PILLAR 3 REPORT 2018

National Australia Bank

Incorporating the requirements of APS 330

Half Year Update
as at 31 March 2018

"My patients weren't liking the shoes out there. That's when I decided to design my own range."

Caroline McCulloch
FRANKiE4 Footwear
Brisbane, QLD
NAB customer

National Australia Bank Limited
ABN 12 004 044 937

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Section 1

Introduction

National Australia Bank Limited (ABN 12 004 044 937) (NAB) applies the Basel Accord as a cornerstone of the NAB Group's Risk Management Framework and balance sheet strategy, which supports the NAB Group's strategic agenda.

In Australia, the Australian Prudential Regulation Authority (APRA) has 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 and liquidity 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), which 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 10.21% at 31 March 2018 is consistent with the NAB Group's objective of maintaining a strong capital position.

	As at	
	31 Mar 18	30 Sep 17
Capital ratios	%	%
Common Equity Tier 1	10.21	10.06
Tier 1	12.40	12.41
Total	14.43	14.58

A strong balance sheet enables the NAB Group to respond to changing market and regulatory conditions.

1.1 The NAB Group's Capital Adequacy Methodologies

The majority of the NAB Group's businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom and the United States of America. The following table sets out the NAB Group's approach to applying measures resulting from the Basel Accord, as applied across the NAB Group as at 31 March 2018.

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

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

(1) IRB: Internal Ratings Based Approach

(2) AMA: Advanced Measurement Approach

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

(4) IMA: Internal Models Approach

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

1.2 APS 330 Disclosure Governance

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

Section 2

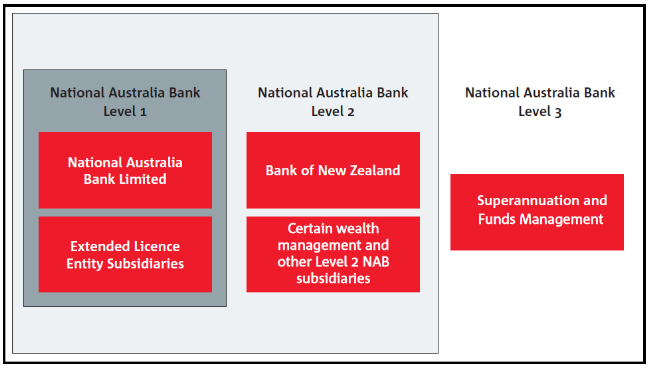
Scope of Application

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

- Level 1: comprises NAB and its subsidiary entities approved by APRA as part of the Extended Licensed Entity.
- 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 such as broking, wealth advisory and leasing companies.

Superannuation and funds management activities are excluded from the Level 2 Group for the purposes of calculating capital adequacy for the Level 2 Group.

In addition, certain securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with APRA's requirements as set out in *APS 120: 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 wealth management subsidiaries and certain securitisation SPVs used to house securitised assets. As noted above, these entities may 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 2017 Annual Financial Report.

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. NAB's Conglomerate Group Aggregate Risk Exposure Policy requires consideration of excessive risk when setting risk limits between Group entities. NAB's Lending Between Group Entities Policy requires intercompany transactions to be adequately controlled and comply with legal and regulatory requirements, including regulatory limits.

Each banking subsidiary works with the NAB Group to manage capital to target capital ranges approved by their respective 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 31 March 2018 or 30 September 2017.

Bank of New Zealand

BNZ is a wholly owned subsidiary of the NAB Group and operates as a regionally autonomous, full-service bank in New Zealand. The BNZ board of directors is responsible for BNZ's corporate governance and derives its authority from the Constitution of BNZ, within the NAB Group Framework 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.

Section 3

Regulatory Environment

Regulatory Reform

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

'Unquestionably Strong' and Basel III Revisions:

- In December 2017, the Basel Committee on Banking Supervision (BCBS) finalised the Basel III capital framework. In response, APRA commenced consultation on revisions to the domestic capital framework in February 2018 and reaffirmed its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. APRA expects major Australian banks to achieve a Common Equity Tier 1 capital ratio of at least 10.5% by 1 January 2020 based on existing risk-weighted assets (RWA) methodologies.
- APRA's consultation on revisions to the capital framework includes amendments to the standardised and IRB approaches to credit risk, operational risk, and interest rate risk in the banking book. Draft revised standards will be released from late 2018 and APRA is currently proposing an implementation date of 1 January 2021. To calibrate the various aspects of its proposals including the potential application of overlays, APRA is undertaking a quantitative assessment.
- APRA has also proposed a minimum leverage ratio requirement of 4% for IRB ADI's and revised leverage ratio exposure measurement methodology from 1 July 2019. The March 2018 Leverage Ratio is disclosed on page 5 of this report.
- APRA has finalised its prudential requirements for the standardised approach to counterparty credit risk (SA-CCR), which introduces the new Prudential Standard *APS 180*: Counterparty Credit Risk. These requirements will take effect from 1 July 2019.

Total Loss-absorbing Capacity (TLAC):

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for global systemically important banks (G-SIBs). In line with the recommendations in the FSI, APRA could implement a minimum loss-absorbing and recapitalisation capacity framework in accordance with emerging international practice. APRA has indicated that it expects to commence consultation on a minimum loss-absorbing capacity framework in late 2018.

Other Regulatory Changes

Other regulatory changes of note include:

- The Basel Committee on Banking Supervision (BCBS) has announced its revised market risk framework, which is due to come into effect in 2022 globally. APRA advised domestic timing will not be confirmed prior to global rules being finalised. While the Credit Valuation Adjustment (CVA) framework has been finalised by the BCBS, it may be subject to further recalibration as a result of the market risk framework review. APRA will commence consultation on the CVA framework post recalibration.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) took effect on 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives, with APRA advising that implementation will be no earlier than 2019.
- APRA's revised standard for simplifying the prudential approach to Securitisation (APS 120) came into effect on 1 January 2018.
- APRA's revised standard for Liquidity (APS 210) came into effect on 1 January 2018 including the calculation of the Net Stable Funding Ratio (NSFR).
- In New Zealand, RBNZ is undertaking a comprehensive review of the capital adequacy framework applying to registered banks incorporated in NZ. In December 2017, RBNZ published its in-principle proposals on the definition of capital and is continuing to consult on other aspects, including new proposed methodology for the measurement of RWA.
- The revised Large Exposures framework will take effect from 2019.

Section 4

Capital

4.1 Capital Adequacy

Table 4.1A: Risk-Weighted Assets

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

	As at 31 Mar 18 RWA $m	As at 30 Sep 17 RWA $m
Credit risk [(1)]		
IRB approach		
Corporate (including SME) [(2)]	115,478	115,831
Sovereign	1,291	1,306
Bank	10,751	10,998
Residential mortgage	102,448	100,741
Qualifying revolving retail	4,124	4,062
Retail SME	6,573	5,949
Other retail	3,517	3,484
Total IRB approach	**244,182**	**242,371**
Specialised lending	**59,899**	**58,902**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	1,623	2,414
Corporate	4,436	4,462
Other	513	521
Total standardised approach	**6,572**	**7,397**
Other		
Securitisation	4,313	3,380
Credit Value Adjustment	8,958	9,001
Central counterparty default fund contribution guarantee	1,029	1,005
Other [(3)]	4,929	3,913
Total other	**19,229**	**17,299**
Total credit risk	**329,882**	**325,969**
Market risk	8,656	7,766
Operational risk	39,027	37,575
Interest rate risk in the banking book	9,850	10,804
Total risk-weighted assets	**387,415**	**382,114**

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

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

(3) *'Other' includes non-lending asset exposure. March 2018 includes an RBNZ overlay adjustment required to maintain a minimum risk profile for the NZ Agriculture 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 18	30 Sep 17
Capital ratios [(1)]	%	%
Level 2 Common Equity Tier 1 capital ratio	10.21	10.06
Level 2 Tier 1 capital ratio	12.40	12.41
Level 2 Total capital ratio	14.43	14.58
Level 1 National Australia Bank Common Equity Tier 1 capital ratio	10.54	10.37
Level 1 National Australia Bank Tier 1 capital ratio	12.92	12.96
Level 1 National Australia Bank Total capital ratio	15.05	15.26
Significant subsidiaries		
BNZ Common Equity Tier 1 capital ratio	10.75	10.65
BNZ Tier 1 capital ratio	12.22	12.14
BNZ Total capital ratio	13.12	13.36

(1) Level 1 Group represents the extended licence entity. The Level 2 Group represents the consolidation of the NAB Group and all of 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.

Leverage ratio	As at			
	31 Mar 18	31 Dec 17	30 Sep 17	30 Jun 17
	$m	$m	$m	$m
Tier 1 capital	48,048	47,396	47,417	46,051
Total exposures	864,625	870,574	856,241	866,186
Leverage ratio (%)	**5.56%**	**5.44%**	**5.54%**	**5.32%**

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 risk-weighted assets 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 effective loss absorbent components of capital, followed by additional Tier 1 Capital and then Tier 2 Capital. Tier 2 Capital mainly consists of subordinated instruments.

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

The table below provides the structure of Regulatory Capital for the NAB Level 2 Group. A detailed breakdown is shown in Section 12 of this report. Regulatory Capital has been calculated in accordance with APRA definitions in APRA Prudential Standard *APS 111* Capital Adequacy: Measurement of Capital. The regulatory approach to calculating capital differs from the accounting approach as defined under IFRS.

	As at	
	31 Mar 18	**30 Sep 17**
	$m	**$m**
Common Equity Tier 1 Capital before regulatory adjustments	49,199	48,147
Total regulatory adjustments to Common Equity Tier 1 Capital	(9,644)	(9,722)
Common Equity Tier 1 Capital (CET1)	**39,555**	**38,425**
Additional Tier 1 Capital before regulatory adjustments	8,495	8,993
Total regulatory adjustments to Additional Tier 1 Capital	(2)	(1)
Additional Tier 1 Capital (AT1)	**8,493**	**8,992**
Tier 1 Capital (T1 = CET1 + AT1)	**48,048**	**47,417**
Tier 2 Capital before regulatory adjustments	7,959	8,382
Total regulatory adjustments to Tier 2 Capital	(108)	(92)
Tier 2 Capital (T2)	**7,851**	**8,290**
Total Capital (TC = T1 + T2)	**55,899**	**55,707**

Section 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 for credit impairment 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 for credit impairment and before the application of on-balance sheet netting and credit risk mitigation. Exposures exclude non-lending assets and securitisation.

Definitions of impairment and past due facilities are based on APS 220 Credit Quality. This standard also provides guidance for provisioning, estimated future credit losses and the General Reserve for Credit Losses.

	As at 31 Mar 18					6 months ended 31 Mar 18
	Total exposure (EaD)[(1)]	Risk-weighted assets	Regulatory expected loss	Impaired facilities[(2)]	Specific provisions for credit impairment[(3)]	Net write-offs[(4)]
Exposure Type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	295,398	115,478	1,413	1,051	496	33
Sovereign	82,013	1,291	2	-	-	-
Bank	60,978	10,751	13	-	-	-
Residential mortgage	377,918	102,448	972	286	93	19
Qualifying revolving retail	11,617	4,124	265	-	-	77
Retail SME	17,689	6,573	158	81	42	17
Other retail	4,479	3,517	155	4	3	56
Total IRB approach	**850,092**	**244,182**	**2,978**	**1,422**	**634**	**202**
Specialised lending	**68,887**	**59,899**	**914**	**177**	**64**	**5**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	2,260	1,623	-	9	5	1
Corporate	59,354	4,436	-	1	7	3
Other	1,145	513	-	-	-	-
Total standardised approach	**62,759**	**6,572**	**-**	**10**	**12**	**4**
Total	**981,738**	**310,653**	**3,892**	**1,609**	**710**	**211**

(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 $49 million of restructured loans (September 2017: $nil).*
Corporate (incl SME) impaired facilities includes $76 million (NZ$81 million) of BNZ dairy exposures currently assessed as no loss based on security held. (September 2017: $205 million (NZ$222 million)). Collective provisions are held against these loans.
Impaired facilities includes $19 million of gross impaired loans at fair value (September 2017: $34 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 $367 million (September 2017: $404 million). This value is in addition to the $710 million of specific provisions (September 2017: $691 million) shown above. Specific provisions includes $1 million (September 2017: $2 million) of specific provisions on gross impaired loans at fair value.*

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

	As at 30 Sep 17					6 months ended 30 Sep 17
	Total exposure (EaD)	Risk-weighted Assets	Regulatory expected loss	Impaired facilities	Specific provisions for credit impairment	Net write-offs
Exposure Type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	286,277	115,831	1,453	1,183	489	104
Sovereign	79,537	1,306	2	-	-	-
Bank	59,078	10,998	13	-	-	-
Residential mortgage	373,620	100,741	952	305	87	42
Qualifying revolving retail	11,574	4,062	251	-	-	85
Retail SME	16,342	5,949	142	71	39	26
Other retail	4,465	3,484	157	4	3	61
Total IRB approach	**830,893**	**242,371**	**2,970**	**1,563**	**618**	**318**
Specialised lending	**68,572**	**58,902**	**872**	**151**	**62**	**5**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	4,306	2,414	-	9	4	-
Corporate	69,329	4,462	-	1	7	1
Other	1,170	521	-	-	-	-
Total standardised approach	**74,805**	**7,397**	**-**	**10**	**11**	**1**
Total	**974,270**	**308,670**	**3,842**	**1,724**	**691**	**324**

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

This table provides the credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the 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, exposure is defined as the mark-to-market value plus a potential value of future movements. This table includes total EaD net of eligible financial collateral (EFC). The average credit risk exposure is the simple average of the gross credit risk exposure at the beginning and end of the reporting period.

For the Advanced IRB approach, EaD is reported gross of specific provisions and partial write-offs. For the Standardised approach, EaD is reported net of any specific provision. Exposures exclude non-lending assets and securitisation.

	As at 31 Mar 18					6 months ended 31 Mar 18
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	144,188	66,634	84,576	295,398	225,040	290,837
Sovereign	64,998	508	16,507	82,013	69,248	80,775
Bank	24,458	3,443	33,077	60,978	37,650	60,029
Residential mortgage	328,796	49,122	-	377,918	377,918	375,769
Qualifying revolving retail	5,883	5,734	-	11,617	11,617	11,596
Retail SME	13,357	4,332	-	17,689	17,685	17,015
Other retail	3,273	1,206	-	4,479	4,477	4,472
Total IRB approach	**584,953**	**130,979**	**134,160**	**850,092**	**743,635**	**840,493**
Specialised lending	**57,172**	**10,997**	**718**	**68,887**	**68,282**	**68,730**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	2,137	123	-	2,260	2,258	3,283
Corporate	7,102	529	51,723	59,354	11,986	64,341
Other	1,144	1	-	1,145	1,116	1,158
Total standardised approach	**10,383**	**653**	**51,723**	**62,759**	**15,360**	**68,782**
Total exposure (EaD)	**652,508**	**142,629**	**186,601**	**981,738**	**827,277**	**978,005**

	As at 30 Sep 17					6 months ended 30 Sep 17
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	142,823	64,886	78,568	**286,277**	**222,458**	280,805
Sovereign	64,403	444	14,690	**79,537**	**67,085**	86,391
Bank	23,956	3,514	31,608	**59,078**	**36,187**	63,061
Residential mortgage	324,322	49,298	-	**373,620**	**373,620**	368,279
Qualifying revolving retail	5,806	5,768	-	**11,574**	**11,574**	11,622
Retail SME	12,431	3,911	-	**16,342**	**16,338**	16,294
Other retail	3,251	1,214	-	**4,465**	**4,462**	4,519
Total IRB approach	**576,992**	**129,035**	**124,866**	**830,893**	**731,724**	**830,971**
Specialised lending	**57,082**	**10,740**	**750**	**68,572**	**67,824**	**67,631**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,191	115	-	**4,306**	**4,262**	4,414
Corporate	7,223	535	61,571	**69,329**	**12,038**	66,030
Other	1,169	1	-	**1,170**	**1,116**	1,161
Total standardised approach	**12,583**	**651**	**61,571**	**74,805**	**17,416**	**71,605**
Total exposures (EaD)	**646,657**	**140,426**	**187,187**	**974,270**	**816,964**	**970,207**

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 and securitisation.

	As at 31 Mar 18				
	Australia	New Zealand	United Kingdom	Other[(1)]	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	169,944	40,405	58,316	26,733	**295,398**
Sovereign	53,454	5,064	7,942	15,553	**82,013**
Bank	31,925	6,148	16,506	6,399	**60,978**
Residential mortgage	338,928	38,990	-	-	**377,918**
Qualifying revolving retail	11,617	-	-	-	**11,617**
Retail SME	15,795	1,894	-	-	**17,689**
Other retail	2,308	2,171	-	-	**4,479**
Total IRB approach	**623,971**	**94,672**	**82,764**	**48,685**	**850,092**
Specialised lending	**59,139**	**8,053**	**854**	**841**	**68,887**
Standardised approach					
Australian and foreign governments	-	-	-	-	**-**
Bank	-	-	-	-	**-**
Residential mortgage	2,114	20	-	126	**2,260**
Corporate	8,648	1,101	6,411	43,194	**59,354**
Other	1,127	-	-	18	**1,145**
Total standardised approach	**11,889**	**1,121**	**6,411**	**43,338**	**62,759**
Total exposure (EaD)	**694,999**	**103,846**	**90,029**	**92,864**	**981,738**

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

	As at 30 Sep 17				
	Australia	New Zealand	United Kingdom	Other	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	171,199	37,403	50,701	26,974	**286,277**
Sovereign	53,307	4,720	6,088	15,422	**79,537**
Bank	32,889	6,317	13,336	6,536	**59,078**
Residential mortgage	336,495	37,125	-	-	**373,620**
Qualifying revolving retail	11,574	-	-	-	**11,574**
Retail SME	14,515	1,827	-	-	**16,342**
Other retail	2,371	2,094	-	-	**4,465**
Total IRB approach	**622,350**	**89,486**	**70,125**	**48,932**	**830,893**
Specialised lending	**58,945**	**7,764**	**1,099**	**764**	**68,572**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2,161	19	-	2,126	**4,306**
Corporate	8,102	1,149	5,079	54,999	**69,329**
Other	1,126	-	-	44	**1,170**
Total standardised approach	**11,389**	**1,168**	**5,079**	**57,169**	**74,805**
Total exposures (EaD)	**692,684**	**98,418**	**76,303**	**106,865**	**974,270**

Table 5.1D: Exposures by Industry

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

	As at 31 Mar 18												
	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[1]	Total
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	8,006	50,798	16,977	14,275	7,676	105,492	17,969	105	-	26,594	18,861	28,645	**295,398**
Sovereign	-	-	-	-	-	35,137	-	-	-	-	-	46,876	**82,013**
Bank	-	-	-	-	-	59,274	-	-	-	-	-	1,704	**60,978**
Residential mortgage	-	-	-	-	-	-	-	-	377,918	-	-	-	**377,918**
Qualifying revolving retail	-	-	-	-	-	-	-	11,617	-	-	-	-	**11,617**
Retail SME	940	4,083	2,233	476	2,101	1,116	1,121	93	-	2,822	931	1,773	**17,689**
Other retail	-	-	-	-	-	-	-	4,479	-	-	-	-	**4,479**
Total IRB approach	**8,946**	**54,881**	**19,210**	**14,751**	**9,777**	**201,019**	**19,090**	**16,294**	**377,918**	**29,416**	**19,792**	**78,998**	**850,092**
Specialised lending	**350**	**818**	**132**	**61,565**	**518**	**457**	**-**	**7**	**-**	**-**	**1,576**	**3,464**	**68,887**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Bank	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Residential mortgage	-	-	-	-	-	-	-	-	2,260	-	-	-	**2,260**
Corporate	2	101	447	24	64	55,006	326	28	250	758	130	2,218	**59,354**
Other	-	-	-	-	-	-	-	1,085	26	-	-	34	**1,145**
Total standardised approach	**2**	**101**	**447**	**24**	**64**	**55,006**	**326**	**1,113**	**2,536**	**758**	**130**	**2,252**	**62,759**
Total exposure (EaD)	**9,298**	**55,800**	**19,789**	**76,340**	**10,359**	**256,482**	**19,416**	**17,414**	**380,454**	**30,174**	**21,498**	**84,714**	**981,738**

[1] *Remaining categories are grouped collectively under 'Other'.*

	As at 30 Sep 17												
	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)	8,266	48,496	16,871	14,010	7,857	97,555	18,492	111	-	27,250	18,457	28,912	**286,277**
Sovereign	-	-	-	-	-	35,656	-	-	-	-	-	43,881	**79,537**
Bank	-	-	-	-	-	57,529	-	-	-	-	-	1,549	**59,078**
Residential mortgage	-	-	-	-	-	-	-	-	373,620	-	-	-	**373,620**
Qualifying revolving retail	-	-	-	-	-	-	-	11,574	-	-	-	-	**11,574**
Retail SME	835	3,970	2,039	474	1,881	1,015	982	100	-	2,604	843	1,599	**16,342**
Other retail	-	-	-	-	-	-	-	4,465	-	-	-	-	**4,465**
Total IRB approach	**9,101**	**52,466**	**18,910**	**14,484**	**9,738**	**191,755**	**19,474**	**16,250**	**373,620**	**29,854**	**19,300**	**75,941**	**830,893**
Specialised lending	**241**	**897**	**105**	**61,246**	**504**	**416**	**-**	**8**	**-**	**-**	**1,709**	**3,446**	**68,572**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Bank	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Residential mortgage	-	-	-	-	-	-	-	-	4,306	-	-	-	**4,306**
Corporate	2	87	388	21	54	65,055	306	32	262	745	136	2,241	**69,329**
Other	-	-	-	-	-	-	-	1,114	20	-	-	36	**1,170**
Total standardised approach	**2**	**87**	**388**	**21**	**54**	**65,055**	**306**	**1,146**	**4,588**	**745**	**136**	**2,277**	**74,805**
Total exposure (EaD)	**9,344**	**53,450**	**19,403**	**75,751**	**10,296**	**257,226**	**19,780**	**17,404**	**378,208**	**30,599**	**21,145**	**81,664**	**974,270**

Table 5.1E: Exposures by Maturity

This table sets out the residual contractual maturity breakdown of gross credit risk exposures, excluding non-lending assets and securitisation. 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 18			
	<12 months	**1 – 5 years**	**>5 years**	**No specified maturity[(1)]**
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	139,650	119,713	28,229	7,806
Sovereign	41,467	13,127	27,025	394
Bank	34,511	12,680	13,357	430
Residential mortgage	32,598	6,810	338,060	450
Qualifying revolving retail	-	-	-	11,617
Retail SME	5,873	8,384	2,799	633
Other retail	267	1,145	871	2,196
Total IRB approach	**254,366**	**161,859**	**410,341**	**23,526**
Specialised lending	**30,457**	**34,365**	**3,414**	**651**
Standardised approach				
Australian and foreign governments	-	-	-	-
Bank	-	-	-	-
Residential mortgage	179	152	1,920	9
Corporate	53,187	1,539	4,344	284
Other	987	152	6	-
Total standardised approach	**54,353**	**1,843**	**6,270**	**293**
Total exposure (EaD)	**339,176**	**198,067**	**420,025**	**24,470**

(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 17			
	<12 months	**1 – 5 years**	**>5 years**	**No specified maturity**
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	133,332	117,454	28,604	6,887
Sovereign	37,058	13,573	27,511	1,395
Bank	32,483	14,695	11,630	270
Residential mortgage	33,908	6,965	332,317	430
Qualifying revolving retail	-	-	-	11,574
Retail SME	5,244	7,752	2,738	608
Other retail	271	1,108	965	2,121
Total IRB approach	**242,296**	**161,547**	**403,765**	**23,285**
Specialised lending	**28,843**	**35,419**	**3,611**	**699**
Standardised approach				
Australian and foreign governments	-	-	-	-
Bank	-	-	-	-
Residential mortgage	186	258	3,855	7
Corporate	63,490	1,595	3,973	271
Other	987	168	15	-
Total standardised approach	**64,663**	**2,021**	**7,843**	**278**
Total exposures (EaD)	**335,802**	**198,987**	**415,219**	**24,262**

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 18			6 months ended 31 Mar 18	
	Impaired facilities[(1)]	Past due facilities ≥90 days	Specific provisions for credit impairment[(2)]	Specific credit impairment charges	Net write-offs[(3)]
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,051	154	496	43	33
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	286	1,956	93	29	19
Qualifying revolving retail	-	70	-	79	77
Retail SME	81	107	42	15	17
Other retail	4	52	3	52	56
Total IRB approach	**1,422**	**2,339**	**634**	**218**	**202**
Specialised lending	**177**	**70**	**64**	**5**	**5**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	9	18	5	2	1
Corporate	1	-	7	2	3
Other	-	-	-	-	-
Total standardised approach	**10**	**18**	**12**	**4**	**4**
Total	**1,609**	**2,427**	**710**	**227**	**211**

Additional regulatory specific provisions [(2)]			**367**

(1) Impaired facilities includes $49 million of restructured loans (September 2017: $nil).
Corporate (incl SME) impaired facilities includes $76 million (NZ$81 million) of BNZ dairy exposures currently assessed as no loss based on security held. (September 2017: $205 million (NZ$222 million)). Collective provisions are held against these loans.
Impaired facilities includes $19 million of gross impaired loans at fair value (September 2017: $34 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 $367 million (September 2017: $404 million). This value is in addition to the $710 million of specific provisions (September 2017: $691 million) shown above. Specific provisions includes $1 million (September 2017: $2 million) of specific provisions on gross impaired loans at fair value.

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

	As at 30 Sep 17			6 months ended 30 Sep 17	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions for credit impairment	Specific credit impairment charges	Net Write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,183	175	489	81	104
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	305	1,757	87	31	42
Qualifying revolving retail	-	62	-	86	85
Retail SME	71	90	39	16	26
Other retail	4	53	3	49	61
Total IRB approach	**1,563**	**2,137**	**618**	**263**	**318**
Specialised lending	**151**	**84**	**62**	**1**	**5**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	9	11	4	-	-
Corporate	1	13	7	4	1
Other	-	-	-	-	-
Total standardised approach	**10**	**24**	**11**	**4**	**1**
Total	**1,724**	**2,245**	**691**	**268**	**324**
Additional regulatory specific provisions			**404**		

Factors Impacting Loss Experience in the Preceding Period

90+ Days Past Due Loans

Facilities 90+ days past due increased during the March 2018 half year predominantly due to the Australian IRB Residential Mortgages portfolio. The increase was due to deterioration in Western Australia reflecting economic conditions including mining sector stress, combined with a modest increase in delinquencies across all states except for South Australia.

Impaired Facilities

Impaired facilities decreased during March 2018 half year predominantly driven by improved conditions for the New Zealand dairy industry resulting in a reduction in the impaired dairy portfolio for which no loss is currently expected (based on security held).

Specific Provisions

Specific provisions increased during the March 2018 half year, due to the impairment of a small number of larger exposures within the IRB Corporate (including SME) and Specialised Lending portfolios.

Specific Credit Impairment Charges

Specific credit impairment charge for the March 2018 half year was $227m, $41m lower than the September 2017 half year. This decrease was primarily due to lower charges within Australian Banking IRB Corporate (including SME) driven by a reduction in the number of individual impaired exposures.

Net Write-Offs

Net write-offs decreased by $113m during the March 2018 half year due to lower write-offs on larger exposures within Australian Banking IRB Corporate (including SME).

Table 5.1G (i): Loss Experience

Table 5.1G (i) provides the regulatory expected losses (which are Through The Cycle (TTC) loss estimates) compared to the realised actual losses calculated as an exposure weighted average since 31 March 2010.

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.

	31 Mar 18	
Exposure type	Exposure weighted average actual loss (net write-offs)[1] $m	Exposure weighted average regulatory expected loss[2] $m
IRB approach		
Corporate (including SME)	499	2,467
Sovereign	-	2
Bank	2	48
Residential mortgage	93	904
Qualifying revolving retail	172	212
Retail SME	70	249
Other retail	96	150
Total IRB approach	**932**	**4,032**

(1) *Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 31 March 2010.*
(2) *Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 31 March 2010.*

	30 Sep 17	
Exposure type	Exposure weighted average actual loss (net write-offs)[1] $m	Exposure weighted average regulatory expected loss[2] $m
IRB approach		
Corporate (including SME)	556	2,442
Sovereign	-	6
Bank	6	49
Residential mortgage	97	865
Qualifying revolving retail	175	206
Retail SME	73	253
Other retail	97	144
Total IRB approach	**1,004**	**3,965**

(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 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.

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 the September 2017 Pillar 3 Report.

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

This table compares internal estimates of long-run PD with actual default rates averaged over a period of eight years to 31 March 2018. Averages of actual and estimated PD are calculated using the cohort that is not in default at the beginning of the financial year and averaged out over the eight 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 18		
	Average Estimated PD	Average Actual PD[(1)]	Ratio of estimated to actual EAD
Exposure type	%	%	
IRB approach			
Corporate (including SME)	1.72	1.75	1.1
Sovereign [(2)]	0.46	0.09	1.2
Bank [(2)]	0.39	0.19	1.0
Residential mortgage [(3)]	0.94	0.87	1.0
Qualifying revolving retail	1.53	1.51	1.1
Retail SME	2.13	2.15	1.1
Other retail	2.72	2.91	1.1

(1) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of eight years to 31 March 2018.*
(2) *Average actual PDs for Sovereign and Bank exposures are based on a low number of observed defaults.*
(3) *Estimated PDs includes BNZ assets subject to RBNZ calibration overlay.*

	As at 30 Sep 17		
	Average Estimated PD[(1)]	Average Actual PD[(1)]	Ratio of estimated to actual EAD
Exposure type	%	%	
IRB approach			
Corporate (including SME)	1.75	1.81	1.1
Sovereign	0.44	0.11	1.2
Bank	0.36	0.15	1.1
Residential mortgage	0.91	0.89	1.0
Qualifying revolving retail	1.46	1.51	1.1
Retail SME	2.10	2.05	1.1
Other retail	2.67	2.92	1.1

(1) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of eight years to 30 September 2017.*

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

This table compares internal estimates of downturn LGD with actual losses during the eight years to 31 March 2018. Actual LGD was calculated using net write-offs from defaults during the eight 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 18	
	Average estimated downturn LGD[(1)]	**Average actual LGD**[(1)]
Exposure type	**%**	**%**
IRB approach		
Corporate (including SME)[(2)]	38.1	24.5
Sovereign[(3)]	45.0	-
Bank[(3)]	52.9	-
Residential mortgage[(4)]	20.5	5.0
Qualifying revolving retail	87.2	54.0
Retail SME	35.9	18.1
Other retail	76.5	45.0

(1) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eight years to 31 March 2018.*

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

(3) *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.*

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

	As at 30 Sep 17	
	Average estimated downturn LGD[(1)]	**Average actual LGD**[(1)]
Exposure type	**%**	**%**
IRB approach		
Corporate (including SME)	37.0	27.6
Sovereign	44.3	-
Bank	51.1	-
Residential mortgage	20.2	5.4
Qualifying revolving retail	87.2	54.6
Retail SME	35.5	19.1
Other retail	73.8	43.9

(1) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eight years to 30 September 2017.*

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 and securitisation.

	As at 31 Mar 18			6 months ended 31 Mar 18	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions for credit impairment	Specific credit impairment charges	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	122	17	47	16	12
Agriculture, forestry, fishing and mining	405	55	131	(3)	13
Business services and property services	102	31	64	8	4
Commercial property	188	80	67	4	4
Construction	70	31	45	13	3
Finance and insurance	54	5	38	1	(1)
Manufacturing	176	20	116	22	6
Personal	5	132	3	132	134
Residential mortgages	295	1,973	98	31	19
Retail and wholesale trade	127	44	53	-	11
Transport and storage	46	18	24	-	4
Other	19	21	24	3	2
Total	**1,609**	**2,427**	**710**	**227**	**211**

Additional regulatory specific provision	**367**

	As at 30 Sep 17			6 months ended 30 Sep 17	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions for credit impairment	Specific credit impairment charges	Net Write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	110	18	43	23	7
Agriculture, forestry, fishing and mining	554	68	145	(14)	(8)
Business services and property services	111	35	52	14	8
Commercial property	167	96	67	(2)	6
Construction	79	31	35	2	8
Finance and insurance	55	8	38	2	-
Manufacturing	152	16	102	19	45
Personal	5	124	3	138	148
Residential mortgages	314	1,781	91	31	42
Retail and wholesale trade	108	40	64	21	54
Transport and storage	50	19	29	17	4
Other	19	9	22	17	10
Total	**1,724**	**2,245**	**691**	**268**	**324**

Additional regulatory specific provision	**404**

Table 5.1I: Provisions by Geography

	As at 31 Mar 18			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions for credit impairment	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	1,195	2,296	578	2,433
New Zealand	356	113	105	475
United Kingdom	52	13	24	12
Other [(1)]	6	5	3	18
Total	**1,609**	**2,427**	**710**	**2,938**
Regulatory specific provisions			367	(367)
Plus reserve created through retained earnings				-
General reserve for credit losses (GRCL) [(2)]				**2,571**

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

(2) The GRCL balance allocated across geographic regions of $2,938 million (September 2017: $2,798 million) includes $2,699 million (September 2017: $2,535 million) of provisions on loans at amortised cost and $239 million (September 2017: $263 million) of provisions held on assets at fair value and other debt instruments. Disclosure of the General Reserve for Credit Losses by geographic area is reflective of internal risk transfers within the NAB Group.

	As at 30 Sep 17			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions for credit impairment	General reserve for credit losses
		$m	$m	$m
Geographic region				
Australia	1,213	2,094	564	2,311
New Zealand	437	138	96	451
United Kingdom	68	13	28	10
Other	6	-	3	26
Total	**1,724**	**2,245**	**691**	**2,798**
Regulatory specific provisions			404	(404)
Plus reserve created through retained earnings				-
General reserve for credit losses (GRCL)				**2,394**

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 and securitisation.

	6 months ended 31 Mar 18 $m	6 months ended 30 Sep 17 $m
General reserve for credit losses		
Collective provision balance at start of period	2,535	2,373
Net transfer to specific provision	(124)	(133)
New and increased provisions (net of release)	277	293
Foreign currency translation and other adjustments	11	2
Collective provision on loans at amortised cost	2,699	2,535
Plus provisions held on assets at fair value and other debt instruments [1]	239	263
Less additional regulatory specific provisions	(367)	(404)
Plus reserve created through retained earnings	-	-
General reserve for credit losses	**2,571**	**2,394**
Specific provisions		
Balance at start of period	689	747
Net transfer from collective provision	124	133
New and increased provisions (net of release)	244	303
Write-backs on specific provisions	(94)	(106)
Write-offs from specific provisions	(256)	(389)
Foreign currency translation and other adjustments	2	1
Specific provisions excluding provisions for assets at fair value	709	689
Specific provisions held on assets at fair value	1	2
Additional regulatory specific provisions	367	404
Total regulatory specific provisions	**1,077**	**1,095**
Total provisions	**3,648**	**3,489**

[1] *Provisions held on assets at fair value are presented gross of $7 million regulatory specific provisions for assets held at fair value (September 2017: $10 million).*

5.2 Standardised and Supervisory Slotting Portfolios

Standardised Credit Risk Portfolios

The NAB Group uses the standardised methodology in the Basel Capital Framework, as interpreted by APRA, for the calculation of Basel credit RWA.

Fitch, Moody's and Standard & Poor's credit ratings are used to determine the risk weights within the APRA standardised approach, as presented in the table below. APRA's external rating grades table is used to map external ratings into an "external rating grade" or Credit Rating Grade that defines the appropriate risk weight as outlined in APRA *Prudential Standard APS 112 Capital Adequacy Standardised Approach to Credit Risk.*

External Rating Grade Classification

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

Table 5.2A: Standardised Exposures by Risk Weight

The following table shows the credit exposure amount before and after risk mitigation in each risk category, subject to the standardised approach. The NAB Group recognises the mitigation of credit risk as a result of EFC and mitigation providers. EFC refers to cash and cash equivalents as defined in APS 112.

	As at 31 Mar 18		As at 30 Sep 17	
Standardised approach – risk weights	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
0%	-	-	42	42
2%	52,742	5,670	62,092	5,539
4%	1,330	1,082	1,956	1,255
20%	-	1,727	-	1,606
35%	230	227	2,056	2,019
50%	489	489	545	545
75%	969	969	1,047	1,047
100%	6,754	4,955	6,803	5,100
150%	34	30	22	21
Default Fund Contributions [1]	211	211	242	242
Total standardised approach (EaD)	**62,759**	**15,360**	**74,805**	**17,416**

(1) *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

Asset class by rating grade	As at 31 Mar 18 Credit exposure before risk mitigation $m	As at 31 Mar 18 Credit exposure after risk mitigation $m	As at 30 Sep 17 Credit exposure before risk mitigation $m	As at 30 Sep 17 Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	-	-	-	-
Unrated	-	-	-	-
Sub-total	-	-	-	-
Bank				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	-	-	-	-
Credit rating grade 3	-	-	-	-
Credit rating grade 4	-	-	-	-
Unrated	-	-	-	-
Sub-total	-	-	-	-
Residential mortgage				
Unrated	2,260	2,258	4,306	4,262
Sub-total	2,260	2,258	4,306	4,262
Corporate				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	1,046	865	1,584	951
Credit rating grade 3	-	-	-	-
Unrated	58,308	11,121	67,745	11,087
Sub-total	59,354	11,986	69,329	12,038
Other				
Unrated	1,145	1,116	1,170	1,116
Sub-total	1,145	1,116	1,170	1,116
Total standardised approach (EaD)	**62,759**	**15,360**	**74,805**	**17,416**

Portfolios Subject to Supervisory Risk Weights in the IRB Approaches

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.

IRB supervisory slotting – unexpected loss risk weights	As at 31 Mar 18 Exposure after risk mitigation $m	As at 30 Sep 17 Exposure after risk mitigation $m
70%	25,477	26,754
90%	32,393	32,262
115%	9,167	7,517
250%	776	831
Default	469	460
Total IRB supervisory slotting (EaD)	**68,282**	**67,824**

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 own internal ratings system and exclude non-lending assets, securitisation and Specialised Lending.

	As at 31 Mar 18						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above 0<0.03%**	**A1, A2, A3 0.03<0.1%**	**Baa1, Baa2, Baa3 0.1<0.5%**	**Ba1, Ba2 0.5<2.0%**	**Ba3, B1 2.0<5.0%**	**B2 and below 5.0<99.9%**	**Default 100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	86,069	99,204	84,042	19,817	4,425	1,841
Sovereign	76,949	4,759	226	71	8	-	-
Bank	-	52,641	7,706	616	14	1	-
Total exposure (EaD)	**76,949**	**143,469**	**107,136**	**84,729**	**19,839**	**4,426**	**1,841**
Undrawn commitments							
Corporate	-	16,888	26,026	12,055	2,353	387	111
Sovereign	256	187	12	24	4	-	-
Bank	-	950	327	-	-	-	-
Total undrawn commitments [(1)]	**256**	**18,025**	**26,365**	**12,079**	**2,357**	**387**	**111**

IRB approach							
Average EaD ($m) [(2)]							
Corporate	-	2.33	0.60	0.34	0.19	0.15	0.27
Sovereign	40.33	2.09	0.64	0.28	0.04	0.05	-
Bank	-	2.76	1.08	5.05	0.27	0.06	0.02
Exposure weighted average LGD (%)							
Corporate	-	23.4%	34.4%	26.2%	30.9%	34.4%	43.0%
Sovereign	3.5%	30.8%	24.2%	46.9%	45.0%	-	-
Bank	-	35.3%	26.9%	8.7%	59.6%	59.6%	-
Exposure weighted average risk weight (%)							
Corporate	-	12.4%	39.4%	48.6%	76.3%	131.0%	210.1%
Sovereign	0.8%	11.9%	29.8%	90.8%	109.9%	-	-
Bank	-	15.3%	33.4%	15.2%	175.8%	220.8%	-

(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 17						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above 0<0.03%**	**A1, A2, A3 0.03<0.1%**	**Baa1, Baa2, Baa3 0.1<0.5%**	**Ba1, Ba2 0.5<2.0%**	**Ba3, B1 2.0<5.0%**	**B2 and below 5.0<99.9%**	**Default 100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	80,145	102,643	77,111	19,695	4,604	2,079
Sovereign	74,735	4,490	233	71	8	-	-
Bank	-	51,589	7,244	234	9	2	-
Total exposure (EaD)	**74,735**	**136,224**	**110,120**	**77,416**	**19,712**	**4,606**	**2,079**
Undrawn commitments							
Corporate	-	15,397	25,727	12,378	2,683	379	75
Sovereign	148	240	17	12	4	-	-
Bank	-	1,058	277	10	-	-	-
Total undrawn commitments	**148**	**16,695**	**26,021**	**12,400**	**2,687**	**379**	**75**
IRB approach							
Average EaD ($m)							
Corporate	-	1.82	0.61	0.30	0.18	0.14	0.28
Sovereign	38.81	1.97	0.63	0.27	0.03	0.06	-
Bank	-	2.73	0.65	1.71	0.15	0.13	-
Exposure weighted average LGD (%)							
Corporate	-	25.2%	33.4%	27.9%	30.7%	33.7%	42.6%
Sovereign	3.4%	31.0%	24.1%	46.9%	45.0%	45.0%	45.0%
Bank	-	34.1%	33.5%	11.7%	59.6%	37.7%	-
Exposure weighted average risk weight (%)							
Corporate	-	13.2%	38.5%	52.1%	76.1%	128.3%	227.0%
Sovereign	0.8%	13.1%	32.5%	91.7%	106.5%	154.0%	596.3%
Bank	-	15.2%	42.8%	18.2%	175.7%	136.1%	-

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 and securitisation.

	As at 31 Mar 18					
	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	83,842	152,925	109,508	17,713	11,235	2,695
Qualifying revolving retail	2,550	3,690	2,753	1,715	841	68
Retail SME	1,646	5,395	6,435	2,825	1,033	355
Other retail	898	655	1,211	1,077	569	69
Total exposure (EaD)	**88,936**	**162,665**	**119,907**	**23,330**	**13,678**	**3,187**
Undrawn commitments						
Residential mortgage	29,969	13,624	4,873	550	82	24
Qualifying revolving retail	2,238	2,415	818	197	63	3
Retail SME	918	1,510	922	330	89	46
Other retail	601	278	226	79	22	-
Total undrawn commitments (1)	**33,726**	**17,827**	**6,839**	**1,156**	**256**	**73**

IRB approach						
Average EaD ($m) (2)						
Residential mortgage	0.07	0.27	0.23	0.28	0.33	0.22
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	0.00	small	0.01	0.01	small	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.0%	19.9%	20.0%	20.1%
Qualifying revolving retail	73.4%	74.5%	76.6%	77.7%	77.4%	76.4%
Retail SME	24.3%	25.2%	28.2%	29.5%	30.8%	36.1%
Other retail	83.8%	80.8%	76.0%	73.7%	70.9%	70.1%
Exposure weighted average risk weight (%)						
Residential mortgage	5.8%	17.0%	34.9%	77.0%	122.4%	220.6%
Qualifying revolving retail	3.4%	10.2%	33.5%	73.0%	166.4%	128.1%
Retail SME	6.0%	14.5%	33.6%	55.1%	93.7%	283.9%
Other retail	13.8%	43.5%	85.5%	108.9%	137.9%	167.3%

(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 17					
	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	84,875	150,166	107,612	17,617	10,848	2,502
Qualifying revolving retail	2,571	3,678	2,747	1,698	819	61
Retail SME	1,353	4,874	6,214	2,628	962	311
Other retail	882	655	1,226	1,066	566	70
Total exposure (EaD)	**89,681**	**159,373**	**117,799**	**23,009**	**13,195**	**2,944**
Undrawn commitments						
Residential mortgage	29,519	13,957	5,098	592	108	24
Qualifying revolving retail	2,256	2,432	834	181	62	3
Retail SME	776	1,356	901	309	93	40
Other retail	601	286	225	79	23	-
Total undrawn commitments	**33,152**	**18,031**	**7,058**	**1,161**	**286**	**67**

IRB approach						
Average EaD ($m)						
Residential mortgage	0.07	0.27	0.22	0.28	0.33	0.21
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	small	small	0.01	0.01	small	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.1%	20.0%	20.0%	20.2%
Qualifying revolving retail	73.4%	74.5%	76.6%	77.8%	77.4%	76.7%
Retail SME	23.4%	24.8%	27.6%	28.6%	30.1%	35.9%
Other retail	83.9%	80.2%	75.4%	73.1%	71.3%	70.4%
Exposure weighted average risk weight (%)						
Residential mortgage	5.8%	16.9%	35.3%	77.1%	122.7%	217.7%
Qualifying revolving retail	3.4%	10.2%	33.6%	72.8%	166.6%	128.0%
Retail SME	5.7%	14.4%	32.8%	53.2%	90.5%	277.5%
Other retail	13.8%	43.2%	85.1%	107.8%	138.2%	151.5%

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 EFC. Exposures exclude non-lending assets and securitisation.

	As at 31 Mar 18	
	Total exposure	of which is covered by eligible financial collateral[1]
Exposure type	**$m**	**$m**
Specialised lending	**68,887**	**606**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	2,260	2
Corporate	59,354	47,368
Other	1,145	29
Total standardised approach	**62,759**	**47,399**

[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 17	
	Total exposure	of which is covered by eligible financial collateral
Exposure type	**$m**	**$m**
Specialised lending	**68,572**	**748**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	4,306	44
Corporate	69,329	57,292
Other	1,170	53
Total standardised approach	**74,805**	**57,389**

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 and securitisation.

	As at 31 Mar 18		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
Exposure type	**$m**	**$m**	**$m**
IRB approach			
Corporate (including SME)	295,398	24,141	-
Sovereign	82,013	1	-
Bank	60,978	101	-
Residential mortgage	377,918	-	-
Qualifying revolving retail	11,617	-	-
Retail SME	17,689	-	-
Other retail	4,479	-	-
Total IRB approach	**850,092**	**24,243**	**-**
Specialised lending	**68,887**	**-**	**-**
Standardised approach			
Australian and foreign governments	-	-	-
Bank	-	-	-
Residential mortgage	2,260	-	-
Corporate	59,354	-	-
Other	1,145	-	-
Total standardised approach	**62,759**	**-**	**-**

	As at 30 Sep 17		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
Exposure type	**$m**	**$m**	**$m**
IRB approach			
Corporate (including SME)	286,277	24,043	-
Sovereign	79,537	-	-
Bank	59,078	448	-
Residential mortgage	373,620	-	-
Qualifying revolving retail	11,574	-	-
Retail SME	16,342	-	-
Other retail	4,465	-	-
Total IRB approach	**830,893**	**24,491**	**-**
Specialised lending	**68,572**	**-**	**-**
Standardised approach			
Australian and foreign governments	-	-	-
Bank	-	-	-
Residential mortgage	4,306	-	-
Corporate	69,329	-	-
Other	1,170	-	-
Total standardised approach	**74,805**	**-**	**-**

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 and collateral held. Net derivatives credit exposure represents net exposure at default, or exposure amount, under the current exposure method.

	As at	
	31 Mar 18	30 Sep 17
	$m	$m
Gross positive fair value of derivative contracts	55,197	53,744
Netting benefits	(39,028)	(39,237)
Netted current credit exposure (NCCE)	**16,169**	**14,507**
Potential Future Credit Exposure	19,005	18,320
Collateral held		
Cash	(7,026)	(6,595)
Government Securities	-	-
Other	(376)	(90)
Total net derivatives credit exposure	**27,772**	**26,142**

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

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

	As at 31 Mar 18		As at 30 Sep 17	
	Notional principal	Exposure at default	Notional principal	Exposure at default
Exposure type	$m	$m	$m	$m
Interest rate contracts	532,664	7,122	581,739	6,850
Foreign exchange and gold contracts	1,326,035	16,560	1,403,874	15,421
Equity contracts	1,278	170	1,197	158
Precious metal contracts (other than gold)	-	-	-	-
Other commodity contracts (other than precious metals)	3,234	288	4,010	262
Other market related contracts	7,940	154	11,213	295
Central counterparty	5,681,484	3,478	4,404,660	3,156
Total	**7,552,635**	**27,772**	**6,406,693**	**26,142**

Table 5.5B: Credit Derivative Transactions

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 18			As at 30 Sep 17		
	Protection bought Notional	Protection sold Notional	Total Notional	Protection bought Notional	Protection sold Notional	Total Notional
	$m	$m	$m	$m	$m	$m
Credit derivatives products used for own credit portfolio						
Credit default swaps	96	-	96	96	-	96
Credit derivatives products used for intermediation						
Credit default swaps	6,372	4,178	10,550	6,409	4,352	10,761
Total return swaps	140	-	140	140	-	140
Total credit derivative notional value	**6,608**	**4,178**	**10,786**	**6,645**	**4,352**	**10,997**

Section 6

Securitisation

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

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

The two tables below show the amount of securitisation exposures by facility and provide 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 18				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
Underlying asset	**$m**	**$m**	**$m**	**$m**	**$m**
Residential mortgage	16,434	71	-	413	215
Credit cards and other personal loans	1,387	-	-	-	-
Auto and equipment finance	2,133	-	-	72	-
CDOs/CLOs [1]	-	-	-	-	-
Commercial loans	2	-	-	-	-
Commercial mortgages	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Other	132	-	-	-	-
Total underlying asset	**20,088**	**71**	**-**	**485**	**215**

[1] *As at 31 March 2018, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

	As at 30 Sep 17				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
Underlying asset	**$m**	**$m**	**$m**	**$m**	**$m**
Residential mortgage	16,608	-	-	619	165
Credit cards and other personal loans	1,388	-	-	31	-
Auto and equipment finance	2,537	-	-	121	-
CDOs/CLOs [1]	-	-	-	-	-
Commercial loans	-	-	-	-	-
Commercial mortgages	2	-	-	-	-
Corporate bonds	-	-	-	-	437
Other	578	-	-	-	-
Total underlying asset	**21,113**	**-**	**-**	**771**	**602**

[1] *As at 30 September 2017, 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 18			As at 30 Sep 17		
	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	58	1,745	1,803	20	1,737	1,757
Warehouse facilities	6,382	2,907	9,289	7,738	2,467	10,205
Credit enhancements	141	230	371	-	-	-
Derivative transactions	34	-	34	172	-	172
Securities	9,362	-	9,362	10,379	-	10,379
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	**15,977**	**4,882**	**20,859**	**18,309**	**4,204**	**22,513**

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 18	6 months ended 30 Sep 17
Securitisation exposure type	**$m**	**$m**
Liquidity facilities	705	191
Warehouse facilities	495	444
Credit enhancements	193	-
Derivative transactions	34	67
Securities	907	2,334
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	**2,334**	**3,036**

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 ratings-based approach (RBA), supervisory formula approach (SFA) and Other.

The revised standard for Securitisation (APS 120) became effective on 1 January 2018 resulting in discontinued use of the internal assessment approach (IAA) and the introduction of the SFA. This has required exposures previously classified as IAA to be reclassified as SFA.

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 18		As at 30 Sep 17	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤ 10%	-	-	4,768	338
> 10% ≤ 25%	11,133	2,220	27	3
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	9	4	-	-
> 50% ≤ 75%	61	40	-	-
> 75% ≤ 100%	23	20	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	18	-	-	-
RBA sub-total	**11,244**	**2,284**	**4,795**	**341**
IAA				
≤ 10%	-	-	8,900	633
> 10% ≤ 25%	-	-	5,892	748
> 25% ≤ 35%	-	-	49	17
> 35% ≤ 50%	-	-	36	18
> 50% ≤ 75%	-	-	114	85
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	1
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	32	-
IAA sub-total	**-**	**-**	**15,023**	**1,502**
SFA				
≤ 10%	-	-	-	-
> 10% ≤ 25%	8,401	1,285	-	-
> 25% ≤ 35%	271	71	-	-
> 35% ≤ 50%	583	239	-	-
> 50% ≤ 75%	226	129	-	-
> 75% ≤ 100%	72	72	-	-
> 100% ≤ 650%	46	122	-	-
> 650% ≤ 850%	8	59	-	-
>850% < 1250%	5	52	-	-
Deductions	3	-	-	-
SFA sub-total	**9,615**	**2,029**	**-**	**-**
Other				
≤ 10%	-	-	153	10
> 10% ≤ 25%	-	-	691	123
> 25% ≤ 35%	-	-	612	210
> 35% ≤ 50%	-	-	6	2
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	1,190	1,190
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	2
Deductions	-	-	-	-
Other sub-total	**-**	**-**	**2,652**	**1,537**
Total	**20,859**	**4,313**	**22,470**	**3,380**

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 18		As at 30 Sep 17	
Risk weight bands	Exposure $m	RWA $m	Exposure $m	RWA $m
RBA				
≤ 10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**-**	**-**	**-**	**-**
IAA				
≤ 10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	16	-
IAA sub-total	**-**	**-**	**16**	**-**
SFA				
≤ 10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	-	-
SFA sub-total	**-**	**-**	**-**	**-**
Other				
≤ 10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	-	-
Other sub-total	**-**	**-**	**-**	**-**
Total	**-**	**-**	**16**	**-**

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 18		As at 30 Sep 17	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤ 10%	-	-	4,768	338
> 10% ≤ 25%	11,133	2,220	27	3
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	9	4	-	-
> 50% ≤ 75%	61	40	-	-
> 75% ≤ 100%	23	20	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	18	-	-	-
RBA sub-total	**11,244**	**2,284**	**4,795**	**341**
IAA				
≤ 10%	-	-	8,900	633
> 10% ≤ 25%	-	-	5,892	748
> 25% ≤ 35%	-	-	49	17
> 35% ≤ 50%	-	-	36	18
> 50% ≤ 75%	-	-	114	85
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	1
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	-
Deductions	-	-	48	-
IAA sub-total	**-**	**-**	**15,039**	**1,502**
SFA				
≤ 10%	-	-	-	-
> 10% ≤ 25%	8,401	1,285	-	-
> 25% ≤ 35%	271	71	-	-
> 35% ≤ 50%	583	239	-	-
> 50% ≤ 75%	226	129	-	-
> 75% ≤ 100%	72	72	-	-
> 100% ≤ 650%	46	122	-	-
> 650% ≤ 850%	8	59	-	-
>850% < 1250%	5	52	-	-
Deductions	3	-	-	-
SFA sub-total	**9,615**	**2,029**	**-**	**-**
Other				
≤ 10%	-	-	153	10
> 10% ≤ 25%	-	-	691	123
> 25% ≤ 35%	-	-	612	210
> 35% ≤ 50%	-	-	6	2
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	1,190	1,190
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
>850% < 1250%	-	-	-	2
Deductions	-	-	-	-
Other sub-total	**-**	**-**	**2,652**	**1,537**
Total	**20,859**	**4,313**	**22,486**	**3,380**

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 18					
	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 [(1)]	-	-	-	-	21	21
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**21**	**21**

(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 17					
	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	-	-	-	-	48	48
Total securitisation exposures deducted from capital	-	-	-	-	48	**48**

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 18				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised[(1)]	Total past due assets from exposures securitised[(1)]	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
Underlying asset	**$m**	**$m**	**$m**	**$m**	**$m**
Residential mortgage[(2)]	80,185	-	454	377	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**80,185**	**-**	**454**	**377**	**-**

(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. The amount of these securitised assets is $65,787 million (September 2017: $64,433 million).

	As at 30 Sep 17				
	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			
Underlying asset	**$m**	**$m**	**$m**	**$m**	**$m**
Residential mortgage	76,619	-	376	106	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**76,619**	**-**	**376**	**106**	**-**

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.

	As at 31 Mar 18			As at 30 Sep 17		
	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m
Underlying asset [1]						
Residential mortgage	8,575	-	-	2,484	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**8,575**		**-**	**2,484**	**-**	**-**

[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 2018 and 30 September 2017, 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 Strategy. 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 external securitisation deals entered into between 31 March 2018 and the disclosure date of this report.

Underlying asset	As at 31 Mar 18 $m	As at 30 Sep 17 $m
Residential mortgage	-	-
Credit cards	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total underlying asset	**-**	**-**

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 2018, the Level 2 Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

Section 7

Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at	
	31 Mar 18	30 Sep 17
	$m	$m
Risk-weighted assets		
Interest rate risk	631	588
Equity position risk	8	7
Foreign exchange risk	-	-
Commodity risk	-	-
Total risk-weighted assets - standard method	**639**	**595**

Table 7.1B: Total Risk-Weighted Assets

	As at	
	31 Mar 18	30 Sep 17
	$m	$m
Market risk		
Standard method	639	595
Internal model approach	8,017	7,171
Total market risk RWA	**8,656**	**7,766**

Table 7.1C: Internal Model Approach VaR

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

	6 months ended 31 Mar 18			As at 31 Mar 18
	Mean value	Minimum value	Maximum value	
	$m	$m	$m	$m
VaR at a 99% confidence level [(1)]				
Foreign exchange risk	9	5	12	8
Interest rate risk	10	8	11	10
Volatility risk	5	4	7	6
Commodities risk	-	-	1	-
Credit risk	2	1	3	1
Inflation risk	2	2	2	2
Diversification benefit	(15)	n/a	n/a	(15)
Total diversified VaR at a 99% confidence level	**13**	**11**	**15**	**12**
Other market risks [(2)]	1	-	1	1
Total VaR for physical and derivative positions [(3)]	**14**	**11**	**16**	**13**

(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.

(3) VaR is measured individually for foreign exchange risk, interest rate risk, volatility risk, commodities risk, credit risk, and inflation risk. Risk limits are applied in these categories separately, and against the total risk position.

	6 months ended 30 Sep 17			As at 30 Sep 17
	Mean value	Minimum value	Maximum value	
	$m	$m	$m	$m
VaR at a 99% confidence level				
Foreign exchange risk	8	6	12	10
Interest rate risk	9	6	13	9
Volatility risk	5	3	10	5
Commodities risk	1	-	1	1
Credit risk	3	2	4	2
Inflation risk	2	2	2	2
Diversification benefit	(14)	n/a	n/a	(15)
Total diversified VaR at a 99% confidence level	**14**	**12**	**16**	**14**
Other market risks	1	-	1	1
Total VaR for physical and derivative positions	**15**	**12**	**17**	**15**

Table 7.1D: Internal Model Approach Stressed VaR

The following table provides information on the maximum, mean and minimum Stressed VaR over the reporting period and at period end.

	6 months ended 31 Mar 18			As at 31 Mar 18
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at risk at a 99% confidence level [(1)]				
Foreign exchange risk	21	10	29	24
Interest rate risk	35	29	42	38
Volatility risk	9	7	12	11
Commodities risk	1	-	1	-
Credit risk	13	11	16	12
Inflation risk	4	4	5	5
Diversification benefit	(39)	n/a	n/a	(46)
Total diversified Stressed VaR at a 99% confidence level	**44**	**32**	**55**	**44**
Other market risks [(2)]	3	2	5	3
Total Stressed VaR for physical and derivative positions [(3)]	**47**	**34**	**60**	**47**

(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 Stressed VaR which is the maximum / minimum aggregate Stressed VaR position during the period.*

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

(3) *VaR is measured individually for foreign exchange risk, interest rate risk, volatility risk, commodities risk, credit risk, and inflation risk. Risk limits are applied in these categories separately, and against the total risk position.*

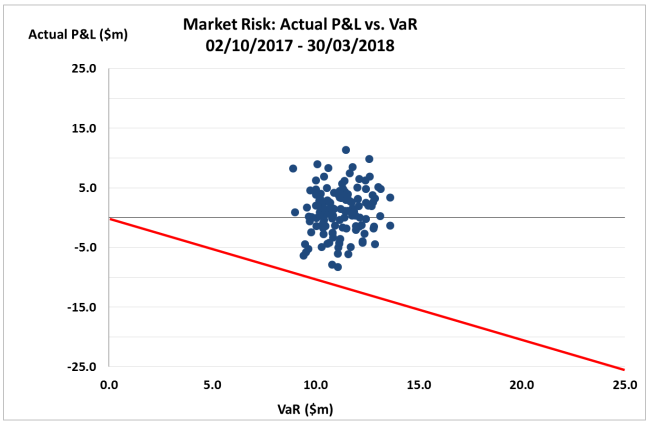
	6 months ended 30 Sep 17			As at 30 Sep 17
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at a 99% confidence level				
Foreign exchange risk	16	8	24	24
Interest rate risk	26	18	37	33
Volatility risk	8	5	19	9
Commodities risk	1	-	1	1
Credit risk	15	11	18	13
Inflation risk	5	4	5	4
Diversification benefit	(34)	n/a	n/a	(35)
Total diversified Stressed VaR at a 99% confidence level	**37**	**28**	**49**	**49**
Other market risks	3	2	5	4
Total Stressed VaR for physical and derivative positions	**40**	**30**	**54**	**53**

Table 7.1E: Back-testing Results

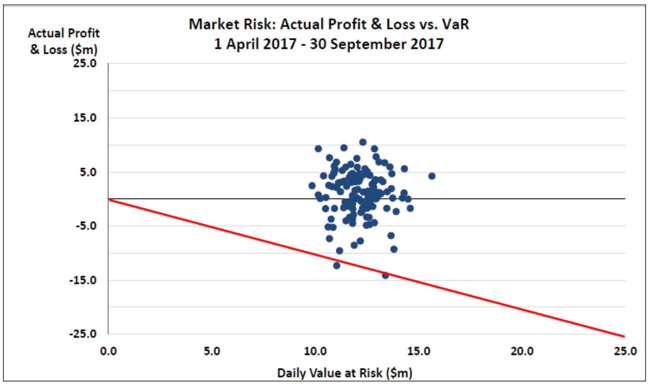
Comparison of VaR estimates to actual gains/losses	6 months ended 31 Mar 18	6 months ended 30 Sep 17
Number of "outliers" incurred for the trading portfolio	-	2

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

6 months ended 31 Mar 18



6 months ended 30 Sep 17



Back-testing, carried out by comparing the Level 2 Group's daily VaR estimate against actual P&L, identified no exception during the six month period to 31 March 2018 and two exceptions during the previous six month period to 30 September 2017. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

Section 8

Operational Risk

Table 8A: Total Risk-Weighted Assets

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.

	As at	
	31 Mar 18	30 Sep 17
	$m	$m
Operational risk		
Advanced measurement approach	39,027	37,575
Total operational risk RWA	**39,027**	**37,575**

Section 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 (IRRBB)

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

	As at 31 Mar 18		As at 30 Sep 17	
	200 bp parallel increase $m	200 bp parallel decrease $m	200 bp parallel increase $m	200 bp parallel decrease $m
Change in economic value [(1)]				
AUD	(322)	459	(82)	183
CAD	-	-	-	-
CHF	1	(1)	-	-
EUR	(3)	3	(4)	4
GBP	(8)	8	(14)	14
HKD	2	(2)	2	(2)
JPY	4	(4)	5	(5)
NZD	(169)	173	(144)	143
USD	44	(43)	(10)	10
Other	-	-	2	(2)
Total change in economic value	**(451)**	**593**	**(245)**	**345**

(1) *The Level 2 Group's major currencies are modelled on an individual basis. The remaining immaterial currencies 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 18 $m	As at 30 Sep 17 $m
IRRBB risk-weighted assets	9,850	10,804

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 18		As at 30 Sep 17	
	Carrying value[(1)]	Fair value[(2)]	Carrying value[(1)]	Fair value[(2)]
	$m	$m	$m	$m
Total listed equities (publicly traded)	-	-	33	33
Total unlisted equities	1,016	1,012	949	954

(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 2018. Unrealised (expected) gains/losses which were previously included in Tier 1 and Tier 2 capital represent gains/losses recognised in the balance sheet.

	6 months ended	
	31 Mar 18	30 Sep 17
	$m	$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	2	-
Total unrealised gains (losses)	112	84
Total unrealised gains (losses) included in Common Equity Tier 1, Tier 1 and Tier 2 capital	112	84

Section 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.
- Reinforce the risk-based requirements with a simple, transparent, non-risk based supplementary measure.

APRA has proposed a minimum leverage ratio requirement of 4% for IRB ADIs and revised leverage ratio exposure measurement methodology from 1 July 2019, subject to industry consultation. As at 31 March 2018, the Leverage Ratio for the Level 2 Group was 5.56%.

10.1 Leverage Ratio Disclosure Template

		As at 31 Mar 18 $m	As at 30 Sep 17 $m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	708,963	706,615
2	(Asset amounts deducted in determining Tier 1 capital)	(9,835)	(9,882)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**699,128**	**696,733**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8,852	7,907
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	18,677	17,975
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)	(1,562)	(2,109)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	6,836	4,352
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(6,452)	(3,880)
11	**Total derivative exposures (sum of rows 4 to 10)**	**26,351**	**24,245**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	72,036	72,281
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(21,426)	(23,972)
14	CCR exposure for SFT assets	2,528	1,507
15	Agent transaction exposures	-	-
16	**Total Securities financing transaction exposures (sum of rows 12 to 15)**	**53,138**	**49,816**
Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	160,222	157,315
18	(Adjustments for conversion to credit equivalent amounts)	(74,214)	(71,868)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**86,008**	**85,447**
Capital and total exposures			
20	**Tier 1 Capital**	**48,048**	**47,417**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**864,625**	**856,241**
Leverage ratio			
22	**Leverage ratio**	**5.56%**	**5.54%**

10.2 Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

		As at 31 Mar 18 $m	As at 30 Sep 17 $m
Items			
1	Total consolidated assets as per published financial statements	796,068	788,325
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2,347)	(371)
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	(7,797)	(8,785)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	2,528	1,507
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	86,008	85,447
7	Other adjustments	(9,835)	(9,882)
8	**Leverage ratio exposure**	**864,625**	**856,241**

Over the half year to 31 March 2018, the NAB Level 2 Group's Leverage Ratio increased by 2 basis points to 5.56%.

Tier 1 Capital increased by $0.6 billion (7 basis points) to $48.0 billion. The increase in Tier 1 Capital mainly comprises earnings for the half year to 31 March 2018 less the payment of the 2017 final dividend (net of the Dividend Reinvestment Plan) and the further amortisation of transitional AT1 capital instruments.

Over the same period, total exposures increased by $8.4 billion (-5 basis points) to $864.6 billion, which mainly comprised of a $2.4 billion (-2 basis points) increase in on-balance sheet items (excluding derivatives and securities financing transactions (SFTs)), a $2.1 billion (-1 basis point) increase in derivatives and a $3.3 billion (-2 basis points) increase in SFT exposures.

Section 11

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is a metric that measures the adequacy of High Quality Liquid Assets (HQLA) available to meet net cash outflows over a 30 day period during a severe liquidity stress scenario. The APRA minimum coverage level is 100% for both the Level 2 NAB Group and NAB Ltd from 1 January 2015 and also for the Australian dollar LCR from 1 January 2018.

The NAB Group LCR for the quarters ended 31 March 2018, 31 December 2017 and 30 September 2017 is presented in Table 11.1 LCR Disclosure Template, which reflects the Basel standard disclosure template and is based on a simple average of daily LCR outcomes excluding weekends.

Liquidity Coverage Ratio Commentary

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 quarter were $145.8 billion of which HQLA was $85.5 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 (RBA). HQLA held in Bank of New Zealand which is excess to meeting an LCR of 125% is excluded reflecting liquidity portability considerations. The amount excluded was on average $1.1 billion during the quarter to 31 March 2018.

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 RBA repo eligible securities including bank bills and third party RMBS. The drawn portion of the CLF relates to accounts held with the RBA for the settlement of payment obligations. The NAB Group has an available CLF of $59.3 billion during the period 1 January 2018 to 31 December 2018.

LCR net cash outflows (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 institutions and corporate depositors. Lower run off factors are applied to deposits less likely to be withdrawn in a period of severe stress. These include retail and small and medium enterprise deposits. Deposits from corporate and financial institutions which are considered to be operational in nature also attract a lower run off, for example deposits from the NAB Group's custody business. NAB Group conducts an annual review of its interpretation of the LCR definitions.

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.

Mar 2018 vs Sep 2017

Quarterly average LCR increased from 123% to 127% driven primarily by a $9bn increase in the CLF facility for 2018 approved to support a larger liquidity buffer. NCO increased reflecting timing of wholesale funding maturities and an increase in wholesale deposits.

Mar 2018 vs Dec 2017

Quarterly LCR up 1% to 127% as the increase in CLF was partially offset by holdings of HQLA in December 2017 quarter reducing and a small increase in NCO.

11.1 Liquidity Coverage Ratio Template

		31 Mar 18 62 data points		31 Dec 17 63 data points		30 Sep 17 65 data points	
		Total unweighted value (average) $m[1]	**Total weighted value (average) $m**	**Total unweighted value (average) $m[1]**	**Total weighted value (average) $m**	**Total unweighted value (average) $m[1]**	**Total weighted value (average) $m**
Liquid assets, of which:			**145,805**		**141,511**		**136,202**
1	High-quality liquid assets (HQLA) [2]	n/a	85,546	n/a	90,119	n/a	84,926
2	Alternative liquid assets (ALA)	n/a	55,356	n/a	46,530	n/a	46,434
3	Reserve Bank of New Zealand (RBNZ) securities [2]	n/a	4,903	n/a	4,862	n/a	4,842
Cash outflows							
4	Retail deposits and deposits from small business customers, of which:	185,812	21,788	184,855	21,518	182,981	21,553
5	*stable deposits*	52,469	2,623	52,504	2,625	51,533	2,577
6	*less stable deposits*	133,343	19,165	132,351	18,893	131,448	18,976
7	Unsecured wholesale funding, of which:	136,205	72,511	136,643	72,329	134,422	67,922
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	52,493	14,479	53,714	14,969	56,281	14,792
9	*non-operational deposits (all counterparties)*	69,006	43,326	71,928	46,359	65,795	40,784
10	*unsecured debt*	14,706	14,706	11,001	11,001	12,346	12,346
11	Secured wholesale funding	n/a	1,660	n/a	1,247	n/a	1,689
12	Additional requirements, of which	165,256	31,273	164,205	30,363	162,856	29,811
13	*outflows related to derivatives exposures and other collateral requirements*	16,640	16,640	15,984	15,984	15,326	15,326
14	*outflows related to loss of funding on debt products*	-	-	-	-	-	-
15	*credit and liquidity facilities*	148,616	14,633	148,221	14,379	147,530	14,485
16	Other contractual funding obligations [3]	123	82	86	73	274	314
17	Other contingent funding obligations	77,874	5,502	78,078	5,492	80,131	5,713
18	**Total cash outflows**	**n/a**	**132,816**	**n/a**	**131,022**	**n/a**	**127,002**
Cash inflows							
19	Secured lending (e.g. reverse repos)	54,354	2,752	52,351	2,146	53,107	2,397
20	Inflows from fully performing exposures [3]	26,193	14,680	25,065	14,777	21,918	12,994
21	Other cash inflows	829	829	1,473	1,473	1,239	1,239
22	**Total cash inflows**	**81,376**	**18,261**	**78,889**	**18,396**	**76,264**	**16,630**
			Total adjusted value		**Total adjusted value**		**Total adjusted value**
23	**Total liquid assets**		**145,805**		**141,511**		**136,202**
24	**Total net cash outflows**		**114,555**		**112,626**		**110,372**
25	**Liquidity Coverage Ratio (%)**		**127%**		**126%**		**123%**

(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) *Gross Intragroup transactions are reported net in line 21 "Other cash inflows".*

Section 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 capital conservation buffer and any countercyclical buffer requirements referred to in rows 64 to 67 have applied from 1 January 2016. Furthermore, the additional CET1 capital buffer of 1% became effective from 1 January 2016 as an extension to the capital conservation buffer as the NAB Group is categorised as a Domestic Systemically Important Bank.

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 18 $m
Common Equity Tier 1 Capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	33,020
2	Retained earnings	15,855
3	Accumulated other comprehensive income (and other reserves)	324
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**	**49,199**
Common Equity Tier 1 Capital: regulatory adjustments		
7	Prudential valuation adjustments	1
8	Goodwill (net of related tax liability)	2,865
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,725
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	(6)
12	Shortfall of provisions to expected losses	183
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	(183)
15	Defined benefit superannuation fund net assets	30
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage service rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the ordinary shares of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
APRA specific regulatory adjustments		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	**4,029**
26a	of which: treasury shares	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred fee income	-
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	1,448
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	1,875
26f	of which: capitalised expenses	596
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	27
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	83
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**	**9,644**
29	**Common Equity Tier 1 Capital (CET1)**	**39,555**

		As at 31 Mar 18 $m
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	6,073
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	6,073
33	Directly issued capital instruments subject to phase out from Additional Tier 1	2,422
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**	**8,495**
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)	-
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)	2
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	2
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**	**2**
44	**Additional Tier 1 Capital (AT1)**	**8,493**
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**48,048**
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	5,198
47	Directly issued capital instruments subject to phase out from Tier 2	2,249
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	59
51	**Tier 2 Capital before regulatory adjustments**	**7,959**
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)	-
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)	33
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	33
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 Capital**	**108**
58	**Tier 2 Capital (T2)**	**7,851**
59	**Total Capital (TC = T1 + T2)**	**55,899**
60	**Total risk-weighted assets based on APRA standards**	**387,415**

		As at 31 Mar 18 $m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.21%
62	Tier 1 (as a percentage of risk-weighted assets)	12.40%
63	Total capital (as a percentage of risk-weighted assets)	14.43%
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)	7.01%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	0.01%
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)	5.71%
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	989
73	Significant investments in the ordinary shares of financial entities	459
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,875
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)	59
77	Cap on inclusion of provisions in Tier 2 under standardised approach	219
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,874
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	2,422
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	498
84	Current cap on T2 instruments subject to phase out arrangements	2,249
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

(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 18 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 18 $m	Template Reference / Reconciliation Table
Assets				
Cash and liquid assets	44,232	(426)	43,806	
Due from other banks	40,309	-	40,309	
Trading derivatives	29,013	-	29,013	
Trading securities	48,674	-	48,674	
Debt instruments at fair value through other comprehensive income	40,969	-	40,969	
Other financial assets at fair value	13,173	(237)	12,936	
Hedging derivatives	5,135	-	5,135	
Loans and advances	550,262	(1,929)	548,333	
Due from customers on acceptances	5,288	-	5,288	
Current tax assets	-	-	-	
Property, plant and equipment	1,245	(1)	1,244	
Goodwill and other intangible assets	5,607	(30)	5,577	Table A
Deferred tax assets	2,070	(19)	2,051	
Other assets	10,091	(208)	9,883	
Investment in non-consolidated entities	-	472	472	Table A
Due from controlled entities	-	31	31	
Total assets	**796,068**	**(2,347)**	**793,721**	
Liabilities				
Due to other banks	35,914	-	35,914	
Trading derivatives	26,503	-	26,503	
Other financial liabilities at fair value	29,986	-	29,986	
of which:				
Change in own credit worthiness	183	-	183	Row 14
Hedging derivatives	553	-	553	
Deposits and other borrowings	502,690	11	502,701	
Current tax liabilities	44	(10)	34	
Provisions	2,050	(6)	2,044	
Bonds, notes and subordinated debt	132,341	(1,926)	130,415	
Other debt issues	6,159	-	6,159	
Other liabilities	7,427	(155)	7,272	
Due to controlled entities	-	21	21	
Total liabilities	**743,667**	**(2,065)**	**741,602**	
Net assets	**52,401**	**(282)**	**52,119**	

	NAB Group Balance Sheet As at 31 Mar 18 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 18 $m	Template Reference / Reconciliation Table
Equity				
Issues and paid-up ordinary share capital	32,782	238	33,020	Row 1
Other contributed equity	2,920	-	2,920	
Contributed equity	**35,702**	**238**	**35,940**	
General reserve for credit losses				
Asset revaluation reserve	83	-	83	
Foreign currency translation reserve	(109)	(7)	(116)	
Cash flow hedge reserve	(6)	-	(6)	Row 11
Equity-based compensation reserve	191	-	191	
Debt instruments at fair value through other comprehensive income reserve	61	-	61	
Equity instruments at fair value through other comprehensive income reserve	111	-	111	
Other reserves	331	(7)	324	Row 3
Reserves	**331**	**(7)**	**324**	
Retained profits	16,357	(502)	15,855	Row 2
Total equity (parent entity interest)	**52,390**	**(271)**	**52,119**	
Non-controlling interest in controlled entities	11	(11)	-	
Total equity	**52,401**	**(282)**	**52,119**	

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

Table A	As at 31 Mar 18 $m	Template Reference
Goodwill and other intangible assets	5,577	
Investment in non-consolidated entities	472	
Total	**6,049**	
Less		
DTL for other intangible assets	-	
Goodwill (net of related tax liability)	2,865	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,725	Row 9
Net tangible assets of investment in non-consolidated entities	**459**	**Row 73**
Add		
Equity investment in financial institutions	989	Row 72
Total equity investment in financial institutions	**1,448**	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 18	
	Total Assets $m	**Total Liabilities $m**
Superannuation and Funds Management Entities		
NULIS Nominees (Australia) Limited	439	45
MLC Investments Limited	155	42

Table 12.4B: Securitisation Entities

	As at 31 Mar 18	
	Total Assets $m	**Total Liabilities $m**
National RMBS Trust 2018-1	1,929	1,929

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 Capital of between zero and 2.5% 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 18			
	Countercyclical Capital Buffer	**EAD**	**RWA**	**ADI-specific Buffer**
	%	**$m**	**$m**	**%**
Country				
Hong Kong	1.88	2,714	1,092	0.007
Norway	2.0	86	39	0.000
Sweden	2.0	101	64	0.000
Other [1]	-	856,525	308,600	0.000
Total	**n/a**	**859,426**	**309,795**	**0.007**

(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.*

	As at 30 Sep 17			
	Countercyclical Capital Buffer	**EAD**	**RWA**	**ADI-specific Buffer**
	%	**$m**	**$m**	**%**
Country				
Hong Kong	1.25	3,080	1,185	0.005
Norway	1.5	86	45	0.000
Sweden	2.0	119	71	0.001
Other	-	854,614	305,713	0.000
Total	**n/a**	**857,899**	**307,014**	**0.006**

Section 13

Glossary

Term	Description
90 + days past due facilities	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.
Asset-Backed Commercial Paper (ABCP)	ABCP being a form of commercial paper that is collateralised by other financial assets. It is a short-term debt instrument created by an issuing party (typically a bank or other financial institution).
Additional regulatory specific provisions	That portion of collective provisions covering facilities where any assessment of probability of default or loss would give rise to a reasonable expectation that the facilities in question will need in the short term to be subject to a write-down or write-off, or assessment for impairment on an individual facility basis.
ADI	Authorised Deposit-taking Institution.
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 Internal Ratings Based (IRB) approach	The Advanced 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 probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	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.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
ADI Prudential Standards (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.
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	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 provide a committed liquidity facility (CLF) to commercial banks to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1 (CET1) Capital	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)	CVA is 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.
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.
Exposure at Default (EaD)	EaD is an estimate of the credit exposure amount NAB Group may be exposed consequent to default of an obligor. 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.

Term	Description
Extended Licensed Entity	The Extended Licensed Entity 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 (EFC)	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach is limited to the collateral items detailed in Attachment H of APS 112. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Foundation Internal Ratings Based (IRB) approach	Foundation IRB 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 GRCL is calculated as a collective provision for credit impairment, 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.
GRCL calculation methodology	The GRCL is calculated as a collective provision for credit impairment, 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.
GRRMC	Group Risk Return Management Committee.
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.
Internal Model Approach (IMA)	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.
Level 2 Group	The Level 2 Group, being NAB and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application* of this report.
Level 3 conglomerate Group	Contains APRA-regulated entities with material operations across more than one APRA-regulated industry and/or unregulated entities.
Leverage Ratio	The Leverage Ratio is a simple, transparent; non-risk based supplementary measure that use exposures to supplement the risk-weighted assets based capital requirements and is prepared in accordance with APRA's *Prudential Standard APS110: Capital Adequacy.*
Loss Given Default (LGD)	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 (LVR)	LVR is the ratio between the loan and value of the security provided.
Masterscale	Masterscale is a consistent series of grades applied to credit exposures that allows the NAB Group to place every credit exposure into a specific grade or range that represents the likelihood of a credit default. This allows comparison of customers and portfolios.
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB Group	NAB and its controlled entities.

Term	Description
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.
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.
Probability of Default (PD)	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 (PiT)	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	Reserve Bank of Australia.
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 includes 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.
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.
Return on Total Allocated Equity (ROTAE)	ROTAE is a function of cash earnings, combined divisional RWA (and by capital adequacy for Wealth Management) and target regulatory capital ratios.
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)	RWA is 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 and 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 for credit impairment	Specific provisions for credit impairment for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stress testing	Stress testing refers to a technique whereby the NAB Group's capital position is assessed against a number of different scenarios used to determine the movement on expected losses and subsequent impact on capital.
Through the cycle (TtC)	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.
Total Capital	Total capital is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA.
Total Capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
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.
Value at Risk (VaR)	VaR is a mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.
Warehouse facilities	Warehouse facilities are lending facilities provided by the NAB Group to an SPV for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.

Section 14

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