Pillar 3 Report

as at 31 December 2022

Incorporating the requirements of APS 330

National Australia Bank Limited ABN 12 004 044 937

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Introduction

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

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

This document provides information about risk exposures, capital adequacy and liquidity of the Group, being NAB and its controlled entities.

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

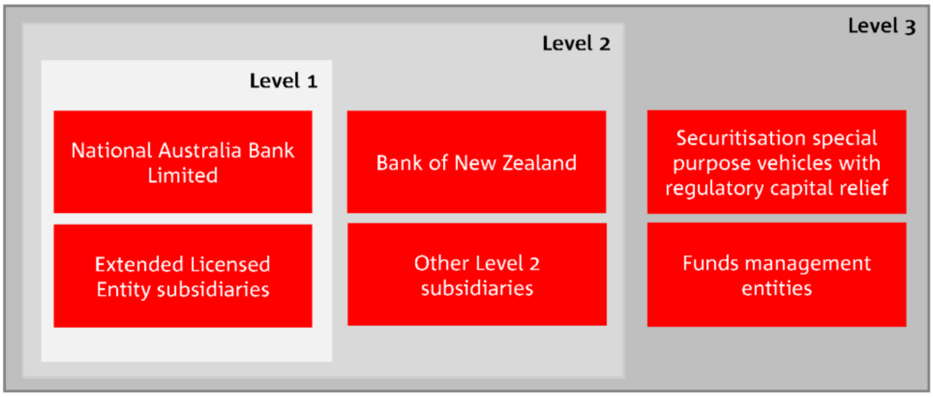
Capital Adequacy Methodologies

The Group uses the following approaches to measure capital adequacy as at 31 December 2022.

Credit risk	**Operational risk**	**Non-traded market risk**	**Traded market risk**
Advanced Internal Ratings-based Approach (IRB)	Standardised Measurement Approach (SMA)	Internal Model Approach (IMA)	Internal Model Approach (IMA) and standard method

Scope of Application

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



Level 1 comprises NAB and its subsidiaries that have been approved by APRA as part of its Extended Licensed Entity.

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

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

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

Capital

Capital Adequacy [APS 330 paragraph 49 and Attachment C, Table 3a - f]

The following table provides the risk-weighted assets (RWA) for each risk type.

	As at 31 Dec 22 $m	As at 30 Sep 22 $m
Credit risk		
Subject to IRB approach		
Corporate (including small and medium-sized enterprises (SME))	137,271	137,118
Sovereign	1,840	1,870
Bank	6,649	6,447
Retail SME	7,681	6,961
Residential mortgage	113,717	110,551
Qualifying revolving retail	2,350	2,248
Other retail	2,210	2,004
Total IRB approach	**271,718**	**267,199**
Specialised lending	**62,545**	**62,003**
Subject to standardised approach		
Corporate	5,341	5,144
Residential mortgage	5,523	5,308
Other(1)	4,580	4,402
Total standardised approach	**15,444**	**14,854**
Other		
Securitisation exposures	6,182	6,472
Credit valuation adjustment	5,166	6,720
Central counterparty default fund contribution guarantee	113	99
Other(2)	10,421	9,914
Total other	**21,882**	**23,205**
Total credit risk	**371,589**	**367,261**
Market risk	9,951	7,907
Operational risk	41,178	41,124
Interest rate risk in the banking book	32,955	33,626
Total RWA	**455,673**	**449,918**

(1) Other subject to the standardised approach consists of several regulatory prescribed portfolios, and other portfolios where the standardised approach is applied by the Group, including the unsecured lending portfolio acquired as part of the acquisition of Citigroup's Australian consumer business.
(2) Other consists of other assets, claims and exposures and overlay adjustments for regulatory prescribed methodology requirements. Other includes RWA of $97 million for equity exposures (30 September 2022: $84 million).

The following tables provide the capital ratios and leverage ratio.

Capital ratios	As at 31 Dec 22 %	As at 30 Sep 22 %
Common Equity Tier 1	11.3	11.5
Tier 1	12.9	13.1
Total	17.8	18.2

Leverage ratio	As at 31 Dec 22 $m	As at 30 Sep 22 $m	As at 30 Jun 22 $m	As at 31 Mar 22 $m
Tier 1 capital	58,669	59,112	58,684	60,759
Total exposures	1,182,429	1,167,759	1,161,897	1,103,622
Leverage ratio (%)	**5.0%**	**5.1%**	**5.1%**	**5.5%**

Credit Risk

This section excludes credit risk information in respect of securitisation exposures within the scope of APS 120 (which have separate disclosures in Section 4 *Securitisation*) and other assets, claims and exposures. Exposure at default (EaD) throughout this section represents credit risk exposures net of offsets for eligible financial collateral.

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

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

	As at 31 Dec 22				3 months ended 31 Dec 22
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	Average exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	189,127	94,769	24,059	**307,955**	310,916
Sovereign	171,881	2,942	27,960	**202,783**	201,626
Bank	17,692	1,984	11,724	**31,400**	30,708
Retail SME	12,592	4,686	-	**17,278**	17,145
Residential mortgage	381,037	58,437	-	**439,474**	435,575
Qualifying revolving retail	4,030	5,112	-	**9,142**	9,065
Other retail	1,986	992	-	**2,978**	2,861
Total IRB approach	**778,345**	**168,922**	**63,743**	**1,011,010**	**1,007,896**
Specialised lending	**61,289**	**10,650**	**231**	**72,170**	**71,994**
Subject to standardised approach					
Corporate	5,996	748	6,116	**12,860**	12,383
Residential mortgage	13,044	1,557	-	**14,601**	14,294
Other	5,179	103	-	**5,282**	5,209
Total standardised approach	**24,219**	**2,408**	**6,116**	**32,743**	**31,886**
Total exposure at default	**863,853**	**181,980**	**70,090**	**1,115,923**	**1,111,776**

	As at 30 Sep 22				3 months ended 30 Sep 22
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	Average exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	186,458	95,153	32,266	**313,877**	311,490
Sovereign	169,699	2,865	27,905	**200,469**	203,365
Bank	15,917	2,109	11,991	**30,017**	32,266
Retail SME	12,514	4,498	-	**17,012**	17,052
Residential mortgage	373,872	57,804	-	**431,676**	430,350
Qualifying revolving retail	3,804	5,185	-	**8,989**	8,988
Other retail	1,805	940	-	**2,745**	2,755
Total IRB approach	**764,069**	**168,554**	**72,162**	**1,004,785**	**1,006,266**
Specialised lending	**61,236**	**10,354**	**228**	**71,818**	**71,881**
Subject to standardised approach					
Corporate	5,809	718	5,378	**11,905**	11,521
Residential mortgage	12,716	1,270	-	**13,986**	13,619
Other	5,028	108	-	**5,136**	5,183
Total standardised approach	**23,553**	**2,096**	**5,378**	**31,027**	**30,323**
Total exposure at default	**848,858**	**181,004**	**77,768**	**1,107,630**	**1,108,470**

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

The following table provides information on asset quality.

	As at 31 Dec 22			3 months ended 31 Dec 22	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	525	403	309	(3)	11
Retail SME	97	359	65	8	8
Residential mortgage	222	2,309	60	–	5
Qualifying revolving retail	–	18	–	11	13
Other retail	5	35	4	6	9
Total IRB approach	**849**	**3,124**	**438**	**22**	**46**
Specialised lending	**73**	**110**	**25**	**1**	**25**
Subject to standardised approach					
Corporate	18	26	22	–	–
Residential mortgage	16	84	5	–	–
Other	–	25	–	2	–
Total standardised approach	**34**	**135**	**27**	**2**	**–**
Total	**956**	**3,369**	**490**	**25**	**71**

	As at 30 Sep 22			3 months ended 30 Sep 22	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	547	402	325	19	50
Retail SME	95	359	62	8	10
Residential mortgage	238	2,427	65	(1)	11
Qualifying revolving retail	–	16	–	18	8
Other retail	5	31	4	7	6
Total IRB approach	**885**	**3,235**	**456**	**52**	**85**
Specialised lending	**107**	**107**	**48**	**5**	**16**
Subject to standardised approach					
Corporate	19	26	22	1	–
Residential mortgage	18	90	5	–	–
Other	–	23	–	10	12
Total standardised approach	**37**	**139**	**27**	**11**	**12**
Total	**1,029**	**3,481**	**531**	**68**	**113**

Securitisation

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

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

	3 months ended 31 Dec 22			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgages	(152)	(97)	321	–

	3 months ended 30 Sep 22			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgages	(274)	(100)	970	–

Securitisation Exposures Retained or Purchased [APS 330 Attachment C, Table 5b]

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

	As at 31 Dec 22			As at 30 Sep 22		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
Securitisation exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Liquidity facilities	411	1,056	**1,467**	394	1,104	**1,498**
Warehouse facilities	18,503	7,692	**26,195**	19,865	7,207	**27,072**
Securities	7,259	–	**7,259**	7,761	–	**7,761**
Derivatives	–	53	**53**	–	43	**43**
Total	**26,173**	**8,801**	**34,974**	**28,020**	**8,354**	**36,374**

The Group had $304 million of derivative exposures to third party securitisation vehicles held in the trading book as at 31 December 2022 (30 September 2022: $306 million).

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) for the three months ended 31 December 2022 and 30 September 2022 presented in the disclosure template below is based on the simple average of daily LCR observations, excluding non-business days. There were 62 daily LCR observations or data points used in calculating the average for the current quarter and 65 observations in the previous quarter.

Average LCR for the three months ended 31 December 2022 increased to 134% with a $4.4 billion decrease in average net cash outflows, partially offset by a $2.3 billion decrease in average liquid assets.

The decrease in average net cash outflows was largely due to a reduction in modelled downgrade related cash outflows on self-securitisation exposures following changes to the timing of payments required in the event of a downgrade, partially offset by an increase in wholesale funding cash outflows.

The decrease in average liquid assets was mainly as a result of lower alternative liquid assets due to the full quarter impact of the Committed Liquidity Facility (CLF) limit reduction from $15.5 billion to $7.8 billion on 1 September 2022. This was partially offset by increased high-quality liquid assets (HQLA) through higher holdings of government and semi-government securities. The increase in HQLA further supports the LCR requirement for ADIs in response to the progressive phase out of the CLF to zero on 1 January 2023.

Liquidity Coverage Ratio Disclosure Template [APS 330 Attachment F, Table 20]

		3 months ended			
		31 Dec 22		30 Sep 22 restated[1]	
		Unweighted value (average)[2]	Weighted value (average)	Unweighted value (average)[2]	Weighted value (average)
		$m	$m	$m	$m
Liquid assets, of which:			**212,038**		**214,361**
1	High-quality liquid assets (HQLA)[3]		203,343		200,321
2	Alternative liquid assets (ALA)[4]		7,644		12,893
3	Reserve Bank of New Zealand (RBNZ) securities[3]		1,051		1,147
Cash outflows					
4	Retail deposits and deposits from small business customers	279,301	30,288	283,362	29,942
5	of which: stable deposits	119,055	5,953	121,353	6,058
6	of which: less stable deposits	160,246	24,335	162,009	23,884
7	Unsecured wholesale funding	188,511	94,072	186,842	90,089
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	97,053	24,263	96,853	24,213
9	of which: non-operational deposits (all counterparties)	75,000	53,351	73,293	49,180
10	of which: unsecured debt	16,458	16,458	16,696	16,696
11	Secured wholesale funding[4]		6,704		5,068
12	Additional requirements	195,838	35,697	205,816	45,986
13	of which: outflows related to derivatives exposures and other collateral requirements	6,155	6,150	15,428	15,421
14	of which: outflows related to loss of funding on debt products	-	-	-	-
15	of which: credit and liquidity facilities	189,683	29,547	190,388	30,565
16	Other contractual funding obligations	858	858	2,084	1,047
17	Other contingent funding obligations	64,668	4,578	61,964	4,425
18	**Total cash outflows**		**172,197**		**176,557**
Cash inflows					
19	Secured lending	41,258	1,560	41,677	2,102
20	Inflows from fully performing exposures	18,673	10,241	17,751	9,640
21	Other cash inflows	1,643	1,639	1,712	1,705
22	**Total cash inflows**	**61,574**	**13,440**	**61,140**	**13,447**
23	**Total liquid assets**		**212,038**		**214,361**
24	**Total net cash outflows**		**158,757**		**163,110**
25	**Liquidity Coverage Ratio (%)**		**134%**		**131%**

(1) Average LCR for the three months ended 30 September 2022 has been restated from that previously disclosed. Details of the restatement are outlined in the Appendix.
(2) Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.
(3) Excludes New Zealand dollar (NZD) liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations. The amount excluded during the three months to 31 December 2022 was on average $8.2 billion. The amount excluded during the three months to 30 September 2022 was on average $7.4 billion (restated from $7.2 billion previously disclosed).
(4) Disclosed on a weighted basis only, consistent with the disclosure template prescribed by APS 330.

Restatement of Historical Liquidity Coverage Ratio

Average quarterly LCR has been restated for eight comparative periods. The tables below set out the impacted rows of the disclosure template after the restatement and as previously reported.

The restatement is limited to the following weighted values in the disclosure template:

- Credit and liquidity facility cash outflows (row 15) have increased following review of the nature of counterparties to whom credit facilities were provided. This primarily resulted in some counterparties being reclassified from non-financial corporates to financial institutions, with financial institutions having a higher run-off rate in the weighted cash outflow calculation for undrawn facilities. The increase in row 15 flows through to the sub-totals in rows 12, 18 and 24.
- The change in credit and liquidity facility cash outflows also impacted liquid assets (row 23), specifically HQLA (row 1) and Reserve Bank of New Zealand (RBNZ) securities (row 3). Where NZD cash outflows have increased as a result of this counterparty reclassification, additional NZD liquid assets are able to be recognised whilst ensuring regulatory subsidiary caps are maintained.

LCR remained above regulatory requirements in all of these historical periods.

Liquidity Coverage Ratio disclosure template extract

Restated Liquidity Coverage Ratio

		3 months ended							
		30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20
Weighted value (average)		**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Liquid assets, of which:		**214,361**	**203,725**	**198,503**	**200,375**	**191,251**	**182,249**	**183,777**	**205,561**
1	HQLA[(1)]	200,321	185,494	173,311	166,527	162,905	143,361	137,297	138,751
2	Alternative liquid assets (ALA)	12,893	17,685	23,152	30,896	26,859	37,909	44,595	64,886
3	RBNZ securities[(1)]	1,147	545	2,040	2,952	1,487	979	1,885	1,924
Cash outflows									
12	Additional requirements	45,986	46,000	45,821	43,728	43,351	42,927	43,946	51,023
15	of which: credit and liquidity facilities	30,565	30,532	30,245	28,820	28,518	26,212	25,510	26,199
18	**Total cash outflows**	**176,557**	**173,138**	**169,356**	**171,989**	**170,248**	**162,434**	**157,066**	**159,709**
23	**Total liquid assets**	**214,361**	**203,725**	**198,503**	**200,375**	**191,251**	**182,249**	**183,777**	**205,561**
24	**Total net cash outflows**	**163,110**	**157,433**	**155,435**	**158,740**	**156,806**	**147,666**	**141,662**	**145,976**
25	**Liquidity Coverage Ratio (%)**	**131%**	**129%**	**128%**	**126%**	**122%**	**123%**	**130%**	**141%**

(1) Excludes NZD liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations.

Previously Reported Liquidity Coverage Ratio

		3 months ended							
		30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20
Weighted value (average)		**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Liquid assets, of which:		**214,108**	**203,416**	**198,149**	**200,009**	**190,916**	**181,899**	**183,575**	**205,270**
1	HQLA[(1)]	200,194	185,349	173,267	166,527	162,905	143,361	137,297	138,751
2	Alternative liquid assets (ALA)	12,893	17,685	23,152	30,896	26,859	37,909	44,595	64,886
3	RBNZ securities[(1)]	1,021	382	1,730	2,586	1,152	629	1,683	1,633
Cash outflows									
12	Additional requirements	39,483	38,058	37,991	36,181	35,806	35,903	37,061	44,442
15	of which: credit and liquidity facilities	24,062	22,590	22,415	21,273	20,973	19,188	18,625	19,618
18	**Total cash outflows**	**170,054**	**165,196**	**161,526**	**164,442**	**162,703**	**155,410**	**150,181**	**153,128**
23	**Total liquid assets**	**214,108**	**203,416**	**198,149**	**200,009**	**190,916**	**181,899**	**183,575**	**205,270**
24	**Total net cash outflows**	**156,607**	**149,491**	**147,605**	**151,193**	**149,261**	**140,642**	**134,777**	**139,395**
25	**Liquidity Coverage Ratio (%)**	**137%**	**136%**	**134%**	**132%**	**128%**	**129%**	**136%**	**147%**

(1) Excludes NZD liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations.

Glossary

Additional Tier 1 capital
Additional Tier 1 capital comprises high quality components of capital that satisfy the following characteristics:
- provide a permanent and unrestricted commitment of funds
- are freely available to absorb losses
- rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer
- provide for fully discretionary capital distributions.

ADI
Authorised Deposit-taking Institution.

Advanced Internal Ratings-based Approach (IRB)
The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.

Alternative liquid assets (ALA)
Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency in the Liquidity Coverage Ratio framework. The Committed Liquidity Facility and Term Funding Facility provided by the Reserve Bank of Australia to ADIs are treated as ALAs in the Liquidity Coverage Ratio.

APRA
Australian Prudential Regulation Authority.

APS
Prudential Standards issued by APRA applicable to ADIs.

Banking book
Exposures not contained in the trading book.

Central counterparty (CCP)
A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.

CET1 capital ratio
Common Equity Tier 1 capital divided by risk-weighted assets.

Committed Liquidity Facility (CLF)
A facility provided by the Reserve Bank of Australia to certain ADIs to assist them in meeting the Basel III liquidity requirements. The CLF was phased-out to zero on 1 January 2023.

Common Equity Tier 1 (CET1) capital
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 paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 'Capital Adequacy: Measurement of Capital'.

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

Credit valuation adjustment (CVA)
A capital charge to reflect potential mark-to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.

Default fund
Clearing members' funded or unfunded contributions towards, or underwriting of, a central counterparty's mutualised loss sharing arrangements.

Eligible financial collateral (EFC)
Under the standardised approach, eligible financial collateral is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based Approach, EFC is limited to the collateral items detailed in APS 112 'Capital Adequacy: Standardised Approach to Credit Risk'. Recognition of EFC is subject to the minimum conditions detailed in APS 112.

Exposure at default (EaD)
An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral.

Extended Licensed Entity
The ADI and any APRA approved subsidiaries assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 'Associations with Related Entities'.

Group
NAB and its controlled entities.

High-quality liquid assets (HQLA)
Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 'Liquidity'.

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

Internal Model Approach (IMA) - Non-traded Market Risk
The approach used in the assessment of non-traded market risk. The Group uses, under approval from APRA, the IMA to calculate interest rate risk in the banking book for all transactions in the banking book.

Internal Model Approach (IMA) - Traded Market Risk
The approach used in the assessment of traded market risk. The Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the standard method.

Leverage ratio
Tier 1 capital divided by exposures as defined by APS 110 'Capital Adequacy'. It is a non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.

Liquidity Coverage Ratio (LCR)
A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

Loss given default (LGD)
An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.

NAB
National Australia Bank Limited ABN 12 004 044 937.

Net write-offs
Write-offs, net of recoveries.

Past due facilities ≥ 90 days
Assets that are contractually 90 days or more past due, but not impaired.

Probability of default (PD)
An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.

Qualifying revolving retail
Revolving exposures to individuals less than $100,000, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this asset class.

Risk-weighted assets (RWA)
A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.

RMBS
Residential mortgage-backed securities.

Securitisation exposures
Securitisation exposures include the following exposure types:
- liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the securitisation vehicle or to cover the inability of the securitisation vehicle to roll-over securities due to market disruption
- warehouse facilities: lending facilities provided to securitisation vehicles for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis
- securities: holding of debt securities issued by securitisation vehicles
- derivatives: derivatives provided to securitisation vehicles, other than for credit risk mitigation purposes.

SME
Small and medium-sized enterprises.

Specific provision for credit impairment
The provision assessed on an individual basis in accordance with Australian Accounting Standard AASB 9 'Financial Instruments'.

SPV
Special purpose vehicle.

Standard method
An alternative approach to the assessment of traded market risk which applies supervisory risk-weights to positions arising from trading activities.

Standardised approach
An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

Standardised Measurement Approach (SMA)
An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.

Term Funding Facility (TFF)
A facility provided by the Reserve Bank of Australia to certain ADIs to support lending to Australian businesses. The facility closed to new drawdowns of funding on 30 June 2021.

Tier 1 capital
Tier 1 capital comprises CET1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 'Capital Adequacy: Measurement of Capital'.

Tier 1 capital ratio
Tier 1 capital divided by risk-weighted assets.

Tier 2 capital
Tier 2 capital 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.

Total capital
The sum of Tier 1 capital and Tier 2 capital.

Total capital ratio
Total capital divided by risk-weighted assets.

Trading book
Positions in financial instruments, including derivatives and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.

Write-offs
A reduction in the carrying amount of loans and advances at amortised cost and fair value where there is no reasonable expectation of recovery of a portion or the entire exposure.