in New Zealand. The BNZ Board is responsible for corporate governance and derives its authority from the Constitution of BNZ and applicable New Zealand legislation.

BNZ is subject to the Basel Accord capital adequacy requirements applicable in New Zealand, mandated by the RBNZ. The capital ratios for BNZ presented in this report have been derived under the RBNZ's Capital Adequacy Framework (Internal Models Based Approach). Full Basel disclosures for BNZ are published separately under the Disclosure Statement regime applicable to banks incorporated in New Zealand.

3. Regulatory Environment

Regulatory Reform

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

Basel III:

- APRA's disclosure requirements in relation to Leverage Ratio, global systemically important bank (G-SIB) indicators and LCR became effective 1 July 2015. The March 2016 Leverage Ratio and LCR are disclosed on pages 51 to 54 of this report. The minimum Leverage Ratio is yet to be determined by APRA, with Pillar 1 compliance not expected to be required until 1 January 2018.
- In January 2016, the Basel Committee on Banking Supervision (BCBS) released a revised market risk framework, which is due to come into effect internationally on 1 January 2019. The Credit Valuation Adjustment (CVA) framework is currently in consultation.
- In March 2016, APRA released a discussion paper on the Net Stable Funding Ratio (NSFR). The consultation period is open until 31 May 2016, and a ratio of at least 100% is proposed for Level 1 and 2 from 1 January 2018. NAB is making considerable progress towards satisfying NSFR requirements (e.g. increasing the stability of the NAB Group's funding profile over recent years).

Federal Government's Financial System Inquiry (Inquiry):

- Released in December 2014, the Inquiry's final report included recommendations focused on financial system resilience, including ensuring unquestionably strong bank capital ratios, the calibration of mortgage risk weights and the implementation of a loss absorbing capacity framework.
- In July 2015, APRA announced an increase in mortgage risk weights for internal ratings based (IRB) approach accredited Authorised Deposit Taking Institutions (ADI) to an average of 25% in response to a recommendation of the Inquiry. This change takes effect from 1 July 2016.

Total loss absorbing capacity (TLAC)

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for G-SIBs. As a domestic systemically important bank (D-SIB), the NAB Group could be required to implement a loss absorbing capacity framework in accordance with emerging international practice. At this stage, APRA have not yet issued guidance on how TLAC might be implemented.

Revised BCBS standards:

- Themes driving the BCBS's revision of standards include improving transparency, consistency and credibility of IRB models. Draft proposals include revisions to the standardised approaches for calculating regulatory capital for credit risk and operational risk, revisions to IRB approaches for credit risk and the introduction of a capital floor framework.
- In April 2016, the BCBS released the revised interest rate risk in the banking book (IRRBB) framework, which is due to come into effect internationally by 2018.

Other regulatory changes

- APRA's notification regarding the definition of entities to be included within the Level 2 ADI Group, as previously announced on 5 May 2014. The change will remove over time the capital benefit that the NAB Group gains from the debt on the NWMH balance sheet, in accordance with the APRA approved transition period to December 2017. As of 31 March 2016, NWMH has $1.0 billion of debt remaining subject to transition, which is equivalent to 28 basis points of CET1 capital.
- APRA's consultation on revisions to APRA *Prudential Standard APS 120: Securitisation*.
- APRA's consultation on clarifications to the non-capital components of the Level 3 framework, effective on 1 July 2017. Final Level 3 capital requirements will be determined following the finalisation of other domestic and international policy initiatives, with implementation no earlier than 2019. APRA's quantitative impact analysis suggests no potential Level 3 Group would be required to raise additional capital as a result of the implementation.

4. Capital

4.1 Capital Adequacy

4.1A: Risk-Weighted Assets

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

	As at 31 Mar 16 RWA $m	As at 30 Sep 15 RWA $m
Credit risk [1]		
IRB approach		
Corporate (including SME) [2]	126,757	128,382
Sovereign	1,684	1,679
Bank	11,381	12,291
Residential mortgage	62,504	60,783
Qualifying revolving retail	3,897	3,782
Retail SME	6,188	6,470
Other retail	3,631	3,429
Total IRB approach	**216,042**	**216,816**
Specialised lending (SL)	**59,498**	**58,376**
Standardised approach		
Australian and foreign governments	-	55
Bank	-	189
Residential mortgage	2,804	20,877
Corporate	4,172	20,896
Other	558	3,404
Total standardised approach	**7,534**	**45.421**
Other		
Securitisation	3,351	2,515
Credit value adjustment	12,257	13,940
Central counterparty default fund contribution guarantee	393	557
Other [3]	4,383	6,701
Total other	**20,384**	**23,713**
Total credit risk	**303,458**	**344,326**
Market risk	7,250	5,793
Operational risk	40,000	40,000
Interest rate risk in the banking book	10,725	9,639
Total risk-weighted assets	**361,433**	**399,758**

(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 exposures. September 2015 includes an RBNZ overlay adjustment required to maintain a minimum risk profile of the NZ Agri portfolio.*

Table 4.1B: Capital Ratios

The table below provides the key capital ratios for each significant ADI or overseas bank subsidiary.

	As at	
	31 Mar 16	30 Sep 15[(2)]
Capital ratios [(1)]	%	%
Level 2 Common Equity Tier 1 Capital ratio	9.69	10.24
Level 2 Tier 1 Capital ratio	11.77	12.44
Level 2 Total Capital ratio	13.25	14.15
Level 1 National Australia Bank Common Equity Tier 1 Capital ratio	9.68	11.60
Level 1 National Australia Bank Tier 1 Capital ratio	11.89	13.97
Level 1 National Australia Bank Total Capital ratio	13.42	15.78
Significant subsidiaries		
BNZ Common Equity Tier 1 Capital ratio	10.41	10.70
BNZ Tier 1 Capital ratio	11.03	11.69
BNZ Total Capital ratio	12.58	12.67

(1) Level 1 Group represents the extended licence entity. The Level 2 Group represents the consolidation of the NAB Group and all its subsidiary entities, other than non-consolidated subsidiaries as outlined in Section 2 Scope of Application of this report. Capital ratios for offshore banking subsidiaries reflect local regulatory standards.

(2) Clydesdale Bank data has not been reported for the 30 September 2015 period.

4.2 Capital Structure

The NAB Group's capital structure comprises various forms of capital. CET1 Capital comprises paid-up ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of such capital to RWA is called the CET1 Capital Ratio. Additional Tier 1 Capital comprises certain securities with required loss absorbing characteristics. Together, CET1 Capital and Additional Tier 1 Capital make up Tier 1 Capital and the ratio of such capital to RWA is called the Tier 1 Capital Ratio.

CET1 Capital contains the highest quality and most loss absorbent components of capital, followed by Additional Tier 1 Capital and then followed by Tier 2 Capital. Tier 2 Capital mainly comprises subordinated instruments, which contributes to the overall capital framework.

Further details of Additional Tier 1 and Tier 2 securities are disclosed in the Capital Instruments section of the NAB Group's website at: http://capital.nab.com.au/disclaimer-area/capital-instruments.phps.

Table 4.2A: Regulatory Capital Structure - Summary [1]

The table below provides the structure of Regulatory Capital for the NAB Group. A detailed breakdown is shown in Section 12 of this report.

	As at	
	31 Mar 16	**30 Sep 15**
	$m	**$m**
Common Equity Tier 1 Capital before regulatory adjustments	47,784	53,562
Total regulatory adjustments to Common Equity Tier 1 capital	12,748	12,625
Common Equity Tier 1 Capital (CET1)	**35,036**	**40,937**
Additional Tier 1 Capital before regulatory adjustments	8,208	8,814
Total regulatory adjustments to Additional Tier 1 capital	709	8
Additional Tier 1 Capital (AT1)	**7,499**	**8,806**
Tier 1 Capital (T1 = CET1 + AT1)	**42,535**	**49,743**
Tier 2 Capital before regulatory adjustments	6,219	6,888
Total regulatory adjustments to Tier 2 Capital	875	81
Tier 2 Capital (T2)	**5,344**	**6,807**
Total Capital (TC = T1 + T2)	**47,879**	**56,550**

(1) *Regulatory Capital has been calculated in accordance with APRA definitions in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital. The regulatory approach to calculating capital differs from the accounting approach as defined under IFRS.*

5. Credit Risk

5.1 General Disclosure

Table 5.1A: Credit Risk Exposures Summary

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundation IRB approach. Gross credit risk exposure refers to the potential exposure as a result of a counterparty default before 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, the exposure is defined as the mark-to-market value plus a potential value of future movements.

For the IRB approach, Exposure at Default (EaD) is reported gross of specific provisions and partial write-offs and before the application of on-balance sheet netting and credit risk mitigation. For the Standardised approach, EaD is reported net of any specific provision and before the application of on-balance sheet netting and credit risk mitigation. Exposures exclude non-lending assets, securitisation and Credit Value Adjustment (CVA).

Definitions of impairment and past due facilities are based on Prudential Standard 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 Mar 16					6 months ended 31 Mar 16
	Total exposure (EaD) (1)	Risk-weighted Assets	Regulatory expected loss	Impaired facilities (2)	Specific provisions (3)	Net write-offs (4)
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	261,531	126,757	1,696	1,551	424	76
Sovereign	71,351	1,684	3	-	-	-
Bank	75,690	11,381	17	-	-	-
Residential mortgage	347,493	62,504	885	325	83	32
Qualifying revolving retail	11,557	3,897	189	-	-	73
Retail SME	16,238	6,188	143	95	41	23
Other retail	4,522	3,631	146	3	1	50
Total IRB approach	**788,382**	**216,042**	**3,079**	**1,974**	**549**	**254**
Specialised lending (SL)	**67,701**	**59,498**	**974**	**176**	**45**	**13**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,954	2,804	-	20	-	1
Corporate	58,996	4,172	-	4	8	23
Other	1,173	558	-	-	-	12
Total standardised approach	**65,123**	**7,534**	**-**	**24**	**8**	**36**
Total	**921,206**	**283,074**	**4,053**	**2,174**	**602**	**303**

(1) *Total credit risk exposure is EaD estimates of potential exposure, according to product type, for a period of one year.*

(2) *Impaired facilities includes $1 million of restructured loans (September 2015: $60 million).*

Corporate (incl SME) impaired facilities include $522 million (NZ$579 million) of BNZ dairy exposures currently assessed as no loss based on security held.

Impaired facilities includes $14 million of gross impaired loans at fair value (September 2015: $58 million).

(3) *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 $403 million (September 2015: $413 million).*

Specific provisions includes $6 million (September 2015: $34 million) of specific provisions on gross impaired loans at fair value.

(4) *Net write-offs includes net write-offs of fair value loans and discontinued operations of CYBG.*

	As at 30 Sep 15					6 months ended 30 Sep 15
	Total exposure (EaD)	Risk-weighted Assets	Regulatory expected loss	Impaired facilities	Specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	261,339	128,382	1,598	778	244	288
Sovereign	71,477	1,679	2	-	-	-
Bank	81,055	12,291	20	-	-	-
Residential mortgage	340,777	60,783	859	367	94	30
Qualifying revolving retail	11,272	3,782	174	-	-	71
Retail SME	16,227	6,470	154	96	45	42
Other retail	4,432	3,429	134	3	1	43
Total IRB approach	**786,579**	**216,816**	**2,941**	**1,244**	**384**	**474**
Specialised lending (SL)	**66,039**	**58,376**	**1,057**	**226**	**54**	**39**
Standardised approach						
Australian and foreign governments	14,499	55	-	-	-	-
Bank	1,157	189	-	-	-	-
Residential mortgage	53,430	20,877	-	150	51	5
Corporate	80,962	20,896	-	427	179	32
Other	3,999	3,404	-	3	3	43
Total standardised approach	**154,047**	**45,421**	**-**	**580**	**233**	**80**
Total	**1,006,665**	**320,613**	**3,998**	**2,050**	**671**	**593**

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundation IRB approach. 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, the exposure is defined as the mark-to-market value plus a potential value of future movements. 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.

For the IRB approach, EaD is reported gross of specific provisions and partial write-offs and prior to the application of on-balance sheet netting and credit risk mitigation. For the Standardised approach, EaD is reported net of any specific provision and prior to the application of on-balance sheet netting and credit risk mitigation. Exposures exclude non-lending assets, securitisation and CVA.

	As at 31 Mar 16				6 months ended 31 Mar 16
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME) [(1)]	136,232	63,060	62,239	261,531	261,435
Sovereign [(1)]	58,261	525	12,565	71,351	71,414
Bank [(1)]	22,821	3,640	49,229	75,690	78,373
Residential mortgage	297,717	49,776	-	347,493	344,135
Qualifying revolving retail	5,979	5,578	-	11,557	11,415
Retail SME	12,398	3,840	-	16,238	16,233
Other retail	3,289	1,233	-	4,522	4,477
Total IRB approach	**536,697**	**127,652**	**124,033**	**788,382**	**787,482**
Specialised lending (SL)	**55,184**	**11,174**	**1,343**	**67,701**	**66,870**
Standardised approach					
Australian and foreign governments	-	-	-	-	7,250
Bank	-	-	-	-	579
Residential mortgage	4,835	119	-	4,954	29,192
Corporate [(1)]	5,686	536	52,774	58,996	69,979
Other	1,172	1	-	1,173	2,586
Total standardised approach	**11,693**	**656**	**52,774**	**65,123**	**109,586**
Total	**603,574**	**139,482**	**178,150**	**921,206**	**963,938**

[(1)] *Total credit risk exposure, net of eligible financial collateral is $774,186 million. For materially impacted asset classes, exposure net of collateral is as follows:*

	$m
Corporate (including SME)	*212,209*
Sovereign	*62,326*
Bank	*37,754*
Corporate (Standardised)	*8,749*

	As at 30 Sep 15				6 months ended 30 Sep 15
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME) [(1)]	135,731	61,588	64,020	261,339	255,147
Sovereign [(1)]	54,200	485	16,792	71,477	73,615
Bank [(1)]	25,377	4,058	51,620	81,055	80,488
Residential mortgage	291,966	48,811	-	340,777	337,760
Qualifying revolving retail	5,702	5,570	-	11,272	11,221
Retail SME	12,443	3,784	-	16,227	16,275
Other retail	3,190	1,242	-	4,432	4,631
Total IRB approach	**528,609**	**125,538**	**132,432**	**786,579**	**779,137**
Specialised lending (SL)	**54,293**	**10,321**	**1,425**	**66,039**	**64,380**
Standardised approach					
Australian and foreign governments	14,283	216	-	14,499	16,052
Bank	616	50	491	1,157	1,824
Residential mortgage	50,491	2,939	-	53,430	50,675
Corporate [(1)]	19,984	3,166	57,812	80,962	74,674
Other	3,812	187	-	3,999	3,967
Total standardised approach	**89,186**	**6,558**	**58,303**	**154,047**	**147,192**
Total	**672,088**	**142,417**	**192,160**	**1,006,665**	**990,709**

[(1)] *Total credit risk exposure, net of eligible financial collateral is $850,651 million. For materially impacted asset classes, exposure net of collateral is as follows:*

	$m
Corporate (including SME)	*214,432*
Sovereign	*57,919*
Bank	*42,637*
Corporate (Standardised)	*25,947*

Table 5.1C: Exposures by Geography

This table provides the total gross credit risk exposures, by major geographical areas, derived from the booking office where the exposure was transacted. Exposures exclude non-lending assets, securitisation and CVA.

	As at 31 Mar 16				
	Australia	**United Kingdom**	**New Zealand**	**Other** [(1)]	**Total exposure**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	167,482	35,560	33,515	24,974	261,531
Sovereign	46,054	7,678	4,076	13,543	71,351
Bank	33,352	29,139	3,659	9,540	75,690
Residential mortgage	313,989	-	33,504	-	347,493
Qualifying revolving retail	11,557	-	-	-	11,557
Retail SME	14,468	-	1,770	-	16,238
Other retail	2,474	-	2,048	-	4,522
Total IRB approach	**589,376**	**72,377**	**78,572**	**48,057**	**788,382**
Specialised lending (SL)	**58,988**	**1,363**	**6,675**	**675**	**67,701**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2,541	-	50	2,363	4,954
Corporate	4,957	6,279	634	47,126	58,996
Other	1,085	-	-	88	1,173
Total standardised approach	**8,583**	**6,279**	**684**	**49,577**	**65,123**
Total exposure (EaD)	**656,947**	**80,019**	**85,931**	**98,309**	**921,206**

(1) *'Other' comprises North America and Asia.*

	As at 30 Sep 15				
	Australia	**United Kingdom**	**New Zealand**	**Other**	**Total exposure**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	167,150	37,317	32,790	24,082	261,339
Sovereign	50,809	9,727	4,137	6,804	71,477
Bank	31,962	33,698	4,111	11,284	81,055
Residential mortgage	308,579	-	32,198	-	340,777
Qualifying revolving retail	11,272	-	-	-	11,272
Retail SME	14,442	-	1,785	-	16,227
Other retail	2,326	-	2,106	-	4,432
Total IRB approach	**586,540**	**80,742**	**77,127**	**42,170**	**786,579**
Specialised lending (SL)	**57,218**	**1,984**	**6,045**	**792**	**66,039**
Standardised approach					
Australian and foreign governments	-	14,499	-	-	14,499
Bank	-	1,157	-	-	1,157
Residential mortgage	2,635	48,229	3	2,563	53,430
Corporate	4,875	25,164	497	50,426	80,962
Other	1,099	2,816	-	84	3,999
Total standardised approach	**8,609**	**91,865**	**500**	**53,073**	**154,047**
Total exposure (EaD)	**652,367**	**174,591**	**83,672**	**96,035**	**1,006,665**

Table 5.1D: Exposures by Industry

This table provides the distribution of gross credit risk exposures, excluding non-lending assets, securitisation and CVA, by major industry type. Industry classifications follow ANZSIC Level 1 classifications [(1)].

	As at 31 Mar 16												
	Accommodation, cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other [(2)]**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	8,142	43,439	15,806	12,276	7,524	80,076	20,833	166	-	28,125	16,471	28,673	261,531
Sovereign	-	-	-	-	-	31,754	-	-	-	-	1	39,596	71,351
Bank	-	-	-	-	-	74,270	-	-	-	-	-	1,420	75,690
Residential mortgage	-	-	-	-	-	-	-	-	347,493	-	-	-	347,493
Qualifying revolving retail	-	-	-	-	-	-	-	11,557	-	-	-	-	11,557
Retail SME	856	3,977	1,991	480	1,824	926	986	127	-	2,684	806	1,581	16,238
Other retail	-	-	-	-	-	-	-	4,522	-	-	-	-	4,522
Total IRB approach	**8,998**	**47,416**	**17,797**	**12,756**	**9,348**	**187,026**	**21,819**	**16,372**	**347,493**	**30,809**	**17,278**	**71,270**	**788,382**
Specialised lending (SL)	**113**	**732**	**106**	**61,439**	**391**	**364**	**-**	**51**	**-**	**-**	**1,471**	**3,034**	**67,701**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-	-	-	4,954	-	-	-	4,954
Corporate	2	50	329	21	58	54,993	277	86	233	707	101	2,139	58,996
Other	-	-	-	-	-	-	-	1,154	19	-	-	-	1,173
Total standardised approach	**2**	**50**	**329**	**21**	**58**	**54,993**	**277**	**1,240**	**5,206**	**707**	**101**	**2,139**	**65,123**
Total exposure (EaD)	**9,113**	**48,198**	**18,232**	**74,216**	**9,797**	**242,383**	**22,096**	**17,663**	**352,699**	**31,516**	**18,850**	**76,443**	**921,206**

(1) To provide for a meaningful differentiation and quantitative estimates of risk that are consistent, verifiable, relevant and soundly based, exposures are disclosed based on the counterparty to which the NAB Group is exposed to credit risk, including guarantors and derivative counterparties.

(2) Immaterial categories are grouped collectively under 'Other'.

	As at 30 Sep 15												
	Accommodation cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	8,125	43,555	14,956	11,676	7,536	82,178	20,387	280	-	27,597	16,478	28,571	261,339
Sovereign	-	-	-	-	-	32,245	-	-	-	-	-	39,232	71,477
Bank	-	-	-	-	-	79,805	-	-	-	-	-	1,250	81,055
Residential mortgage	-	-	-	-	-	-	-	-	340,777	-	-	-	340,777
Qualifying revolving retail	-	-	-	-	-	-	-	11,272	-	-	-	-	11,272
Retail SME	881	3,944	2,010	481	1,812	878	994	119	-	2,730	781	1,597	16,227
Other retail	-	-	-	-	-	-	-	4,432	-	-	-	-	4,432
Total IRB approach	**9,006**	**47,499**	**16,966**	**12,157**	**9,348**	**195,106**	**21,381**	**16,103**	**340,777**	**30,327**	**17,259**	**70,650**	**786,579**
Specialised lending (SL)	**108**	**861**	**5**	**58,630**	**167**	**551**	**-**	**69**	**-**	**-**	**1,647**	**4,001**	**66,039**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	11,238	-	-	-	-	-	3,261	14,499
Bank	-	-	-	-	-	1,036	-	-	-	-	-	121	1,157
Residential mortgage	-	-	-	-	-	-	-	-	53,430	-	-	-	53,430
Corporate	1,053	3,346	2,101	718	475	60,470	2,241	11	1,553	2,464	745	5,785	80,962
Other	-	-	-	-	-	-	-	3,984	15	-	-	-	3,999
Total standardised approach	**1,053**	**3,346**	**2,101**	**718**	**475**	**72,744**	**2,241**	**3,995**	**54,998**	**2,464**	**745**	**9,167**	**154,047**
Total exposure (EaD)	**10,167**	**51,706**	**19,072**	**71,505**	**9,990**	**268,401**	**23,622**	**20,167**	**395,775**	**32,791**	**19,651**	**83,818**	**1,006,665**

Table 5.1E: Exposures by Maturity

This table sets out the residual contractual maturity breakdown of gross credit risk exposures, excluding non-lending assets, securitisation and CVA. Overdraft and other similar revolving facilities are allocated to the category that most appropriately captures the maturity characteristics of the product.

	As at 31 Mar 16			
	<12 months	**1 – 5 years**	**>5 years**	**No specified maturity [1]**
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	112,021	112,409	30,904	6,197
Sovereign	34,913	15,437	20,937	64
Bank	46,295	13,465	15,767	163
Residential mortgage	38,180	7,519	301,234	560
Qualifying revolving retail	1	-	-	11,556
Retail SME	5,175	7,184	3,244	635
Other retail	284	1,120	1,052	2,066
Total IRB approach	**236,869**	**157,134**	**373,138**	**21,241**
Specialised lending (SL)	**23,653**	**38,668**	**4,725**	**655**
Standardised approach				
Australian and foreign governments	-	-	-	-
Bank	-	-	-	-
Residential mortgage	210	507	4,225	12
Corporate	53,581	1,526	3,697	192
Other	929	225	19	-
Total standardised approach	**54,720**	**2,258**	**7,941**	**204**
Total exposure (EaD)	**315,242**	**198,060**	**385,804**	**22,100**

[1] *No specified maturity includes exposures related to credit cards, on demand facilities and guarantees given by the Level 2 Group with no fixed maturity date.*

	As at 30 Sep 15			
	<12 months	**1 – 5 years**	**>5 years**	**No specified maturity**
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	108,860	113,901	32,408	6,170
Sovereign	34,436	16,220	20,747	74
Bank	45,462	14,295	20,862	436
Residential mortgage	39,851	7,817	292,543	566
Qualifying revolving retail	1	-	-	11,271
Retail SME	5,326	6,921	3,330	650
Other retail	264	1,118	922	2,128
Total IRB approach	**234,200**	**160,272**	**370,812**	**21,295**
Specialised lending (SL)	**21,332**	**38,759**	**5,321**	**627**
Standardised approach				
Australian and foreign governments	9,644	1	2,791	2,063
Bank	707	388	49	13
Residential mortgage	2,581	3,040	47,782	27
Corporate	66,385	7,857	6,220	500
Other	1,143	1,556	255	1,045
Total standardised approach	**80,460**	**12,842**	**57,097**	**3,648**
Total exposure (EaD)	**335,992**	**211,873**	**433,230**	**25,570**

Credit Provisions and Losses

Table 5.1F: Provisions by Asset Class

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. This standard also provides guidance for Provisioning, estimated future credit losses and the General Reserve for Credit Losses (GRCL).

	As at 31 Mar 16			6 months ended 31 Mar 16	
	Impaired facilities (1)	Past due facilities ≥90 days	Specific provisions (2)	Charges for specific provisions (3)	Net write-offs (4)
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,551	232	424	267	76
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	325	1,436	83	30	32
Qualifying revolving retail	-	65	-	68	73
Retail SME	95	98	41	16	23
Other retail	3	55	1	36	50
Total IRB approach	**1,974**	**1,886**	**549**	**417**	**254**
Specialised lending (SL)	**176**	**111**	**45**	**8**	**13**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	20	4	-	-	1
Corporate	4	2	8	14	23
Other	-	-	-	13	12
Total standardised approach	**24**	**6**	**8**	**27**	**36**
Total	**2,174**	**2,003**	**602**	**452**	**303**
Additional regulatory specific provision			**403**		

(1) *Impaired facilities includes $1 million of restructured loans (September 2015: $60 million).*

Corporate (incl SME) impaired facilities include $522 million (NZ$579 million) of BNZ dairy exposures currently assessed as no loss based on security held.

Impaired facilities includes $14 million of gross impaired loans at fair value (September 2015: $58 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 $403 million (September 2015: $413 million).*

Specific provisions includes $6 million (September 2015: $34 million) of specific provisions on gross impaired loans at fair value.

(3) *Charges for specific provisions includes discontinued operations of CYBG.*

(4) *Net write-offs includes net write-offs of fair value loans and discontinued operations of CYBG.*

.

	As at 30 Sep 15			6 months ended 30 Sep 15	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	778	221	244	105	288
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	367	1,256	94	24	30
Qualifying revolving retail	-	58	-	69	71
Retail SME	96	106	45	22	42
Other retail	3	43	1	37	43
Total IRB approach	**1,244**	**1,684**	**384**	**257**	**474**
Specialised lending (SL)	**226**	**124**	**54**	**8**	**39**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	150	216	51	29	5
Corporate	427	76	179	6	32
Other	3	22	3	45	43
Total standardised approach	**580**	**314**	**233**	**80**	**80**
Total	**2,050**	**2,122**	**671**	**345**	**593**

Additional regulatory specific provision			**413**

Factors Impacting Loss Experience in the Preceding Period

Non-Impaired facilities 90+ Days Past Due

Group 90+ DPD facilities declined during the March 2016 half year due to the demerger of CYBG. Excluding this, there was an underlying increase due to the Australian Banking IRB Residential Mortgages portfolio.

Impaired facilities

Impaired facilities increased during the March 2016 half year within the IRB Corporate (inc SME Corp) portfolio mainly driven by the new impairment of a small number of large single names in Australian Banking and the inclusion of New Zealand dairy exposures totalling $522 million (NZ$579 million) currently assessed as no loss. This was partially offset by the demerger of CYBG.

Specific Provisions

Specific provisions reduced during the March 2016 half year, mainly driven by the demerger of CYBG. Excluding this, there was an underlying increase due to Australian Banking IRB Corporate (Inc SME Corp) provisions associated with newly impaired large single names.

Charges for Specific Provisions

The total specific provision charge for the March 2016 half year was $452 million, $107 million higher than the September 2015 half year. This increase was primarily due to higher specific provision charges within the Australian Banking IRB Corporate (inc SME Corp) portfolio from the impairment of several large single names, partly offset by movements associated to the demerger of CYBG.

Net Write-Offs

Net write-offs decreased from $593 million for the September 2015 half year to $303 million for the March 2016 half year. The decrease was due to lower write-offs across the Advanced IRB Corporate (inc SME Corp) portfolios for both Australian Banking and NZ Banking, combined with the non-recurring write-offs associated to the demerger of CYBG.

Table 5.1G (i): Loss Experience

Table 5.1G (i) provides the regulatory expected loss (which are forward-looking loss estimates) compared to the realised actual losses calculated as an exposure weighted average since 31 March 2011.

Actual losses (net write-offs) measured over the short-term will differ to regulatory expected loss 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*
- *regulatory expected loss is based on the quality of exposures at a point-in-time (PiT) using long run Probability of Default (PDs) and stressed Loss Given Default (LGDs). In most years actual losses would be below the regulatory expected loss estimate*
- *regulatory expected loss includes expected losses on non-defaulted assets which is a function of long-run PDs and downturn stressed LGDs. For defaulted exposures, regulatory expected loss is based on the NAB Group's best estimate of expected loss.*

	As at 31 Mar 16	
	Exposure weighted average actual loss (net write-offs) [(1)]	**Exposure weighted average regulatory expected loss** [(2)]
	$m	**$m**
IRB approach		
Corporate (including SME)	584	2,734
Sovereign	-	2
Bank	3	55
Residential mortgage	104	919
Qualifying revolving retail	174	219
Retail SME	77	275
Other retail	89	142
Total IRB approach	**1,031**	**4,346**

(1) *Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 31 March 2011.*

(2) *Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 31 March 2011.*

	As at 30 Sep 15	
	Exposure weighted average actual loss (net write-offs) [(1)]	**Exposure weighted average regulatory expected loss** [(2)]
	$m	**$m**
IRB approach		
Corporate (including SME)	641	2,746
Sovereign	-	9
Bank	3	56
Residential mortgage	108	868
Qualifying revolving retail	178	215
Retail SME	79	290
Other retail	86	137
Total IRB approach	**1,095**	**4,321**

(1) *Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 30 September 2010.*

(2) *Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 30 September 2010.*

Accuracy of Risk Estimates

The following tables have been provided to summarise and compare across asset classes, the estimates of credit risk factors used within the calculation of regulatory capital with actual outcomes. 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 when calculating regulatory Expected Loss (EL).

A full 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 of September 2015 Pillar 3 Report.

Table 5.1G (ii): Accuracy of Risk Estimates – PD and EaD

This table provides a comparison of internal estimates of long-run PD with actual default rates averaged over a period of five years to 31 March 2016. Averages of actual and estimated PD are calculated from customers not in default at the beginning of the financial year and averaged out over the five year observation period. The EaD ratio compares the estimated downturn EaD at the beginning of the financial year against the actual default amount.

	As at 31 Mar 16		
	Average Estimated PD [3]	Average Actual PD [3]	Ratio of estimated to actual EAD
	%	%	
IRB approach			
Corporate (including SME)	1.76	1.94	1.1
Sovereign [1]	0.43	0.09	1.1
Bank [1]	0.39	0.24	1.0
Residential mortgage [2]	0.96	0.86	1.0
Qualifying revolving retail	1.56	1.31	1.1
Retail SME	2.01	2.22	1.1
Other retail	2.23	2.90	1.0

(1) *Average actual PDs for Sovereign and Bank exposures are based on a low number of observed defaults.*

(2) *Estimated PDs includes BNZ assets subject to RBNZ calibration overlay.*

(3) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of five years to 31 March 2016.*

	As at 30 Sep 15		
	Average Estimated PD [1]	Average Actual PD [1]	Ratio of estimated to actual EAD
	%	%	
IRB approach			
Corporate (including SME)	1.79	2.06	1.1
Sovereign	0.41	0.16	1.3
Bank	0.36	0.19	1.1
Residential mortgage	0.92	0.88	1.0
Qualifying revolving retail	1.51	1.40	1.1
Retail SME	1.99	2.31	1.1
Other retail	2.16	2.87	1.0

(1) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of five years to 30 September 2015.*

Table 5.1G (iii): Accuracy of Risk Estimates – LGD

This table provides comparison of internal estimates of downturn LGD with actual losses which were evidenced during the five years to 31 March 2016. Actual LGD was calculated using net write-offs from defaults during the five year observation period with the most recent defaults excluded to allow sufficient time for 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 the period is the most recent two years. Estimates are calculated using the downturn LGD at the beginning of the financial year.

	As at 31 Mar 16	
	Average estimated downturn LGD [4]	**Average actual LGD** [4]
	%	**%**
IRB approach		
Corporate (including SME) [1]	38.3	31.7
Sovereign [2]	45.0	-
Bank [2]	52.9	-
Residential mortgage [3]	20.5	3.9
Qualifying revolving retail	87.2	67.7
Retail SME	36.5	19.5
Other retail	75.7	55.2

(1) *Estimated downturn LGD includes BNZ assets subject to RBNZ regulatory floors.*

(2) *Average actual and estimated downturn LGDs for Sovereign and Bank exposures have historically been excluded from this table in the instances where a low number of defaults have been observed.*

(3) *Estimated downturn LGD subject to APRA and RBNZ imposed regulatory floors.*

(4) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the five years to 31 March 2016.*

	As at 30 Sep 15	
	Average estimated downturn LGD [1]	**Average actual LGD** [1]
	%	**%**
IRB approach		
Corporate (including SME)	38.7	30.2
Sovereign	45.0	-
Bank	-	-
Residential mortgage	20.6	4.1
Qualifying revolving retail	87.1	68.0
Retail SME	36.5	20.1
Other retail	75.6	54.7

(1) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the five years to 30 September 2015.*

Table 5.1H: Provisions by Industry

This table shows provisioning information by industry. Industry classifications follow ANZSIC Level 1 classifications. Totals do not include amounts relating to non-lending assets, securitisation and CVA.

	As at 31 Mar 16			6 months ended 31 Mar 16	
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**Charges for specific provisions**	**Net write-offs**
	$m	**$m**	**$m**	**$m**	**$m**
Industry sector					
Accommodation, cafes, pubs and restaurants	63	17	19	13	35
Agriculture, forestry, fishing and mining	1,036	80	188	157	25
Business services and property services	117	30	51	21	9
Commercial property	182	108	50	10	18
Construction	67	34	25	13	10
Finance and insurance	55	13	32	(1)	(1)
Manufacturing	101	32	44	13	6
Personal	4	131	1	114	139
Residential mortgages	344	1,441	83	31	34
Retail and wholesale trade	148	54	73	67	23
Transport and storage	29	19	14	6	3
Other	27	44	22	8	2
Total	**2,174**	**2,003**	**602**	**452**	**303**
Additional regulatory specific provision			**403**		

	As at 30 Sep 15			6 months ended 30 Sep 15	
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**Charges for specific provisions**	**Net write-offs**
	$m	**$m**	**$m**	**$m**	**$m**
Industry sector					
Accommodation, cafes, pubs and restaurants	247	33	89	29	23
Agriculture, forestry, fishing and mining	295	109	72	61	137
Business services and property services	180	49	72	38	31
Commercial property	291	149	78	10	53
Construction	62	42	23	8	21
Finance and insurance	58	8	34	(3)	38
Manufacturing	109	32	44	23	18
Personal	4	133	6	131	142
Residential mortgages	517	1,472	145	53	35
Retail and wholesale trade	126	51	42	21	28
Transport and storage	38	20	16	11	12
Other	123	24	50	(37)	55
Total	**2,050**	**2,122**	**671**	**345**	**593**
Additional regulatory specific provision			413		

Table 5.1I: Provisions by Geography

	As at 31 Mar 16			
	Impaired facilities $m	Past due facilities ≥90 days $m	Specific provisions $m	General reserve for credit losses $m
Geographic region				
Australia	1,399	1,794	485	2,285
United Kingdom	20	16	10	243
New Zealand	728	190	91	402
Other [(1)]	27	3	16	48
Total	**2,174**	**2,003**	**602**	**2,978**
Regulatory specific provisions			403	(403)
Plus reserve created through retained earnings				130
General reserve for credit losses [(2)]				**2,705**

(1) *'Other' comprises North America and Asia.*

(2) *The GRCL balance allocated across geographic regions of $2,978 million includes $2,453 million of provisions on loans at amortised cost and $525 million of provisions held on assets at fair value and other debt instruments.*

	As at 30 Sep 15			
	Impaired facilities $m	Past due facilities ≥90 days $m	Specific provisions $m	General reserve for credit losses $m
Geographic region				
Australia	1,241	1,620	343	2,360
United Kingdom	604	324	241	725
New Zealand	197	178	84	349
Other	8	-	3	60
Total	**2,050**	**2,122**	**671**	**3,494**
Regulatory specific provisions			413	(413)
Plus reserve created through retained earnings				64
General reserve for credit losses [(1)]				**3,145**

(1) *The GRCL balance allocated across geographic regions of $3,494 million includes $2,883 million of provisions on loans at amortised cost and $611 million of provisions held on assets at fair value and other debt instruments.*

.

Table 5.1J: Movement in Provisions

This table discloses the movements in the balance of provisions over the reporting period for both specific provisions and the general reserve for credit losses. Totals do not include amounts relating to non-lending assets, securitisation and CVA.

	6 months ended 31 Mar 16 $m	6 months ended 30 Sep 15 $m
General reserve for credit losses		
Collective provision balance at start of period	2,883	2,871
Total charge to income statement	138	213
Net transfer to specific provision	(130)	(154)
Disposal of controlled entities	(401)	(80)
Foreign currency translation and other adjustments	(37)	33
Collective provision on loans at amortised cost	2,453	2,883
Plus provisions held on assets at fair value and other debt instruments (1)	525	611
Less additional regulatory specific provisions	(403)	(413)
Plus reserve created through retained earnings	130	64
General reserve for credit losses	**2,705**	**3,145**
Specific provisions		
Balance at start of period	637	872
Net transfer from general reserve for credit losses	130	154
Bad debts recovered	63	57
Bad debts written off	(358)	(636)
Total charge to income statement	318	196
Disposal of controlled entities	(174)	(13)
Foreign currency translation and other adjustments	(20)	7
Specific provisions excluding provisions for assets at fair value	596	637
Plus specific provisions held on assets at fair value	6	34
Plus additional regulatory specific provisions	403	413
Total regulatory specific provisions	**1,005**	**1,084**
Total provisions	**3,710**	**4,229**

(1) *Provisions held on assets at fair value are presented gross of $14 million regulatory specific provisions for assets held at fair value (September 2015: $12 million).*

5.2 Standardised and Supervisory Slotting Portfolios

Table 5.2A: Standardised Exposures by Risk Weight

The following table shows the credit exposure amount before and after risk mitigation [(1)] in each risk category, subject to the standardised approach.

	As at 31 Mar 16		As at 30 Sep 15	
	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Standardised approach – risk weights				
0%	-	-	14,227	14,227
2%	52,270	2,322	57,595	3,094
4%	1,923	1,638	2,027	1,533
20%	-	1,493	836	2,008
35%	2,248	2,209	46,143	46,101
50%	573	573	4,086	4,199
75%	1,492	1,492	2,113	2,113
100%	6,507	4,904	26,599	24,641
150%	16	15	321	283
Default Fund Contributions[(2)]	94	94	100	100
Total standardised approach (EaD)	**65,123**	**14,740**	**154,047**	**98,299**

(1) *The NAB Group recognises the mitigation of credit risk as a result of eligible financial collateral and mitigation providers. Eligible financial collateral refers to cash and cash equivalents as defined in APS 112.*

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

Table 5.2B: Standardised Exposures by Risk Grade

	As at 31 Mar 16		As at 30 Sep 15	
Asset class by rating grade	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	-	-	14,491	14,245
Credit rating grade 2	-	-	-	-
Unrated	-	-	8	8
Sub-total	-	-	14,499	14,253
Bank				
Credit rating grade 1	-	-	486	486
Credit rating grade 2	-	-	412	181
Credit rating grade 3	-	-	51	51
Credit rating grade 4	-	-	9	9
Unrated	-	-	199	84
Sub-total	-	-	1,157	811
Residential mortgage				
Unrated	4,954	4,900	53,430	53,361
Sub-total	4,954	4,900	53,430	53,361
Corporate				
Credit rating grade 1	-	-	3	3
Credit rating grade 2	767	635	747	668
Credit rating grade 3	-	-	26	26
Unrated	58,229	8,107	80,186	25,247
Sub-total	58,996	8,742	80,962	25,944
Other				
Unrated	1,173	1,098	3,999	3,930
Sub-total	1,173	1,098	3,999	3,930
Total standardised approach (EaD)	**65,123**	**14,740**	**154,047**	**98,299**

Table 5.2C: Supervisory Slotting by Risk Weight

The following table shows the credit exposure, reported after risk mitigation, in each risk bucket for Specialised Lending products subject to supervisory slotting.

	As at	
	31 Mar 16	30 Sep 15
	Exposure after risk mitigation $m	Exposure after risk mitigation $m
IRB supervisory slotting – unexpected loss risk weights		
70%	24,615	23,280
90%	32,052	30,597
115%	9,077	9,997
250%	1,045	1,082
Default	563	705
Total IRB supervisory slotting (EaD)	**67,352**	**65,661**

5.3 Internal Ratings Based Portfolios

Table 5.3A: Non-Retail Exposure by Risk Grade

This table provides a breakdown of gross non-retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades. Moody's risk grades have been included as a reference point. Exposures have been categorised into PD grades as assessed by the Level 2 Group's internal ratings system and exclude non-lending assets, securitisation, CVA and Specialised Lending.

	As at 31 Mar 16						
	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<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	59,821	100,447	71,887	21,019	5,706	2,651
Sovereign	63,961	6,784	557	43	6	-	-
Bank	-	64,911	8,904	1,828	31	16	-
Total exposure (EaD)	**63,961**	**131,516**	**109,908**	**73,758**	**21,056**	**5,722**	**2,651**
Undrawn commitments							
Corporate	-	13,423	24,964	12,056	2,595	700	126
Sovereign	209	228	63	2	5	-	-
Bank	-	864	507	10	-	-	-
Total undrawn commitments (1)	**209**	**14,515**	**25,534**	**12,068**	**2,600**	**700**	**126**

IRB approach							
Average EaD ($m) (2)							
Corporate	-	1.43	0.65	0.30	0.19	0.17	0.28
Sovereign	38.98	2.79	1.13	0.19	0.02	0.01	-
Bank	-	3.24	0.69	8.88	0.33	0.69	-
Exposure weighted average LGD (%)							
Corporate	-	30.4 %	35.0 %	29.6 %	31.1 %	36.9 %	43.4 %
Sovereign	4.6 %	25.9 %	43.3 %	54.7 %	45.0 %	45.0 %	45.0 %
Bank	-	27.3 %	32.9 %	11.8 %	47.0 %	35.7 %	-
Exposure weighted average risk weight (%)							
Corporate	-	18.0 %	42.7 %	58.1 %	79.3 %	147.2 %	236.9 %
Sovereign	0.9 %	11.0 %	58.3 %	98.9 %	107.0 %	147.5 %	596.3 %
Bank	-	11.5 %	40.2 %	15.5 %	112.6 %	164.7 %	-

(1) *Total undrawn commitments are included in the calculation of Total Exposures (EaD) shown above.*

(2) *Simple average of exposure by number of arrangements.*

	As at 30 Sep 15						
	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<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	58,127	100,493	73,356	21,704	5,672	1,987
Sovereign	65,387	5,413	643	24	10	-	-
Bank	-	69,950	7,896	3,159	19	30	1
Total exposure (EaD)	**65,387**	**133,490**	**109,032**	**76,539**	**21,733**	**5,702**	**1,988**
Undrawn commitments							
Corporate	-	13,414	24,588	11,188	2,732	487	97
Sovereign	118	257	85	3	5	-	-
Bank	-	1,109	243	10	-	-	-
Total undrawn commitments	**118**	**14,780**	**24,916**	**11,201**	**2,737**	**487**	**97**

IRB approach							
Average EaD ($m)							
Corporate	-	1.42	0.62	0.24	0.19	0.15	0.20
Sovereign	41.54	2.13	1.35	0.14	0.03	0.07	-
Bank	-	2.06	1.59	11.39	0.20	1.15	0.65
Exposure weighted average LGD (%)							
Corporate	-	33.6 %	36.5 %	29.0 %	32.6 %	34.9 %	42.7 %
Sovereign	4.1 %	26.3 %	47.4 %	45.0 %	44.0 %	45.0 %	45.0 %
Bank	-	30.1 %	28.2 %	10.2 %	37.3 %	45.0 %	59.6 %
Exposure weighted average risk weight (%)							
Corporate	-	19.2 %	44.7 %	57.3 %	85.0 %	136.7 %	203.4 %
Sovereign	0.8 %	13.1 %	62.6 %	84.3 %	118.0 %	188.3 %	596.3 %
Bank	-	13.1 %	33.5 %	12.8 %	95.7 %	218.4 %	-

Table 5.3B: Retail Exposure by Risk Grade

This table provides a breakdown of gross 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. Exposures exclude non-lending assets, securitisation and CVA.

	As at 31 Mar 16					
	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
IRB approach	$m	$m	$m	$m	$m	$m
Total exposure						
Residential mortgage	108,992	121,146	89,524	17,002	8,587	2,242
Qualifying revolving retail	4,571	2,835	2,100	1,042	983	26
Retail SME	1,801	4,293	6,407	2,623	768	346
Other retail	1,006	808	1,092	1,089	458	69
Total exposure (EaD)	**116,370**	**129,082**	**99,123**	**21,756**	**10,796**	**2,683**
Undrawn commitments						
Residential mortgage	28,208	13,957	6,524	893	133	61
Qualifying revolving retail	3,401	1,591	453	97	35	1
Retail SME	1,043	1,102	886	273	63	60
Other retail	672	254	219	71	17	-
Total undrawn commitments [(1)]	**33,324**	**16,904**	**8,082**	**1,334**	**248**	**122**

IRB approach	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
Average EaD ($m) [(2)]						
Residential mortgage	0.09	0.26	0.22	0.30	0.33	0.20
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.03	0.03	0.03	0.02	0.01	0.01
Other retail	0.00	0.01	0.01	0.01	small	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	20.0 %	20.3 %	20.0 %	20.0 %	20.4 %
Qualifying revolving retail	83.5 %	84.7 %	86.8 %	87.2 %	87.4 %	87.6 %
Retail SME	23.2 %	25.2 %	28.6 %	30.0 %	31.9 %	37.8 %
Other retail	83.0 %	81.0 %	79.4 %	79.3 %	78.0 %	78.6 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.4 %	10.4 %	26.9 %	54.8 %	94.1 %	211.0 %
Qualifying revolving retail	4.1 %	12.0 %	38.0 %	83.9 %	163.7 %	323.0 %
Retail SME	5.7 %	14.9 %	34.0 %	55.9 %	94.3 %	309.7 %
Other retail	14.2 %	43.2 %	89.7 %	118.3 %	149.1 %	275.0 %

(1) *Total undrawn commitments are included in the calculation of Total Exposures (EaD) shown above.*

(2) *Simple average of exposure by number of arrangements.*

	As at 30 Sep 15					
	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
IRB approach	$m	$m	$m	$m	$m	$m
Total exposure						
Residential mortgage	107,637	118,804	87,514	16,376	8,280	2,166
Qualifying revolving retail	4,291	2,976	1,937	1,087	957	24
Retail SME	1,617	4,289	6,398	2,754	792	377
Other retail	1,065	828	1,068	919	493	59
Total exposure (EaD)	**114,610**	**126,897**	**96,917**	**21,136**	**10,522**	**2,626**
Undrawn commitments						
Residential mortgage	27,645	13,643	6,346	981	126	70
Qualifying revolving retail	3,264	1,712	445	112	36	1
Retail SME	934	1,115	896	301	65	63
Other retail	707	261	188	68	18	-
Total undrawn commitments	**32,550**	**16,731**	**7,875**	**1,462**	**245**	**134**

IRB approach						
Average EaD ($m)						
Residential mortgage	0.08	0.26	0.22	0.29	0.34	0.19
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.02	0.03	0.03	0.02	0.01	0.01
Other retail	-	0.01	0.01	0.01	0.01	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	20.0 %	20.4 %	20.0 %	20.0 %	20.5 %
Qualifying revolving retail	83.4 %	84.5 %	86.6 %	87.2 %	87.3 %	87.9 %
Retail SME	23.7 %	25.3 %	29.0 %	30.6 %	32.3 %	38.6 %
Other retail	83.0 %	80.9 %	79.6 %	79.3 %	78.1 %	78.7 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.4 %	10.4 %	26.9 %	54.7 %	94.3 %	209.1 %
Qualifying revolving retail	4.2 %	11.9 %	37.7 %	82.1 %	161.2 %	356.1 %
Retail SME	5.8 %	15.0 %	34.5 %	57.9 %	95.0 %	313.2 %
Other retail	14.3 %	43.1 %	89.5 %	118.0 %	146.2 %	270.4 %

5.4 Credit Risk Mitigation

Table 5.4A: Mitigation by Eligible Collateral

This table discloses the total credit exposures subject to the standardised and supervisory slotting criteria approaches which are covered by eligible financial collateral. Exposures exclude non-lending assets, securitisation and CVA.

	As at 31 Mar 16	
	Total exposure	of which is covered by eligible financial collateral [(1)]
	$m	$m
Specialised lending (SL)	**67,701**	**349**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	4,954	54
Corporate	58,996	50,254
Other	1,173	75
Total standardised approach	**65,123**	**50,383**

[(1)] *Eligible financial collateral, when used to reduce levels of exposure, refers to cash and cash equivalents as defined in APS 112. Exposures covered by eligible financial collateral are measured after the application of regulatory haircuts.*

	As at 30 Sep 15	
	Total exposure	of which is covered by eligible financial collateral
	$m	$m
Specialised lending (SL)	**66,039**	**378**
Standardised approach		
Australian and foreign governments	14,499	246
Bank	1,157	346
Residential mortgage	53,430	69
Corporate	80,962	55,018
Other	3,999	69
Total standardised approach	**154,047**	**55,748**

Table 5.4B: Mitigation by Guarantees and Credit Derivatives

This table discloses the total credit exposures which are covered by the guarantees and credit derivatives relating to each portfolio. Exposures exclude non-lending assets, securitisation and CVA.

	As at 31 Mar 16		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME) [(1)]	261,531	24,648	-
Sovereign	71,351	40	-
Bank	75,690	150	2
Residential mortgage	347,493	-	-
Qualifying revolving retail	11,557	-	-
Retail SME	16,238	-	-
Other retail	4,522	-	-
Total IRB approach	**788,382**	**24,838**	**2**
Specialised lending (SL)	**67,701**	**-**	**-**
Standardised approach			
Australian and foreign governments	-	-	-
Bank	-	-	-
Residential mortgage	4,954	-	-
Corporate	58,996	-	-
Other	1,173	-	-
Total standardised approach	**65,123**	**-**	**-**

(1) *$370 million of exposures covered by guarantees previously reported as credit derivatives (September 2015: $406 million), have been re-classified at March 2016.*

	As at 30 Sep 15		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	261,339	26,542	406
Sovereign	71,477	145	-
Bank	81,055	99	5
Residential mortgage	340,777	-	-
Qualifying revolving retail	11,272	-	-
Retail SME	16,227	-	-
Other retail	4,432	-	-
Total IRB approach	**786,579**	**26,786**	**411**
Specialised lending (SL)	**66,039**	**-**	**-**
Standardised approach			
Australian and foreign governments	14,499	-	-
Bank	1,157	114	-
Residential mortgage	53,430	-	-
Corporate	80,962	-	-
Other	3,999	-	-
Total standardised approach	**154,047**	**114**	**-**

5.5 Counterparty Credit Risk

Table 5.5A (i): Net Derivatives Credit Exposure

This table discloses gross positive fair value of derivative contracts, netting benefits, netted current credit exposure, potential future credit exposure and collateral held. Net derivatives credit exposure represents net exposure at default, or exposure amount, under the current exposure method.

	As at 31 Mar 16 $m	As at 30 Sep 15 $m
Gross positive fair value of derivative contracts	85,545	89,991
Netting benefits	(65,395)	(63,745)
Netted current credit exposure (NCCE)	**20,150**	**26,246**
Potential Future Credit Exposure	18,002	20,154
Collateral held		
Cash	(11,038)	(14,394)
Government Securities	-	-
Other	(227)	(201)
Total net derivatives credit exposure	**26,887**	**31,805**

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

This table discloses notional value of credit derivative hedges, and the distribution of current credit exposure, by types of credit exposure.

	As at 31 Mar 16		As at 30 Sep 15	
	Notional Principal $m	Exposure at default $m	Notional Principal $m	Exposure at default $m
Interest rate contracts	1,257,343	9,202	1,850,677	9,913
Foreign exchange and gold contracts	1,462,728	15,341	1,577,488	19,169
Equity contracts	1,312	312	1,514	383
Precious metal contracts (other than gold)	-	-	-	-
Other commodity contracts (other than precious metals)	2,802	188	2,343	226
Other market related contracts	20,390	190	34,763	326
Central counterparty	2,746,842	1,654	2,252,167	1,788
Total	**5,491,417**	**26,887**	**5,718,952**	**31,805**

Table 5.5B: Credit Derivative Transactions

This table discloses credit derivative transactions that create exposures to CCR (notional value), segregated between use for the ADI's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group.

	As at 31 Mar 16			As at 30 Sep 15		
	Protection bought Notional $m	Protection sold Notional $m	Total Notional $m	Protection bought Notional $m	Protection sold Notional $m	Total Notional $m
Credit derivative products used for own credit portfolio						
Credit default swaps	578	-	578	752	-	752
Credit derivative products used for intermediation						
Credit default swaps	14,597	15,532	30,129	16,815	17,830	34,645
Total return swaps	198	-	198	193	-	193
Total credit derivative notional value	**15,373**	**15,532**	**30,905**	**17,760**	**17,830**	**35,590**

6. Securitisation

Trading book securitisation exposures are not material for the Level 2 Group. As such, these exposures are included in the tables below and are not separately disclosed within this report.

6.1 Third Party Securitisation

This section provides information about assets that the Level 2 Group manages as securitisations for third parties (clients) and for any retained exposure to assets securitised by the Level 2 Group.

Table 6.1A: Total Securitisation Exposures

This table shows the amount of securitisation exposures by facility and provides an indication of the relative extent to which the Level 2 Group has exposure to each type of asset within the securitisation SPV. This table does not provide information on Level 2 Group assets that have been sold to securitisations.

	As at 31 Mar 16				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	15,651	-	-	620	332
Credit cards and other personal loans	1,021	-	-	34	-
Auto and equipment finance	1,880	-	-	138	-
CDOs/CLOs [(1)]	-	-	-	-	302
Commercial mortgages	2	-	-	-	34
Corporate bonds	-	-	-	-	610
Other	575	-	-	-	-
Total underlying asset	**19,129**	**-**	**-**	**792**	**1,278**

(1) As at 31 March 2016, all exposures are structured such that the pool of assets is assigned to an SPV, usually by a sale.

	As at 30 Sep 15				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	14,040	-	-	620	424
Credit cards and other personal loans	18	-	-	34	-
Auto and equipment finance	1,341	-	-	139	-
CDOs/CLOs [(1)]	-	-	-	-	461
Commercial mortgages	13	-	-	-	40
Corporate bonds	-	-	-	-	612
Other	535	-	-	-	-
Total underlying asset	**15,947**	**-**	**-**	**793**	**1,537**

(1) As at 30 September 2015, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.

Table 6.1B: Type of Exposure

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 Mar 16			As at 30 Sep 15		
	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Securitisation exposure type						
Liquidity facilities	53	2,105	2,158	1	1,989	1,990
Warehouse facilities	9,273	1,318	10,591	6,589	1,281	7,870
Credit enhancements	2	16	18	2	16	18
Derivative transactions	160	-	160	97	-	97
Securities	8,351	-	8,351	8,381	-	8,381
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	**17,839**	**3,439**	**21,278**	**15,070**	**3,286**	**18,356**

Table 6.1C: Recent Third Party Securitisation Activity

This table provides information about new securitisation facilities provided in the periods described below.

	Notional amount of facilities provided	
	6 months ended 31 Mar 16 $m	6 months ended 30 Sep 15 $m
Securitisation exposure type		
Liquidity facilities	540	331
Warehouse facilities	1,853	866
Credit enhancements	-	-
Derivative transactions	62	19
Securities	752	973
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	**3,207**	**2,189**

Table 6.1D: Exposures by Risk Weight

These tables show the risk weights for securitisation and resecuritisation exposures as calculated under APS 120, split between the Rating Based Approach (RBA), the Internal Assessment Approach (IAA), and Other.

Securitisation Exposures by Risk Weight

Securitisation exposures are on-balance and off-balance sheet risk positions held by the Level 2 Group arising from a securitisation, excluding exposures which have been classified as resecuritisations. Resecuritisation exposures are disclosed on the following page.

	As at 31 Mar 16		As at 30 Sep 15	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,393	452	7,436	524
> 10% ≤ 25%	410	50	138	18
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	5	-	6	-
RBA sub-total	**6,808**	**502**	**7,580**	**542**
IAA				
≤10%	6,013	432	4,773	346
> 10% ≤ 25%	5,382	686	4,128	532
> 25% ≤ 35%	35	12	23	8
> 35% ≤ 50%	36	18	54	27
> 50% ≤ 75%	111	83	74	56
> 75% ≤ 100%	14	14	11	11
> 100% ≤ 650%	6	15	4	10
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	8	-	5	-
IAA sub-total	**11,605**	**1,260**	**9,072**	**990**
Other				
≤10%	66	4	63	4
> 10% ≤ 25%	386	64	268	45
> 25% ≤ 35%	740	259	6	2
> 35% ≤ 50%	53	27	75	37
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	1,111	1,102	626	617
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	2	-	3
Deductions	-	-	-	-
Other sub-total	**2,356**	**1,458**	**1,037**	**708**
Total	**20,769**	**3,220**	**17,689**	**2,240**

Resecuritisation Exposures by Risk Weight

Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.

	As at 31 Mar 16		As at 30 Sep 15	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	-	-	-	-
> 10% ≤ 25%	1	-	1	-
> 25% ≤ 35%	5	1	4	2
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	16	-	16	-
RBA sub-total	**22**	**1**	**21**	**2**
IAA				
≤10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
IAA sub-total	-	-	-	-
Other				
≤10%	94	6	95	6
> 10% ≤ 25%	5	1	5	1
> 25% ≤ 35%	6	2	6	2
> 35% ≤ 50%	302	121	275	110
> 50% ≤ 75%	-	-	91	59
> 75% ≤ 100%	-	-	95	95
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
Other sub-total	**407**	**130**	**567**	**273**
Total	**429**	**131**	**588**	**275**

Total Exposures by Risk Weight

This table is the sum of the tables 'Securitisation Exposures by Risk Weight' and 'Resecuritisation Exposures by Risk Weight' disclosed on the previous pages.

	As at 31 Mar 16		As at 30 Sep 15	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,393	452	7,436	525
> 10% ≤ 25%	411	50	139	18
> 25% ≤ 35%	5	1	5	1
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	21	-	21	-
RBA sub-total	**6,830**	**503**	**7,601**	**544**
IAA				
≤10%	6,013	432	4,773	346
> 10% ≤ 25%	5,382	686	4,128	532
> 25% ≤ 35%	35	12	23	8
> 35% ≤ 50%	36	18	54	27
> 50% ≤ 75%	111	83	74	56
> 75% ≤ 100%	14	14	11	11
> 100% ≤ 650%	6	15	4	10
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	8	-	5	-
IAA sub-total	**11,605**	**1,260**	**9,072**	**990**
Other				
≤10%	160	10	158	10
> 10% ≤ 25%	391	65	274	46
> 25% ≤ 35%	746	261	12	4
> 35% ≤ 50%	355	148	350	148
> 50% ≤ 75%	-	-	91	59
> 75% ≤ 100%	1,111	1,102	719	711
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	2	-	3
Deductions	-	-	-	-
Other sub-total	**2,763**	**1,588**	**1,604**	**981**
Total	**21,198**	**3,351**	**18,277**	**2,515**

Table 6.1E: Exposures Deducted from Capital

The table below shows securitisation exposures that have been deducted from capital, divided into those that relate to securitisations of Level 2 Group assets and other securitisations.

	As at 31 Mar 16					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital [(1)]						
Deductions from Common Equity Tier 1 Capital	-	-	-	-	28	28
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**28**	**28**

[(1)] *These are exposures to the subordinated tranche (i.e. exposure to the first 10% of credit losses of a securitisation and where the exposure is not to the most senior tranche).*

	As at 30 Sep 15					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital						
Deductions from Common Equity Tier 1 Capital	-	-	-	-	26	26
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**26**	**26**

6.2 Level 2 Group Owned Securitised Assets

The Level 2 Group securitises its own assets for funding, liquidity risk and capital management purposes. In doing this, the Level 2 Group acts as the originator, seller and servicer of assets from the Level 2 Group's balance sheet. This includes responsibility for collecting interest and principal on the securitised assets. The Level 2 Group may or may not retain an exposure to securitisation SPVs to which the Level 2 Group has sold assets. It may also manage or provide facilities for the securitisation (including credit enhancements, liquidity and funding facilities).

Table 6.2A: Assets Securitised by the Level 2 Group

This table shows the classes of assets that have been securitised by the Level 2 Group. This table and table 6.2B may include assets which are sold to 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.

	As at 31 Mar 16				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset [(1)]					
Residential mortgage [(2)]	78,702	-	248	357	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**78,702**	**-**	**248**	**357**	**-**

(1) *The definition of impaired and past due assets is consistent with the definitions provided in the Glossary of this report.*

(2) *Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Level 2 Group's liquid asset holdings. As at 31 March 2016, the amount of these securitised assets is $67,304 million (September 2015: $63,717 million).*

	As at 30 Sep 15				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	87,753	-	192	317	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**87,753**	**-**	**192**	**317**	**-**

Table 6.2B: Recent Securitisation Activity

This table shows the amount of assets sold by the Level 2 Group to securitisation SPVs and any gain or loss on sale.

	6 months ended 31 Mar 16			6 months ended 30 Sep 15		
	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale
	$m	$m	$m	$m	$m	$m
Underlying asset [(1)]						
Residential mortgage	7,544	-	-	15,281	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**7,544**	**-**	**-**	**15,281**	**-**	**-**

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

Disclosure 6.2C: Securitisation Subject to Early Amortisation

Attachment G of *APS 120* provides for specific regulatory treatment for securitisations of certain types of assets. As at 31 March 2016 and 30 September 2015, none of these securitisations have been undertaken by the Level 2 Group.

Disclosure 6.2D: Forthcoming Securitisation Activity by the Level 2 Group

The Level 2 Group has a securitisation strategy, and sets funding indices and securitisation targets as part of its Annual Funding Plan. The aim of the securitisation program is to ensure that the Level 2 Group is capital efficient and has diversity of funding and liquidity sources.

To support this strategy, the Level 2 Group has a business practice in which pools of assets originated by the Level 2 Group are available to be internally securitised (as a source of contingent liquidity) or externally securitised when market opportunities arise. The Level 2 Group continually assesses opportunities for securitisation of these assets.

This table provides information about forthcoming securitisation deals entered into between 31 March 2016 and the disclosure date of this report.

	As at 31 Mar 16	As at 30 Sep 15
	$m	$m
Underlying asset		
Residential mortgage	-	5,830
Credit cards	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total underlying asset	**-**	**5,830**

Disclosure 6.2E: Credit Risk Mitigation and Guarantors

APS 330 Table 12n requires disclosure of resecuritisation exposures retained or purchased, broken down according to the application of credit risk mitigation and exposures to guarantors. As at 31 March 2016, the Level 2 Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

7. Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at 31 Mar 16 $m	As at 30 Sep 15 $m
Risk-Weighted Assets		
Interest rate risk	586	899
Equity position risk	9	10
Foreign exchange risk	-	-
Commodity risk	-	-
Total risk-weighted assets - standard method	**595**	**909**

Table 7.1B: Total Risk-Weighted Assets

	As at 31 Mar 16 $m	As at 30 Sep 15 $m
Market risk		
Standard method	595	909
Internal model approach	6,655	4,884
Total market risk RWA	**7,250**	**5,793**

Table 7.1C: Internal Model Approach VaR

The following table provides information on the high, mean and low VaR over the reporting period and at period end.

	6 months ended 31 Mar 16			As at
	Mean value $m	Minimum value $m	Maximum value $m	31 Mar 16 $m
VaR at a 99% confidence level [1]				
Foreign exchange risk	15	11	19	12
Interest rate risk	8	7	10	7
Volatility risk	3	2	4	3
Commodities risk	1	-	1	-
Credit risk	2	1	2	1
Inflation risk	-	-	1	1
Diversification benefit	(14)	n/a	n/a	(12)
Total diversified VaR at a 99% confidence level	**15**	**11**	**20**	**12**
Other market risks [2]	**-**	**-**	**-**	**-**
Total VaR for physical and derivative positions	**15**	**11**	**20**	**12**

[1] *The maxima / minima by risk types are likely to occur during different days in the period. As such, the sum of these figures will not equal the total maximum / minimum VaR which is the maximum/ minimum aggregate VaR position during the period.*

[2] *Other market risks include exposures to various basis risks measured individually at a portfolio level.*

	6 months ended 30 Sep 15			As at 30 Sep 15
	Mean value $m	Minimum value $m	Maximum value $m	$m
VaR at a 99% confidence level				
Foreign exchange risk	5	1	11	10
Interest rate risk	5	3	13	6
Volatility risk	2	2	4	3
Commodities risk	-	-	1	1
Credit risk	2	1	3	2
Inflation risk	-	-	1	-
Diversification benefit	(6)	n/a	n/a	(9)
Total diversified VaR at a 99% confidence level	**8**	**5**	**14**	**13**
Other market risks	**-**	**-**	**1**	**-**
Total VaR for physical and derivative positions	**8**	**5**	**15**	**13**

Table 7.1D: Internal Model Approach Stressed VaR

The following table provides information on the high, mean and low stressed VaR over the reporting period and at period end.

	6 months ended 31 Mar 16			As at 31 Mar 16
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at a 99% confidence level [(1)]				
Foreign exchange risk	23	14	34	20
Interest rate risk	26	18	35	26
Volatility risk	6	4	7	5
Commodities risk	1	-	1	1
Credit risk	13	8	15	8
Inflation risk	1	1	1	1
Diversification benefit	(35)	n/a	n/a	(29)
Total diversified VaR at a 99% confidence level	**35**	**27**	**50**	**32**
Other market risks [(2)]	**-**	**-**	**1**	**1**
Total VaR for physical and derivative positions	**35**	**27**	**51**	**33**

(1) *The maxima / minima by risk types are likely to occur during different days in the period. As such, the sum of these figures will not equal the total maximum/ minimum VaR which is the maximum/ minimum aggregate VaR position during the period.*

(2) *Other market risks include exposures to various basis risks measured individually at a portfolio level.*

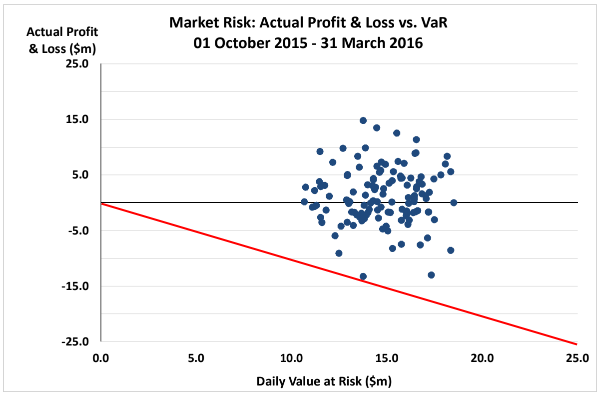
	6 months ended 30 Sep 15			As at 30 Sep 15
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at a 99% confidence level				
Foreign exchange risk	9	1	22	19
Interest rate risk	16	10	25	18
Volatility risk	5	4	7	5
Commodities risk	1	-	1	-
Credit risk	18	14	22	15
Inflation risk	1	1	1	1
Diversification benefit	(25)	n/a	n/a	(27)
Total diversified VaR at a 99% confidence level	**25**	**16**	**37**	**31**
Other market risks	**1**	**-**	**2**	**-**
Total VaR for physical and derivative positions	**26**	**16**	**39**	**31**

Table 7.1E: Back-testing Results

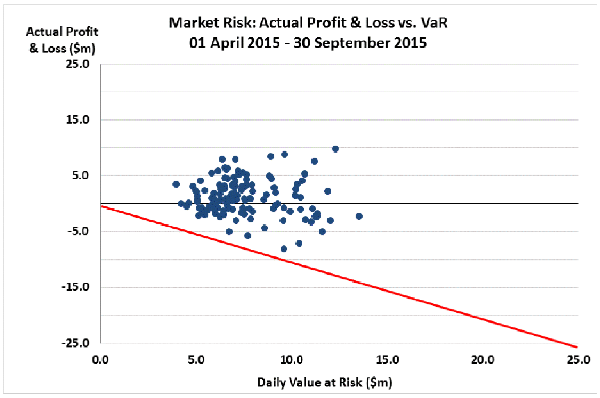
Comparison of VaR estimates to actual gains/losses	6 months ended 31 Mar 16	6 months ended 30 Sep 15
Number of "outliers" incurred for the trading portfolio	-	-

The following graph compares the Level 2 Group's daily VaR estimates against actual P&L.

6 months ended 31 Mar 16



6 months ended 30 Sep 15



Back-testing Outliers

Back-testing, carried out by comparing the Level 2 Group's daily VaR estimate against actual Profit and Loss numbers, identified no exceptions during the six-month period to 31 March 2016 and no exceptions during the previous six-month period to 30 September 2015. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

8. Operational Risk

The following table provides RWA associated with operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Table 8A: Total Risk-Weighted Assets

	As at	
	31 Mar 16	**30 Sep 15**
	$m	**$m**
Operational risk		
Standardised approach	-	3,680
Advanced measurement approach	40,000	36,320
Total operational risk RWA	**40,000**	**40,000**

9. Balance Sheet and Liquidity Risk

9.1 Interest Rate Risk in the Banking Book

Table 9.1A: Interest Rate Risk in the Banking Book

This table provides the increase or decrease in economic value for upward and downward rate shocks broken down by currency.

	As at 31 Mar 16		As at 30 Sep 15	
	200 bp parallel increase	200 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease
	$m	$m	$m	$m
Change in economic value [(1)]				
AUD	(187)	220	(15)	38
CAD	1	(1)	1	(1)
CHF	-	-	-	-
EUR	1	(1)	(2)	2
GBP	59	(59)	(38)	42
HKD	2	(2)	2	(2)
JPY	1	(1)	3	(3)
NZD	(222)	231	(163)	169
USD	39	(39)	15	(15)
Other	2	(2)	3	(3)
Total change in economic value	**(304)**	**346**	**(194)**	**227**

(1) *The Level 2 Group's major currencies are modelled on an individual basis. The remaining currencies in which the Level 2 Group has immaterial holdings are aggregated and modelled using a single yield curve. The 200 basis point interest rate shock results include earnings offset.*

Table 9.1B: Total Risk-Weighted Assets

	As at	
	31 Mar 16	30 Sep 15
	$m	$m
IRRBB risk-weighted assets	10,725	9,639

9.2 Equities Banking Book Position

Table 9.2A: Equities Banking Book Position

This table provides the value of investments disclosed in the balance sheet, as well as the fair value of those investments.

	As at 31 Mar 16		As at 30 Sep 15	
	Carrying value [(1)]	Fair value [(2)]	Carrying value	Fair value
	$m	$m	$m	$m
Total listed equities (publicly traded)	26	26	38	39
Total unlisted equities	626	628	697	697

(1) *Carrying value as recorded in the Balance Sheet, in accordance with accounting standards.*

(2) *For the purposes of determining the fair value of investments in the table above, the NAB Group uses the quoted prices from an active market to the extent that one is available. If the market for a financial instrument is not active, fair value is established by using a valuation technique.*

Table 9.2B: Gains and Losses on Equity Investments

This table provides the realised (actual) gains/losses arising from sales and liquidations in the six months to 31 March 2016 recognised through the profit and loss account. Unrealised (expected) gains/losses which were previously included in Tier 1 and Tier 2 capital represent gains/losses recognised in the balance sheet but not through the profit and loss account.

	6 months ended	
	31 Mar 16	30 Sep 15
	$m	$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	-	1
Total unrealised gains (losses)	168	220
Total unrealised gains (losses) included in Common Equity Tier 1, Tier 1 and/or Tier 2 Capital	168	220

Disclosure 9.2C: Equity Investments Subject to Grandfathering Provisions

The Level 2 Group does not have any equity investments that are subject to grandfathering provisions.

10. Leverage Ratio Disclosures

The leverage ratio table below has been prepared in accordance with APRA's prudential standard APS110: Capital Adequacy (Attachment D). The Leverage Ratio is a non-risk based measure that uses exposures to supplement the risk-weighted assets based capital requirements. In summary, 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; and*
- *reinforce the risk-based requirements with a simple, transparent, non-risk based supplementary measure.*

As at 31 March 2016 the leverage ratio for the Level 2 Group was 5.25%.

10.1 Leverage Ratio Disclosure Template

		As at 31 Mar 16 $m	As at 30 Sep 15 $m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	669,032	735,002
2	(Asset amounts deducted in determining Tier 1 capital)	(13,242)	(12,626)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**655,790**	**722,376**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) (1)	8,885	31,805
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	17,262	19,009
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(283)	(2,377)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	15,623	17,926
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(14,389)	(16,574)
11	**Total derivative exposures (sum of rows 4 to 10)**	**27,098**	**49,789**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	65,251	67,055
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(23,543)	(29,224)
14	CCR exposure for SFT assets	1,333	1,779
15	Agent transaction exposures	-	-
16	**Total SFT exposures (sum of rows 12 to 15)**	**43,041**	**39,610**
Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	155,033	161,930
18	(Adjustments for conversion to credit equivalent amounts)	(70,457)	(75,940)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**84,576**	**85,990**
Capital and total exposures			
20	**Tier 1 Capital**	**42,535**	**49,743**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**810,505**	**897,765**
Leverage ratio		**%**	**%**
22	**Leverage ratio**	**5.25%**	**5.54%**

(1) *The replacement cost associated with derivatives transactions as at 30 September 2015 includes the gross derivative credit exposure amount. In accordance with APS110 Capital Adequacy, this has been revised from 31 December 2015 to exclude potential future credit exposures.*

10.2 Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

		As at 31 Mar 16 $m	As at 30 Sep 15 $m
Items			
1	Total consolidated assets as per published financial statements	868,730	955,052
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(90,630)	(90,275)
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	(40,262)	(42,155)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	1,333	1,779
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	84,576	85,990
7	Other adjustments	(13,242)	(12,626)
8	**Leverage Ratio exposure**	**810,505**	**897,765**

The Leverage Ratio for the NAB Level 2 Group of 5.25% as at 31 March 2016 remains above the BCBS minimum requirement of 3.0% for banks that have not been identified as a G-SIB. Furthermore, the ratio exceeds the appropriate range of between 3–5 per cent as recommended by the Financial System Inquiry calculated in accordance with the Basel framework. The minimum Leverage Ratio is yet to be determined by APRA, with Pillar 1 compliance not expected to be required until 1 January 2018.

Over the half year to 31 March 2016, the Leverage Ratio has decreased by 29 basis points to 5.25%. Excluding the impacts of the CYBG demerger, the Leverage Ratio would have increased by 15 basis points over the same period.

On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral) for the NAB Level 2 Group on an ex-CYBG basis have reduced marginally by $2.6 billion (2 basis points) to $669.0 billion as at 31 March 2016.

Total derivative exposures have decreased by $22.7 billion (14 basis points) during the half year to 31 March 2016 to $27.1 billion. Of particular note, the replacement cost associated with derivatives transactions as at 30 September 2015 included the gross derivative credit exposure amount. In accordance with APS110 Capital Adequacy, this methodology was revised from 31 December 2015 to exclude potential future credit exposures. Other net movements to total derivative exposures contribute a 2 basis points increase to the ratio.

11. Liquidity Coverage Ratio Disclosures

The Liquidity Coverage Ratio (LCR) is a metric that measures the adequacy of High Quality Liquid Assets (HQLA) available to meet net cash outflows (NCO) over a 30-day period during a severe liquidity stress scenario. The APRA minimum coverage level is 100% for both Level 2 NAB Group and NAB Ltd from 1 January 2015. The NAB Group LCR for the quarters ended 31 March 2016, 31 December 2015 and 30 September 2015 is presented in the following table, which reflects the Basel standard disclosure template and is based on a simple average of daily LCR outcomes excluding weekends.

11.1 Liquidity Coverage Ratio Disclosure Template

		31 Mar 16 62 data points		31 Dec 15 65 data points		30 Sep 15 66 data points	
		Total unweighted value (average) \$m(1), (3)	**Total weighted value (average) \$m(3)**	**Total unweighted value (average) \$m(1), (3)**	**Total weighted value (average) \$m(3)**	**Total unweighted value (average) \$m(1), (3)**	**Total weighted value (average) \$m(3)**
Liquid assets, of which:			**148,348**		**159,923**		**150,208**
1	High-quality liquid assets (HQLA)(2)	n/a	92,380	n/a	100,192	n/a	93,465
2	Alternative liquid assets (ALA)	n/a	51,400	n/a	55,000	n/a	54,277
3	Reserve Bank of New Zealand (RBNZ) securities(2)	n/a	4,568	n/a	4,731	n/a	2,466
Cash outflows							
4	Retail deposits and deposits from small business customers, of which:	177,551	18,825	194,029	20,342	186,651	19,764
5	*stable deposits*	51,899	2,595	60,092	3,005	58,995	2,959
6	*less stable deposits*	125,652	16,230	133,937	17,337	127,656	16,805
7	Unsecured wholesale funding, of which:	145,282	77,623	147,732	89,904	142,768	89,912
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	49,612	12,403	22,533	5,633	20,193	5,048
9	*non-operational deposits (all counterparties)*	76,082	45,632	109,325	68,397	101,294	63,503
10	*unsecured debt*	19,588	19,588	15,874	15,874	21,281	21,361
11	Secured wholesale funding	n/a	5,830	n/a	5,689	n/a	6,388
12	Additional requirements, of which	144,024	30,733	152,280	31,707	148,406	30,727
13	*outflows related to derivatives exposures and other collateral requirements*	18,398	18,398	18,887	18,887	18,162	18,162
14	*outflows related to loss of funding on debt products*	-	-	-	-	-	-
15	*credit and liquidity facilities*	125,626	12,335	133,393	12,820	130,244	12,565
16	Other contractual funding obligations	2,526	2,513	4,832	4,773	2,870	1,941
17	Other contingent funding obligations	115,261	7,498	113,259	7,350	107,223	6,880
18	**Total cash outflows**	**n/a**	**143,022**	**n/a**	**159,765**	**n/a**	**155,612**
Cash inflows							
19	Secured lending (e.g. reverse repos)	48,554	3,692	49,556	3,654	58,471	5,001
20	Inflows from fully performing exposures	28,968	15,242	28,107	15,160	29,453	16,966
21	Other cash inflows	5,502	5,500	6,007	6,004	3,067	3,067
22	**Total cash inflows**	**83,024**	**24,434**	**83,670**	**24,818**	**90,991**	**25,034**
			Total adjusted value		**Total adjusted value**		**Total adjusted value**
23	**Total liquid assets**		**148,348**		**159,923**		**150,208**
24	**Total net cash outflows**		**118,588**		**134,947**		**130,578**
25	**Liquidity Coverage Ratio (%)**		**125%**		**119%**		**115%**

(1) *Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.*

(2) *Weighted values are calculated after applying caps to the amount of liquid assets included from subsidiaries.*

(3) *Values relating to Clydesdale bank have been included up to the date of exit 8 February 2016.*

The NAB Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates.

Average liquid assets for the March 2016 quarter were $148.3 billion of which HQLA comprised $92.3 billion. The HQLA consists primarily of Level 1 assets which include cash, deposits with Central Banks, Australian Semi Government and Commonwealth Government securities and securities issued by foreign sovereigns.

Alternative Liquid Assets (ALA) relate to the Committed Liquidity Facility (CLF) provided by the Reserve Bank of Australia (Reserve Bank). HQLA held in Bank of New Zealand which is excess to meeting an LCR of 115% is excluded reflecting liquidity portability considerations. This amount excluded was on average $2.3 billion during the quarter to 31 March 2016.

The CLF value used in the LCR calculation is the lesser of the undrawn portion of the facility granted to the NAB Group and the value of the collateral the NAB Group chooses to hold at any given time to support the facility and its liquidity requirements. This collateral is a combination of internal Residential Mortgage Backed Securities (RMBS) and other Reserve Bank repo eligible securities including bank bills and third party RMBS. The drawn portion of the CLF relates to accounts held with the Reserve Bank for the settlement of payment obligations. The NAB Group has an available CLF of $55.4 billion during the period 1 January 2016 to 31 December 2016.

LCR NCO represents the net cash flows that could potentially occur from on and off balance sheet activities within a 30 day severe liquidity stress scenario. The cash flows are calculated by applying APRA prescribed run-off factors to maturing debt and deposits and inflow factors to assets. High run-off factors are applied to sophisticated investors and depositors including long term and short term debt holders, financial institution and corporate depositors. Lower run off factors are applied to deposits less likely to be withdrawn in a period of severe stress. These include deposits from natural persons and small medium enterprises and deposits from corporate and financial institutions which are considered to be operational in nature. NAB conducts an annual review of its interpretation of the LCR definitions. In December 2015, NAB revised the way excess amounts on operational accounts were calculated giving rise to a higher proportion of deposits classified as Operational.

Cash outflows arising from business activities that create contingent funding and collateral requirements such as repo funding and derivatives and the extension of credit and liquidity facilities to customers are also captured within the LCR calculation along with an allowance for debt buyback requests.

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

Q1 2016 vs Q4 2015

Average LCR increased from 115% to 119% driven primarily by growth in HQLA in Central Bank Reserves.

Q2 2016 vs Q1 2016

Average LCR increased from 119% to 125%. Both HQLA and NCOs declined reflecting the Clydesdale Bank exit. NCOs also declined with the operational deposit modelling change.

12. Detailed Capital Disclosures

12.1 Common Disclosure Template – Regulatory Capital

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with section 12.2 Regulatory Balance Sheet and section 12.3 Reconciliation between the Common Disclosure Template and the Level 2 Regulatory Balance Sheet.

		As at 31 Mar 16 $m
Common Equity Tier 1 Capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	30,854
2	Retained earnings	16,725
3	Accumulated other comprehensive income (and other reserves)	205
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**	**47,784**
Common Equity Tier 1 Capital: regulatory adjustments		
7	Prudential valuation adjustments	2
8	Goodwill (net of related tax liability)	4,427
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,191
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	106
12	Shortfall of provisions to expected losses	-
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	115
15	Defined benefit superannuation fund net assets	18
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)	5,889
26a	of which: treasury shares	(6)
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 fee income	-
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	2,316
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	1,282
26f	of which: capitalised expenses	385
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	8
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 (1)	1,904
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**	**12,748**
29	**Common Equity Tier 1 Capital (CET1)**	**35,036**

(1) *Includes the deduction for the remaining conduct indemnity, net of conduct provisions raised as at 31 March 2016.*

		As at 31 Mar 16 $m
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	4,574
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	4,574
33	Directly issued capital instruments subject to phase out from Additional Tier 1	3,634
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 AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 Capital before regulatory adjustments**	**8,208**
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
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)	709
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**	**709**
44	**Additional Tier 1 Capital (AT1)**	**7,499**
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**42,535**
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	2,206
47	Directly issued capital instruments subject to phase out from Tier 2	3,373
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	453
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	187
51	**Tier 2 Capital before regulatory adjustments**	**6,219**
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 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)	800
55	Significant investments in the 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)	-
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	-
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 Capital**	**875**
58	**Tier 2 Capital (T2)**	**5,344**
59	**Total Capital (TC = T1 + T2)**	**47,879**
60	**Total risk weighted assets based on APRA standards**	**361,433**

		As at 31 Mar 16 $m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.69%
62	Tier 1 (as a percentage of risk weighted assets)	11.77%
63	Total capital (as a percentage of risk weighted assets)	13.25%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets) [(1)]	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	0.00%
67	of which: G-SIB buffer requirement	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.19%
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)		
72	Non-significant investments in the capital of other financial entities	640
73	Significant investments in the ordinary shares of financial entities	1,676
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,282
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)	75
77	Cap on inclusion of provisions in Tier 2 under standardised approach	257
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	112
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,697
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 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 AT1 instruments subject to phase out arrangements	3,634
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	824
84	Current cap on T2 instruments subject to phase out arrangements	3,373
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1,149

(1) *Consistent with APS330, the 1% domestic systemically important bank capital buffer applicable to NAB from 1 January 2016 is not disclosed in this table.*

12.2 Level 2 Regulatory Balance Sheet

The table shows the NAB Group's Balance Sheet and the Level 2 Regulatory Balance Sheet.

	NAB Group Balance Sheet As at 31 Mar 16 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 16 $m	Template Reference / Reconciliation Table
Assets				
Cash and liquid assets	33,174	(2,960)	30,214	
Due from other banks	44,578	-	44,578	
Trading derivatives	58,509	2,111	60,620	
Trading securities	42,801	-	42,801	
Debt instruments at fair value through other comprehensive income	41,920	-	41,920	
Investments relating to life insurance business	90,005	(90,005)	-	
Other financial assets at fair value	23,949	(7)	23,942	
Hedging derivatives	6,740	-	6,740	
Loans and advances	490,756	(49)	490,707	
Due from customers on acceptances	15,544	-	15,544	
Property, plant and equipment	1,468	(6)	1,462	
Goodwill and other intangible assets	6,820	(4,194)	2,626	Table A
Deferred tax assets	1,254	(967)	287	
Other assets	11,212	(1,617)	9,595	
Investment in non-consolidated entities	-	5,669	5,669	Table A
Due from controlled entities	-	1,395	1,395	
Total assets	**868,730**	**(90,630)**	**778,100**	
Liabilities				
Due to other banks	47,821	(220)	47,601	
Trading derivatives	59,002	5	59,007	
Other financial liabilities at fair value	28,159	-	28,159	
of which:				
Change in own credit worthiness	(115)	-	(115)	Row 14
Hedging derivatives	2,664	(1)	2,663	
Deposits and other borrowings	448,659	4	448,663	
Life policy liabilities	76,689	(76,689)	-	
Current tax liabilities	362	(12)	350	
Provisions	928	(98)	830	
Bonds, notes and subordinated debt	125,199	(2,358)	122,841	
Other debt issues	6,143	-	6,143	
External unitholders' liability	14,538	(14,538)	-	
Other liabilities	8,484	2,864	11,348	
Deferred tax liabilities	-	(966)	(966)	
Due to controlled entities	-	230	230	
Total liabilities	**818,648**	**(91,779)**	**726,869**	
Net assets	**50,082**	**1,149**	**51,231**	

	NAB Group Balance Sheet As at 31 Mar 16 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 16 $m	Template Reference / Reconciliation Table
Equity				
Issues and paid-up ordinary share capital	29,349	1,505	30,854	Row 1
Other contributed equity	3,317	-	3,317	
Contributed equity	**32,666**	**1,505**	**34,171**	
General reserve for credit losses	130	-	130	
Asset revaluation reserve	68	-	68	
Foreign currency translation reserve	(350)	(23)	(373)	
Cash flow hedge reserve	106	-	106	Row 11
Equity-based compensation reserve	190	-	190	
Debts instruments at fair value through other comprehensive income reserve	46	-	46	
Equity instruments at fair value through other comprehensive income reserve	168	-	168	
Other reserves	228	(23)	205	Row 3
Reserves	**358**	**(23)**	**335**	
Retained profits	17,033	(308)	16,725	Row 2
Total equity (parent entity interest)	**50,057**	**1,174**	**51,231**	
Non-controlling interest in controlled entities	25	(25)	-	
Total equity	**50,082**	**1,149**	**51,231**	

12.3 Reconciliation between the Common Disclosure Template and Level 2 Regulatory Balance Sheet

Table A	As at 31 Mar 16 $m	Template Reference
Goodwill and other intangible assets	2,626	
Investment in non-consolidated entities	5,669	
Total	**8,295**	
Less		
DTL for other intangible assets	1	
Goodwill (net of related tax liability)	4,427	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,191	Row 9
Net tangible assets of investment in non-consolidated entities	**1,676**	
Add		
Insignificant equity investment in financial institutions	640	
Total equity investment in financial institutions	**2,316**	Row 26d

12.4 Material Entities Excluded from Level 2 Regulatory Balance Sheet

Table 12.4A: Insurance and Fund Management Entities

	As at 31 Mar 16	
	Total Assets $m	**Total Liabilities $m**
National Wealth Management Holdings Limited	8,479	1,580
National Australia Financial Management Limited	5,941	11
MLC Holdings Limited	3,370	-
MLC Investments Limited	135	39
MLC Limited	79,990	77,883

Table 12.4B: Securitisation Entities

	As at 31 Mar 16	
	Total Assets $m	**Total Liabilities $m**
Titan NZ (MRP Bonds) Trust	230	230
Titan NZ Funding Trust	226	226

12.5 Countercyclical Capital Buffer

Table 12.5A: Countercyclical Capital Buffer – Private Sector Credit Exposures

The Basel III countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which ADIs have private sector credit exposures and is calculated in accordance with APRA's prudential standard APS110: Capital Adequacy (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 systemwide risk.

Private sector credit exposures are exposures (including non-banking financial sector exposures) that attract a credit risk capital charge or the risk-weighted equivalent trading book capital charge for specific risk, incremental risk and securitisation.

APRA may require an ADI to hold additional CET1 of between zero and 2.5 per cent of total RWA, as a countercyclical capital buffer.

The table below provides the geographic breakdown, at country level, of the private sector credit exposures and the associated RWA values that are used to calculate the Level 2 Group's countercyclical capital buffer ratio.

	As at 31 Mar 16[(2)]			
	Countercyclical Capital Buffer %	**EAD $m**	**RWA $m**	**ADI-specific Buffer %**
Country				
Hong Kong	0.625	3,210	1,434	0.003
Norway	1	55	53	0.000
Sweden	1	318	151	0.001
Other[(1)]	-	791,686	281,299	0
Total	**-**	**795,269**	**282,937**	**0.004**

(1) *'Other' encompasses all other countries in jurisdictions to which the Level 2 Group has private sector credit exposures where the countercyclical capital buffer is zero or unannounced.*

(2) *This is the first disclosure of Countercyclical Capital Buffer. Future disclosures will include prior period comparative data.*

13. 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).
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	Additional Tier 1 Capital comprises high quality components of capital that satisfy the following essential characteristics: (a) provide a permanent and unrestricted commitment of funds; (b) are freely available to absorb losses; (c) rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and (d) provide for fully discretionary capital distributions
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.
Alternative Liquid Assets (ALA)	Alternative liquid assets are made available in jurisdictions where there is insufficient supply of HQLA in the domestic currency to meet the aggregate demand of banks with significant exposures in the domestic currency in the Liquidity Coverage Ratio (LCR) framework. The Committed Liquidity Facility (CLF) provided by the Reserve Bank of Australia to Australian banks is treated as an ALA in the LCR.
Alternative Standardised Approach (ASA)	Alternative Standardised Approach is the risk estimation process used for the NAB Group's operational risk.
Back-testing	Back-testing refers to the process undertaken to monitor performance of the NAB Group's risk models. Historical data is used to compare the actual outcomes to the expected outcomes. Theoretical (or hypothetical) back-testing refers to the process whereby the trading positions at the end of the preceding day are revalued using the end-of-day rates for that day and then again at the succeeding day's closing rates. The difference between the two mark-to-market values of the portfolio which represents the profit and loss that would have occurred had there been no transactions on the day, is compared with the VaR. VaR is also compared with the actual daily traded profit and loss as a cross-check of the reasonableness of the theoretical portfolio movement.
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	Principal 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.
CDO	Collateralised Debt Obligation.
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.
CLO	Collateralised Loan Obligation.
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia has established a committed liquidity facility (CLF) as part of Australia's implementation of the Basel III liquidity reform, which provides high-quality liquidity to commercial banks to assist them in meeting the Basel III liquidity requirements.
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 derivatives	Credit derivatives include single-name credit default and certain total rate of return swaps, cash funded credit linked notes and first-to-default and second-to-default credit derivative basket products. ADIs may also recognise many more complex credit derivatives that do not fall into the list above, that have been approved by APRA.
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.
Default Fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a CCP's mutualised loss sharing arrangements.

Term	Description
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.
Economic capital	Economic capital represents the NAB 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.
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, for corporate, sovereign and bank portfolios, is limited to the collateral items detailed in *paragraphs 5* and *25* of *Attachment H* of *APS 112*. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment, paragraph 8.
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.
Guarantees	Guarantors under the standardised approach are recognised according to *APS 112 Attachment F paragraph 3*. The secured portion of an exposure is weighted according to the risk weight appropriate to the guarantor and the unsecured portion is weighted according to the risk weight applicable to the original counterparty (Refer to *Attachment A* for the appropriate risk weights). Under the IRB approach, for corporate, sovereign and bank portfolios, the ADI may recognise credit risk mitigation in the form of guarantees and credit derivatives according to the FIRB substitution approach where an ADI uses supervisory estimates of LGD (refer to *APS 113 Attachment B paragraph 49*), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to *APS 113 Attachment B paragraph 60*) and, for certain exposures, a double default approach (refer to *APS 113 Attachment B paragraph 67*). An ADI may decide, separately for each eligible exposure, to apply either the relevant substitution approach or the double default approach. For retail portfolios there are two approaches for the recognition of credit risk mitigation in the form of guarantees and credit derivatives under the retail IRB approach, a substitution approach (refer to *APS 113 Attachment C paragraph 19*) and, for certain exposures, a double default approach (refer to *APS 113 Attachment C paragraph 28*). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
High Quality Liquid Assets (HQLA)	HQLA refers to high quality liquid assets determined in accordance with APS 210 Liquidity (APS210). These assets include notes and coins, central bank reserves and highly rated marketable securities issued or guaranteed by central banks or governments.
IAA	Internal Assessment Approach.
ICAAP	Internal Capital Adequacy Assessment Process (ICAAP) is the mechanism developed and used by the NAB Group to determine capital requirements as outlined under Basel III. It results in the NAB Group identifying and assessing all risks to which it is exposed and allocating an appropriate level of capital to each.
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.
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.

Term	Description
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 uses 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).
Loan to value ratio	Loan to Value Ratio (LVR) is the ratio between the loan and value of the security provided.
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB Group	NAB and its controlled entities.
Net Stable Funding Ratio (NSFR)	NSFR is a measure announced as part of the Basel III liquidity reforms that will apply from January 2018. The ratio establishes a minimum acceptable amount of stable funding (the portion of those types and amounts of equity and liability financing expected to be reliable sources of funds over a one-year time horizon under conditions of extended stress) based on the liquidity characteristics of an ADI's assets and activities over a one-year horizon. Finalised requirements are still to be outlined by the BCBS and APRA.
Net write-offs	Write-offs on loans at amortised cost and Fair Value loans net of recoveries.
Non-retail credit	Non-retail credit broadly refers to credit exposure to business customers. It excludes retail credit defined below.
Non-traded book	Non-traded book refers to the investment in securities held by the NAB Group through to maturity.
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.
Point in Time	Point in Time (PiT) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the current economic conditions.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
RBA	Rating Based Approach
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.
Regulatory expected loss	Regulatory Expected Loss (EL) is a calculation of the estimated loss that may be experienced by the NAB Group over the next 12 months. Regulatory EL calculations are based on the PD, LGD and EaD values of the portfolio at the time of the estimate which include stressed LGDs for economic conditions. As such, regulatory EL is not an estimate of long-run average expected loss.
Resecuritisation	Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.
Reserve Bank	Reserve Bank of Australia.
Retail credit	For the purposes of managing credit, two broad categories are used: retail credit and non-retail credit. This reflects the different approaches to the sales and ongoing management of credit and is consistent with the approach required under the Basel Accord. Retail credit refers to the credit provided to retail or personal customers. For the purposes of regulatory capital, retail credit is categorised into four groups: residential mortgages, credit cards (or qualifying revolving credit), retail SME and other.
Risk appetite	Risk appetite defines the level of risk the NAB Group is prepared to accept as part of its business. The resulting level of risk is a direct input into the NAB Group's capital requirements.
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.

Term	Description
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.
Through the cycle	Through the Cycle (TtC) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the impact of an economic downturn.
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.
Traded book	Traded book refers to the NAB Group's investment portfolio that is traded or exchanged in the market from time to time that reflects market opportunities.

14. Reference to APS 330 Tables

Table of Contents Reference	Title	APS 330 Reference
Table 4.1A	RWAs	APS 330 Table 6b-f
Table 4.1B	Capital Ratios	APS 330 Table 6g
Table 4.2A	Capital Structure	n/a
Table 5.1A	Credit Risk Exposures Summary	APS 330 Table 7i
Table 5.1B	Total and Average Credit Risk Exposures	APS 330 Table 7b
Table 5.1C	Exposures by Geography	APS 330 Table 7c
Table 5.1D	Exposures by Industry	APS 330 Table 7d
Table 5.1E	Exposures by Maturity	APS 330 Table 7e
Table 5.1F	Provisions by Asset Class	APS 330 Table 9e
Table 5.1G (i)	Loss Experience	APS 330 Table 9f
Table 5.1G (ii)	Accuracy of Risk Estimates – PD and EaD	APS 330 Table 9f
Table 5.1G (iii)	Accuracy of Risk Estimates – LGD	APS 330 Table 9f
Table 5.1H	Provisions by Industry	APS 330 Table 7f
Table 5.1I	Provisions by Geography	APS 330 Table 7g
Table 5.1J	Movement in Provisions	APS 330 Table 7h
Table 5.2A	Standardised Exposures by Risk Weight	APS 330 Table 8b
Table 5.2B	Standardised Exposures by Risk Grade	n/a
Table 5.2C	Supervisory Slotting by Risk Weight	APS 330 Table 8b
Table 5.3A	Non-Retail Exposure by Risk Grade	APS 330 Table 9d
Table 5.3B	Retail Exposure by Risk Grade	APS 330 Table 9d
Table 5.4A	Mitigation by Eligible Collateral	APS 330 Table 10b
Table 5.4B	Mitigation by Guarantees and Credit Derivatives	APS 330 Table 10c
Table 5.5A(i)	Net Derivatives Credit Exposure	APS 330 Table 11b
Table 5.5A(ii)	Distribution of Current Credit Exposure	APS 330 Table 11b
Table 5.5B	Credit Derivative Transactions	APS 330 Table 11c
Table 6.1A	Total Securitisation Exposures	n/a
Table 6.1B	Type of Exposure	APS 330 Table 12k
Table 6.1C	Recent Third Party Securitisation Activity	n/a
Table 6.1D	Exposures by Risk Weight	APS 330 Table 12l
Table 6.1E	Exposures Deducted from Capital	APS 330 Table 12l
Table 6.2A	Assets Securitised by the Level 2 Group	APS 330 Table 12g & h
Table 6.2B	Recent Securitisation Activity	APS 330 Table 12j
Disclosure 6.2C	Securitisation Subject to Early Amortisation	APS 330 Table 12m
Disclosure 6.2D	Forthcoming Securitisation Activity by the Level 2 Group	APS 330 Table 12i
Disclosure 6.2E	Credit Risk Mitigation and Guarantors	APS 330 Table 12n
n/a	n/a	APS 330 Table 12o – w
Table 7.1A	Standard Method Risk-Weighted Assets	APS 330 Table 13b
Table 7.1B	Total Risk-Weighted Assets	n/a
Table 7.1C	Internal Model Approach VaR	APS 330 Table 14d
Table 7.1D	Internal Model Approach Stressed VaR	APS 330 Table 14d
Table 7.1E	Back-testing Results	APS 330 Table 14d
Table 8A	Total Risk-Weighted Assets	n/a
Table 9.1A	Interest Rate Risk in the Banking Book	APS 330 Table 17b
Table 9.1B	Total Risk-Weighted Assets	n/a
Table 9.2A	Equities Banking Book Position	APS 330 Table 16b-c
Table 9.2B	Gains and Losses on Equities Investments	APS 330 Table 16d-e
Disclosure 9.2C	Equity Investments Subject to Grandfathering Provision	APS 330 Table 16f
Table 10.1	Leverage Ratio Disclosure	APS 330 Attachment E Table 18, 18a
Table 10.2	Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure	APS 330 Attachment E Table 19
Table 11.1	Liquidity Coverage Ratio disclosure	APS 330 Attachment F Table 20
Table 12.1	Common Disclosure Template – Regulatory Capital	APS 330 Attachment A
Table 12.2	Level 2 Regulatory Balance Sheet	APS 330 Para 12a, 12c, 12d
Table 12.3	Reconciliation between the Common Disclosure Template and Level 2 Regulatory Balance Sheet	APS 330 Para 12d
Table 12.4A	Insurance and Fund Management Entities	APS 330 Para 12b, Para 12
Table 12.4B	Securitisation Entities	APS 330 Para 12b, Para 12
Table 12.5A	Countercyclical Capital Buffer – Private Sector Credit Exposures	APS 330 Attachment A, Para 2

© 2016 National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686 A105757-0316