2014
Pillar 3 Report

Incorporating the requirements of APS 330
Half Year Update
as at 31 March 2014

National Australia Bank

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Contents

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1. Introduction

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

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

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

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

Capital Ratio Summary

The NAB Group's Common Equity Tier 1 (CET1) Capital ratio of 8.64% at 31 March 2014 is consistent with the NAB Group's objective of maintaining a strong capital position.

	As at	
	31 Mar 14	**30 Sep 13**
Capital ratios (Level 2)	**%**	**%**
Common Equity Tier 1	8.64	8.43
Tier 1	10.83	10.35
Total	12.17	11.80

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

1.1 The NAB Group's Capital Adequacy Methodologies

The NAB Group operates in Australia, Asia, New Zealand, the United Kingdom and North America. The following table sets out the approach of different NAB Group entities to the Basel Accord, which is applied across the NAB Group as at 31 March 2014.

The NAB Group's Basel Methodologies

Methodology Approach	Credit Risk	Operational Risk	Non-Traded Market Risk	Traded Market Risk
National Australia Bank Limited	Advanced IRB	AMA	IRRBB	Standardised and IMA
Bank of New Zealand	Advanced IRB	AMA	IRRBB	Standardised and IMA
Clydesdale Bank PLC	Standardised	Standardised	IRRBB	n/a
Great Western Bank	Standardised	Standardised	IRRBB	n/a

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

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

Clydesdale Bank PLC (Clydesdale), NAB's main operating subsidiary in the United Kingdom, is regulated by the Prudential Regulation Authority (PRA). Clydesdale has been accredited to apply the standardised approach to operational and credit risk management in accordance with the regulatory requirements. Credit risk exposures and operational risk RWA consolidated in this report are calculated under APRA requirements.

Great Western Bank (GWB) is regulated in the United States of America by the South Dakota Division of Banking, the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve System. GWB credit risk and operational risk RWA are subject to APRA Basel standardised methodology.

1.2 APS 330 Disclosure Governance

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

The NAB Group's Chief Executive Officer attests to the reliability of the Group's *APS 330* disclosures within the annual declaration provided to APRA under *Prudential Standard APS 310: Audit and Related Matters*.

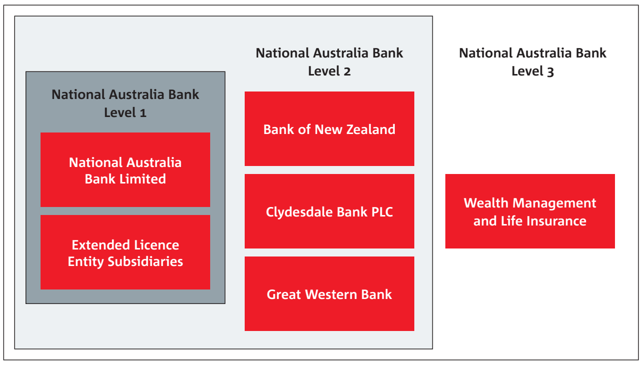
2. Scope of Application

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

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

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

NAB Group Consolidation for Regulatory Purposes



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

Wealth management and life insurance activities are excluded from the calculation of RWA and the related controlled entities are deconsolidated from the Level 2 Group for the purposes of calculating capital adequacy. Capital adequacy deductions are applied to the investments in, and profits of, these activities.

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

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

For financial reporting, the NAB Group applies the International Financial Reporting Standards (IFRS) and consolidates all entities in which it has the power to govern the financial and operating policies so as to obtain benefit from their activities. This includes life insurance, funds management and securitisation SPVs used to house securitised assets. As noted above, these entities receive a different treatment for Level 2 regulatory consolidation purposes. A list of material controlled entities included in the consolidated NAB Group for financial reporting purposes can be found in the Company's 30 September 2013 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. These limits are subject to the NAB Group Non-Traded Market Risk Policy which requires that contagion risk be managed under regulatory requirements *(Prudential Standard APS 222 Associations with Related Entities)* and the Board's risk appetite for intra-group exposures.

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

Disclosure 2A: Scope of Application

There were no capital deficiencies in non-consolidated subsidiaries of the NAB Group as at 31 March 2014 or 30 September 2013.

Clydesdale Bank PLC

Clydesdale is a wholly owned subsidiary of NAB and operates as a regionally autonomous retail and business bank in the United Kingdom. It applies the provisions laid down in the UK PRA's requirements *BIPRU 2.1 Solo Consolidation Waiver*. This enables some intra-group exposures and investments of Clydesdale in its subsidiaries to be eliminated and the free reserves of such subsidiaries to be aggregated when calculating capital resource requirements of Clydesdale.

Bank of New Zealand

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

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

Great Western Bank

GWB credit risk and operational risk RWA are subject to APRA Basel standardised methodology.

3. Regulatory Environment

Regulatory Reforms

In December 2013, APRA released the final version of its *Prudential Standard APS 210: Liquidity (APS 210)* regarding the implementation of the Basel III liquidity reforms. The finalisation of this standard provides certainty in the NAB Group's continued transition towards compliance.

The NAB Group's Basel III liquidity transition strategy is focused on the quality of liquid assets and the stability of the funding that underpins the Liquidity Coverage Ratio (LCR). The qualitative aspects of *APS 210* came into force on 1 January 2014, while compliance with the LCR is set to commence from 1 January 2015.

The availability of the Reserve Bank of Australia's Committed Liquidity Facility remains central to the liquidity reforms and engagement with APRA on the practical requirements and size of this facility continues.

In December 2013, APRA also released its framework in relation to Domestic Systemically Important Banks (D-SIBs) in Australia. National Australia Bank has been identified as a D-SIB and is subject to a one per cent higher loss absorbency requirement, which must be met by CET1 Capital, effective from 1 January 2016. The NAB Group was previously seeking to operate the NAB Group CET1 Capital at a comfortable buffer above 7.5%. To reflect the new D-SIB requirement the NAB Group's CET1 target has now been revised to operate between 8.75% and 9.25% from 1 January 2016.

On 5 May 2014, the NAB Group announced that it had received notification from APRA regarding the definition of entities to be included within the composition of the Level 2 Group. The change is expected to remove, over time, the capital benefit that the NAB Group gains from the debt on the National Wealth Management Holdings Limited (NWMH) balance sheet. As at 31 March 2014, NWMH has $1.97 billion of debt outstanding (through the issuance of notes and bank facilities) which is equivalent to 53 basis points of CET1 Capital. APRA has approved a transition period which will allow for the change on capital to be progressively reduced through to December 2017. The NAB Group is well placed to mitigate the transitional impact on capital through organic capital generation.

Other Reform Proposals

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

- APRA's announcement of Level 3 Conglomerate Supervision proposals, which include a Level 3 prudential capital requirement. Final standards are still pending and in August 2013, APRA announced a 12 month industry wide transition period for the implementation of the Level 3 conglomerate proposals, with the revised implementation date of 1 January 2015.
- The Basel Committee on Banking Supervision (BCBS) endorsement of the leverage ratio framework and disclosure requirements. Public disclosure is due to commence on 1 January 2015, with migration to Pillar 1 treatment from 1 January 2018. APRA is expected to consult on the Australian leverage ratio requirements during 2014.
- The enhanced prudential requirements for foreign banking organisations under Title I of the US Dodd-Frank Act. The final rule has now been released and is due to take effect in July 2016.
- The UK Government's Financial Services (Banking Reform) Act was approved by the UK Parliament in December 2013. Amongst other requirements the Act seeks to protect deposit holders and will affect the structure and the amount of capital held by many UK banks. As Clydesdale Bank is a retail bank, the ring-fencing of retail banking (away from investment banking) is expected to be less onerous than for most large UK banks.
- The European Union's final rules to implement Basel III, known as the Capital Requirements Directive IV Package (CRD IV). The UK Prudential Regulation Authority issued a Policy Statement, known as PS7/13 which implemented CRD IV in the UK from 1 January 2014. The UK business has noted the changes in capital under CRD IV and PS7/13 and continues to work with the regulator to ensure it continues to meet capital expectations.

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 14 RWA $m	As at 30 Sep 13 RWA $m
Credit risk [1]		
IRB approach		
Corporate (including SME) [2]	106,555	105,115
Sovereign	1,690	1,452
Bank	12,998	11,785
Residential mortgage	60,301	59,527
Qualifying revolving retail	3,649	3,725
Retail SME	6,476	6,731
Other retail	3,467	3,343
Total IRB approach	**195,136**	**191,678**
Specialised lending (SL)	**52,514**	**53,193**
Standardised approach		
Australian and foreign governments	68	66
Bank	156	265
Residential mortgage	18,790	17,463
Corporate	23,971	23,973
Other	3,172	3,206
Total standardised approach	**46,157**	**44,973**
Other		
Securitisation	5,868	7,018
Credit value adjustment	10,221	10,035
Central counterparty default fund contribution guarantee	220	263
Other [3]	8,223	7,514
Total other	**24,532**	**24,830**
Total credit risk	**318,339**	**314,674**
Market risk	5,791	5,191
Operational risk	36,280	34,749
Interest rate risk in the banking book	6,814	7,464
Total risk-weighted assets	**367,224**	**362,078**

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

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

(3) *'Other' includes non-lending asset exposures and, from September 2013, an RBNZ overlay adjustment required to maintain a minimum risk profile of the NZ Agri portfolio.*

Table 4.1B: Capital Ratios

The table below provides the key capital ratios for each significant Authorised Deposit-taking Institution (ADI) or overseas bank subsidiary.

	As at	
	31 Mar 14	30 Sep 13
Capital ratios (1)	%	%
Level 2 Common Equity Tier 1 Capital ratio	8.64	8.43
Level 2 Tier 1 Capital ratio	10.83	10.35
Level 2 Total Capital ratio	12.17	11.80
Level 1 National Australia Bank Common Equity Tier 1 Capital ratio	9.60	9.46
Level 1 National Australia Bank Tier 1 Capital ratio	11.99	11.51
Level 1 National Australia Bank Total Capital ratio	13.40	13.02
Significant subsidiaries		
BNZ Common Equity Tier 1 Capital ratio	9.13	8.86
BNZ Tier 1 Capital ratio	10.58	10.67
BNZ Total Capital ratio	12.13	12.59
Clydesdale Common Equity Tier 1 Capital ratio	13.39	-
Clydesdale Tier 1 Capital ratio	13.39	12.03
Clydesdale Total Capital ratio	19.67	18.29
GWB Tier 1 Capital ratio	12.90	12.92
GWB Total Capital ratio	13.64	13.83

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

4.2 Capital Structure

The NAB Group's capital structure comprises various forms of capital. CET1 Capital comprises of 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 Ratio. Additional Tier 1 Capital comprises certain securities with required loss absorbing characteristics. Together these components of capital make up Tier 1 Capital and the ratio of such capital to risk-weighted assets is called the Tier 1 Capital Ratio.

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

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

Table 4.2A: Regulatory Capital Structure - Summary (1)

The table below provides the structure of Regulatory Capital for the NAB Group. A detailed breakdown is shown in Section 10 of this report.

	As at	
	31 Mar 14	**30 Sep 13**
	$m	**$m**
Common Equity Tier 1 Capital before regulatory adjustments	43,767	42,595
Total regulatory adjustments to Common Equity Tier 1	12,031	12,064
Common Equity Tier 1 Capital (CET1)	**31,736**	**30,531**
Additional Tier 1 Capital before regulatory adjustments	8,041	6,949
Total regulatory adjustments to Additional Tier 1 Capital	3	-
Additional Tier 1 Capital (AT1)	**8,038**	**6,949**
Tier 1 Capital (T1 = CET1 + AT1)	**39,774**	**37,480**
Tier 2 Capital before regulatory adjustments	5,097	5,471
Total regulatory adjustments to Tier 2 capital	192	218
Tier 2 Capital (T2)	**4,905**	**5,253**
Total Capital (TC = T1 + T2)	**44,679**	**42,733**

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

5. Credit Risk

Table 5.1A: Credit Risk Exposures Summary

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundation IRB approach. Gross credit risk exposure refers to the potential exposure as a result of a counterparty default before the application of credit risk mitigation. It is defined as the outstanding amount on drawn commitments plus a credit conversion factor on undrawn commitments on a given facility. For derivatives, the exposure is defined as the mark-to-market value plus a potential value of future movements.

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

Definitions of impairment and past due facilities are based on Prudential Standard APS 220 Credit Quality. This standard also provides guidance for Provisioning, estimated future credit losses and the General Reserve for Credit Losses [1].

	As at 31 Mar 14					6 months ended 31 Mar 14
	Total exposure (EaD) [2]	Risk-weighted Assets	Regulatory expected loss	Impaired facilities [3]	Specific provisions [4]	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	225,909	106,555	2,126	1,585	467	198
Sovereign	62,204	1,690	2	-	-	-
Bank	71,436	12,998	21	1	1	-
Residential mortgage	307,538	60,301	870	514	125	53
Qualifying revolving retail	11,167	3,649	224	-	-	106
Retail SME	16,603	6,476	224	141	70	36
Other retail	4,748	3,467	145	7	3	52
Total IRB approach	**699,605**	**195,136**	**3,612**	**2,248**	**666**	**445**
Specialised lending (SL)	**62,918**	**52,514**	**2,653**	**2,494**	**959**	**198**
Standardised approach						
Australian and foreign governments	2,955	68	-	28	-	-
Bank	12,701	156	-	-	-	-
Residential mortgage	42,116	18,790	-	200	41	8
Corporate	49,973	23,971	-	642	287	62
Other	3,728	3,172	-	2	1	39
Total standardised approach	**111,473**	**46,157**	**-**	**872**	**329**	**109**
Total	**873,996**	**293,807**	**6,265**	**5,614**	**1,954**	**752**

[1] *The General Reserve for Credit Losses (GRCL) at 31 March 2014 is calculated as follows:*

	$m
Collective provision for doubtful debts	*2,912*
Less collective provisions reported as additional regulatory specific provisions	*(520)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,392*
Plus reserve created through a deduction from retained earnings	*563*
General reserve for credit losses (after-tax basis)	*2,955*

[2] *Total credit risk exposure is EaD estimates of potential exposure, according to product type, for a period of one year.*

[3] *Impaired facilities includes $182 million of restructured loans (September 2013: $126 million) which includes $81 million of restructured fair value assets (September 2013: $22 million).*

Impaired facilities includes $390 million of gross impaired loans at fair value (September 2013: $533 million).

Australian and foreign governments impaired facilities refer to the portion of loans covered by the loss share agreement with the FDIC.

[4] *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. All 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, have been reported as additional regulatory specific provisions and shown in this report as a separate item.*

Specific provisions includes $172 million (September 2013: $190 million) of specific provisions on gross impaired loans at fair value.

Exposure type	Total exposure (EaD) $m	Risk-weighted Assets $m	Regulatory expected loss $m	Impaired facilities $m	Specific provisions $m	Net write-offs $m
	As at 30 Sep 13					6 months ended 30 Sep 13
IRB approach						
Corporate (including SME)	211,440	105,115	2,160	1,677	499	519
Sovereign	43,846	1,452	2	-	-	-
Bank	60,092	11,785	23	19	-	-
Residential mortgage	298,529	59,527	886	652	148	73
Qualifying revolving retail	11,095	3,725	240	-	-	97
Retail SME	16,876	6,731	238	163	81	44
Other retail	4,547	3,343	136	7	3	39
Total IRB approach	**646,425**	**191,678**	**3,685**	**2,518**	**731**	**772**
Specialised lending (SL)	**65,211**	**53,193**	**2,958**	**2,971**	**997**	**266**
Standardised approach						
Australian and foreign governments	4,071	66	-	31	-	-
Bank	10,458	265	-	-	-	-
Residential mortgage	38,023	17,463	-	150	32	9
Corporate	45,928	23,973	-	670	264	84
Other	3,744	3,206	-	7	6	30
Total standardised approach	**102,224**	**44,973**	**-**	858	302	123
Total	**813,860**	**289,844**	**6,643**	**6,347**	**2,030**	**1,161**

(1) *The General Reserve for Credit Losses (GRCL) at 30 September 2013 is calculated as follows:*

	$m
Collective provision for doubtful debts	*2,959*
Less collective provisions reported as additional regulatory specific provisions	*(459)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,500*
Plus reserve created through a deduction from retained earnings	*539*
General reserve for credit losses (after-tax basis)	*3,039*

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundation IRB approach. Gross credit risk exposure refers to the potential exposure as a result of a counterparty default prior to the application of credit risk mitigation. It is defined as the outstanding amount on drawn commitments plus a credit conversion factor on undrawn commitments on a given facility. For derivatives, the exposure is defined as the mark-to-market value plus a potential value of future movements. The average credit risk exposure is the sum of the gross credit risk exposure at the beginning of the reporting period plus the gross credit risk exposure at the end of the reporting period divided by two.

For the IRB approach, Exposure at Default (EaD) is reported gross of specific provisions and partial write-offs and prior to the application of on-balance sheet netting and credit risk mitigation. For the Standardised approach, EaD is reported net of any specific provision and prior to the application of on-balance sheet netting and credit risk mitigation. Exposures exclude non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 14				6 months ended 31 Mar 14
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME) [(1)]	121,307	49,558	55,044	**225,909**	218,675
Sovereign [(1)]	42,352	703	19,149	**62,204**	53,025
Bank [(1)]	29,582	1,383	40,471	**71,436**	65,764
Residential mortgage	264,869	42,669	-	**307,538**	303,033
Qualifying revolving retail	5,490	5,677	-	**11,167**	11,131
Retail SME	12,848	3,755	-	**16,603**	16,740
Other retail	3,357	1,391	-	**4,748**	4,647
Total IRB approach	**479,805**	**105,136**	**114,664**	**699,605**	**673,015**
Specialised lending (SL)	**54,399**	**7,360**	**1,159**	**62,918**	**64,065**
Standardised approach					
Australian and foreign governments	2,782	173	-	**2,955**	3,513
Bank	10,662	13	2,026	**12,701**	11,579
Residential mortgage	39,011	3,105	-	**42,116**	40,070
Corporate [(1)]	21,062	3,193	25,718	**49,973**	47,950
Other	3,545	183	-	**3,728**	3,736
Total standardised approach	**77,062**	**6,667**	**27,744**	**111,473**	**106,848**
Total	**611,266**	**119,163**	**143,567**	**873,996**	**843,928**

[(1)] *Total credit risk exposure, net of eligible financial collateral is $755,874 million. For materially impacted asset classes, exposure net of collateral is as follows:*

	$m
Corporate (including SME)	*179,707*
Sovereign	*44,518*
Bank	*42,017*
Corporate (Standardised)	*27,369*

	As at 30 Sep 13				6 months ended 30 Sep 13
	On-balance sheet exposure	**Non-market related off-balance sheet**	**Market related off-balance sheet**	**Total exposure**	**Average total exposure**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME) [(1)]	117,941	47,997	45,502	**211,440**	206,626
Sovereign [(1)]	32,834	694	10,318	**43,846**	39,204
Bank [(1)]	27,541	1,177	31,374	**60,092**	60,591
Residential mortgage	257,439	41,090	-	**298,529**	292,927
Qualifying revolving retail	5,452	5,643	-	**11,095**	11,147
Retail SME	13,211	3,665	-	**16,876**	16,979
Other retail	3,250	1,297	-	**4,547**	4,505
Total IRB approach	**457,668**	**101,563**	**87,194**	**646,425**	**631,979**
Specialised lending (SL)	**56,379**	**7,246**	**1,586**	**65,211**	**65,760**
Standardised approach					
Australian and foreign governments	3,901	170	-	**4,071**	3,828
Bank	10,425	25	8	**10,458**	9,909
Residential mortgage	35,169	2,854	-	**38,023**	34,597
Corporate [(1)]	21,240	3,002	21,686	**45,928**	47,475
Other	3,569	175	-	**3,744**	3,512
Total standardised approach	**74,304**	**6,226**	**21,694**	**102,224**	**99,321**
Total	**588,351**	**115,035**	**110,474**	**813,860**	**797,060**

(1) *Total credit risk exposure, net of eligible financial collateral is $725,840 million. For materially impacted asset classes, exposure net of collateral is as follows:*

	$m
Corporate (including SME)	*174,312*
Sovereign	*34,474*
Bank	*38,346*
Corporate (Standardised)	*26,737*

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, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 14				
	Australia	United Kingdom	New Zealand	Other [1]	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	145,028	33,223	30,207	17,451	**225,909**
Sovereign	44,997	2,175	4,917	10,115	**62,204**
Bank	26,232	32,265	3,281	9,658	**71,436**
Residential mortgage	276,706	-	30,832	-	**307,538**
Qualifying revolving retail	11,167	-	-	-	**11,167**
Retail SME	14,640	-	1,963	-	**16,603**
Other retail	2,304	-	2,444	-	**4,748**
Total IRB approach	**521,074**	**67,663**	**73,644**	**37,224**	**699,605**
Specialised lending (SL)	**48,363**	**7,743**	**5,942**	**870**	**62,918**
Standardised approach					
Australian and foreign governments	-	1,008	-	1,947	**2,955**
Bank	-	12,298	-	403	**12,701**
Residential mortgage	2,383	36,500	2	3,231	**42,116**
Corporate	4,094	23,956	115	21,808	**49,973**
Other	1,072	2,463	-	193	**3,728**
Total standardised approach	**7,549**	**76,225**	**117**	**27,582**	**111,473**
Total exposure (EaD)	**576,986**	**151,631**	**79,703**	**65,676**	**873,996**

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

	As at 30 Sep 13				
	Australia	United Kingdom	New Zealand	Other	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	143,194	26,491	28,199	13,556	211,440
Sovereign	33,372	1,775	3,728	4,971	43,846
Bank	27,822	18,842	3,645	9,783	60,092
Residential mortgage	269,517	-	29,012	-	298,529
Qualifying revolving retail	11,095	-	-	-	11,095
Retail SME	15,007	-	1,869	-	16,876
Other retail	2,280	-	2,267	-	4,547
Total IRB approach	**502,287**	**47,108**	**68,720**	**28,310**	**646,425**
Specialised lending (SL)	**49,212**	**9,433**	**5,584**	**982**	**65,211**
Standardised approach					
Australian and foreign governments	-	1,923	-	2,148	4,071
Bank	-	10,209	-	249	10,458
Residential mortgage	1,419	33,600	3	3,001	38,023
Corporate	4,171	25,968	18	15,771	45,928
Other	1,084	2,431	-	229	3,744
Total standardised approach	**6,674**	**74,131**	**21**	**21,398**	**102,224**
Total exposure (EaD)	**558,173**	**130,672**	**74,325**	**50,690**	**813,860**

Table 5.1D: Exposures by Industry

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

	As at 31 Mar 14												
	Accommodation, cafes, pubs and restaurants	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Other [(2)]	Total
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	7,527	37,772	11,952	11,459	7,241	65,963	19,451	308	-	25,613	13,145	25,478	**225,909**
Sovereign	-	-	-	-	-	30,186	-	-	-	-	-	32,018	**62,204**
Bank	-	-	-	-	-	70,260	-	-	-	-	-	1,176	**71,436**
Residential mortgage	-	-	-	-	-	-	-	-	307,538	-	-	-	**307,538**
Qualifying revolving retail	-	-	-	-	-	-	-	11,167	-	-	-	-	**11,167**
Retail SME	952	3,931	2,059	518	1,821	787	1,061	112	-	2,965	774	1,623	**16,603**
Other retail	-	-	-	-	-	-	-	4,748	-	-	-	-	**4,748**
Total IRB approach	**8,479**	**41,703**	**14,011**	**11,977**	**9,062**	**167,196**	**20,512**	**16,335**	**307,538**	**28,578**	**13,919**	**60,295**	**699,605**
Specialised lending (SL)	**23**	**475**	**23**	**55,857**	**667**	**266**	**63**	**36**	**-**	**2**	**1,337**	**4,169**	**62,918**
Standardised approach													
Australian and foreign governments	-	-	-	20	-	1,424	-	-	-	-	-	1,511	**2,955**
Bank	-	-	-	-	-	12,701	-	-	-	-	-	-	**12,701**
Residential mortgage	-	-	-	-	-	-	-	-	42,116	-	-	-	**42,116**
Corporate	1,742	4,702	2,504	1,400	698	26,441	2,581	24	-	3,161	888	5,832	**49,973**
Other	3	7	19	3	8	1	6	3,622	-	13	2	44	**3,728**
Total standardised approach	**1,745**	**4,709**	**2,523**	**1,423**	**706**	**40,567**	**2,587**	**3,646**	**42,116**	**3,174**	**890**	**7,387**	**111,473**
Total exposure (EaD)	**10,247**	**46,887**	**16,557**	**69,257**	**10,435**	**208,029**	**23,162**	**20,017**	**349,654**	**31,754**	**16,146**	**71,851**	**873,996**

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

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

	As at 30 Sep 13												
	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)	7,649	38,093	11,400	10,959	7,226	55,569	18,411	310	-	24,380	13,210	24,233	211,440
Sovereign	-	-	-	-	-	15,810	-	-	-	-	-	28,036	43,846
Bank	-	-	-	-	-	58,945	-	-	-	-	-	1,147	60,092
Residential mortgage	-	-	-	-	-	-	-	-	298,529	-	-	-	298,529
Qualifying revolving retail	-	-	-	-	-	-	-	11,095	-	-	-	-	11,095
Retail SME	973	3,955	2,119	504	1,859	787	1,104	104	-	3,023	814	1,634	16,876
Other retail	-	-	-	-	-	-	-	4,547	-	-	-	-	4,547
Total IRB approach	**8,622**	**42,048**	**13,519**	**11,463**	**9,085**	**131,111**	**19,515**	**16,056**	**298,529**	**27,403**	**14,024**	**55,050**	**646,425**
Specialised lending (SL)	**25**	**198**	**112**	**57,057**	**732**	**342**	**119**	**44**	**-**	**9**	**1,831**	**4,742**	**65,211**
Standardised approach													
Australian and foreign governments	-	-	-	20	-	1,581	-	-	-	-	-	2,470	4,071
Bank	-	-	-	-	-	10,458	-	-	-	-	-	-	10,458
Residential mortgage	-	-	-	-	-	-	-	-	38,023	-	-	-	38,023
Corporate	1,759	4,479	2,324	1,293	650	22,515	2,610	23	-	3,097	914	6,264	45,928
Other	3	6	18	3	8	1	6	3,640	-	13	2	44	3,744
Total standardised approach	**1,762**	**4,485**	**2,342**	**1,316**	**658**	**34,555**	**2,616**	**3,663**	**38,023**	**3,110**	**916**	**8,778**	**102,224**
Total exposure (EaD)	**10,409**	**46,731**	**15,973**	**69,836**	**10,475**	**166,008**	**22,250**	**19,763**	**336,552**	**30,522**	**16,771**	**68,570**	**813,860**

Table 5.1E: Exposures by Maturity

This table sets out the residual contractual maturity breakdown of gross credit risk exposures, excluding non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee. 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 14			
	<12 months	1 – 5 years	>5 years	No specified maturity [1]
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	104,481	92,046	23,334	6,048
Sovereign	31,850	8,462	21,844	48
Bank	48,737	11,309	11,268	122
Residential mortgage	44,407	7,355	255,206	570
Qualifying revolving retail	-	-	-	11,167
Retail SME	5,436	6,950	3,507	710
Other retail	198	1,250	683	2,617
Total IRB approach	**235,109**	**127,372**	**315,842**	**21,282**
Specialised lending (SL)	**23,771**	**31,865**	**4,978**	**2,304**
Standardised approach				
Australian and foreign governments	422	107	2,397	29
Bank	10,695	160	155	1,691
Residential mortgage	3,088	4,057	34,877	94
Corporate	33,818	8,847	6,956	352
Other	1,243	1,361	242	882
Total standardised approach	**49,266**	**14,532**	**44,627**	**3,048**
Total exposure (EaD)	**308,146**	**173,769**	**365,447**	**26,634**

[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 13			
	<12 months	1 – 5 years	>5 years	No specified maturity
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	93,003	90,496	21,933	6,008
Sovereign	17,802	6,125	19,871	48
Bank	40,519	10,112	9,398	63
Residential mortgage	45,734	7,377	244,876	542
Qualifying revolving retail	-	-	-	11,095
Retail SME	5,692	6,897	3,630	657
Other retail	188	1,204	757	2,398
Total IRB approach	**202,938**	**122,211**	**300,465**	**20,811**
Specialised lending (SL)	**25,017**	**31,852**	**5,775**	**2,567**
Standardised approach				
Australian and foreign governments	457	130	3,434	50
Bank	8,278	229	91	1,860
Residential mortgage	2,896	3,906	31,137	84
Corporate	30,344	8,776	6,391	417
Other	1,193	1,422	233	896
Total standardised approach	**43,168**	**14,463**	**41,286**	**3,307**
Total exposure (EaD)	**271,123**	**168,526**	**347,526**	**26,685**

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, equities and securitisation exposures. Definitions of impairment and past due facilities are based on Prudential Standard APS 220 Credit Quality. This standard also provides guidance for Provisioning, estimated future credit losses and the General Reserve for Credit Losses [(1)].

	As at 31 Mar 14			6 months ended 31 Mar 14	
	Impaired facilities [(2)]	Past due facilities ≥90 days [(3)]	Specific provisions [(4)]	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,585	371	467	251	198
Sovereign	-	-	-	-	-
Bank	1	-	1	1	-
Residential mortgage	514	1,146	125	38	53
Qualifying revolving retail	-	74	-	118	106
Retail SME	141	102	70	20	36
Other retail	7	48	3	47	52
Total IRB approach	**2,248**	**1,741**	**666**	**475**	**445**
Specialised lending (SL)	**2,494**	**376**	**959**	**88**	**198**
Standardised approach					
Australian and foreign governments	28	12	-	-	-
Bank	-	-	-	-	-
Residential mortgage	200	230	41	16	8
Corporate	642	143	287	84	62
Other	2	24	1	42	39
Total standardised approach	**872**	**409**	**329**	**142**	**109**
Total	**5,614**	**2,526**	**1,954**	**705**	**752**

(1) *The General Reserve for Credit Losses (GRCL) at 31 March 2014 is calculated as follows:*

	$m
Collective provision for doubtful debts	*2,912*
Less collective provisions reported as additional regulatory specific provisions	*(520)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,392*
Plus reserve created through a deduction from retained earnings	*563*
General reserve for credit losses (after-tax basis)	*2,955*

(2) *Impaired facilities includes $182 million of restructured loans (September 2013: $126 million) which includes $81 million of restructured fair value assets (September 2013: $22 million).*

Impaired facilities includes $390 million of gross impaired fair value assets (September 2013: $533 million).

Australian and foreign governments impaired facilities refer to the portion of loans covered by the loss share agreement with the FDIC.

(3) *March 2014 balance includes UK Standardised Residential Mortgage defaulted customers, not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased, totalling $102 million. March 2014 disclosure reflects changes in NAB Group and regulatory practices. However, prior period comparatives have not been restated. The comparative period 90+ days past due balance as at September 2013 for Standardised Residential Mortgage would have been $232 million.*

(4) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. All 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, have been reported as additional regulatory specific provisions and shown in this report as a separate item.*

Specific provisions includes $172 million (September 2013: $190 million) of specific provisions on gross impaired loans at fair value.

	As at 30 Sep 13			6 months ended 30 Sep 13	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,677	358	499	348	519
Sovereign	-	-	-	-	-
Bank	19	-	-	-	-
Residential mortgage	652	1,190	148	58	73
Qualifying revolving retail	-	81	-	93	97
Retail SME	163	108	81	35	44
Other retail	7	58	3	38	39
Total IRB approach	**2,518**	**1,795**	**731**	**572**	**772**
Specialised lending (SL)	**2,971**	**375**	**997**	**346**	**266**
Standardised approach					
Australian and foreign governments	31	14	-	-	-
Bank	-	-	-	-	-
Residential mortgage	150	119	32	13	9
Corporate	670	127	264	99	84
Other	7	33	6	44	30
Total standardised approach	**858**	**293**	**302**	**156**	**123**
Total	**6,347**	**2,463**	**2,030**	**1,074**	**1,161**

(1) *The General Reserve for Credit Losses (GRCL) at 30 September 2013 is calculated as follows:*

	$m
Collective provision for doubtful debts	*2,959*
Less collective provisions reported as additional regulatory specific provisions	*(459)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,500*
Plus reserve created through a deduction from retained earnings	*539*
General reserve for credit losses (after-tax basis)	*3,039*

Factors Impacting Loss Experience in the Preceding Period

Non-Impaired facilities 90+ Days Past Due

90+ days past due (90+DPD) facilities moderately increased during the March 2014 half year. The increase was mainly driven by UK Banking Standardised Residential Mortgages, which now includes previously undisclosed 90+ DPD loans for those customers where the contractual repayment date has passed and where an agreed arrangement is in place, or where the customer is deceased.

Partially offsetting this was a decrease in 90+DPD facilities in the IRB Residential Mortgage portfolio, mainly within Australian Banking, due to a combination of the migration of defaulted assets to impaired status and a lower level of newly defaulted assets.

Impaired facilities

Impaired facilities decreased during the March 2014 half year. The decrease was largely due to lower levels of newly impaired assets across the NAB Group and an increase in assets returning to performing status or being repaid within Australian Banking. In particular, the decrease was observed in Australian Banking across the Specialised Lending and the IRB Residential Mortgage portfolios.

To a lesser extent, impaired facilities for the Corporate (including SME) portfolio also decreased, primarily in Australian Banking.

After allowing for foreign exchange movements, impaired facilities also declined modestly across NZ Banking and the combined UK operations.

Charges for specific provisions

During the March 2014 half year, the total charge for specific provisions reduced when compared to the September 2013 half year. Lower specific provision charges across all major operating regions were observed, particularly for NAB UK Commercial Real Estate, reflecting improved operating conditions leading to fewer single large provisions and lower levels of new impairments.

The decrease was also due to a reduction in the Australian Banking Specialised Lending and Corporate (including SME) portfolios as the result of lower new impairments and fewer top-ups on existing impaired facilities. Furthermore, there was an increase in impaired assets returning to performing status and being repaid in Australian Banking, which included the re-rating of a single large exposure to performing status that had been previously impaired during the September 2013 half year.

Charges for specific provision relating to Specialised Lending exposures were significantly lower than the corresponding September 2013 half year. The reduction was mainly due to a fall in new impairments and closely monitored loans, as a result of multiple debt reductions and repatriations for Specialised Group Assets and Australian Banking that had not migrated to impaired status.

Net Write-Offs

Net write-offs decreased from $1,161 million for the September 2013 half year to $752 million for the March 2014 half year. The decrease was due to lower write-offs across all major operating regions in particular for the Australian Banking IRB Corporate portfolio.

Table 5.1G (i): Loss Experience

Table 5.1G (i) provides the regulatory expected loss (which are forward-looking loss estimates) compared to the realised actual losses calculated as an exposure weighted average since 31 March 2009.

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 PD and downturn stressed LGD. For defaulted exposures, regulatory expected loss is based on the NAB Group's best estimate of expected loss.*

	As at 31 Mar 14	
	Exposure weighted average actual loss (net write-offs) (1)	Exposure weighted average regulatory expected loss (2)
	$m	$m
IRB approach		
Corporate (including SME)	823	3,188
Sovereign	-	2
Bank	10	67
Residential mortgage	129	870
Qualifying revolving retail	188	234
Retail SME	81	313
Other retail	93	155
Total IRB approach	**1,324**	**4,829**

(1) *Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 31 March 2009.*

(2) *Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 31 March 2009.*

	As at 30 Sep 13	
	Exposure weighted average actual loss (net write-offs) (1)	Exposure weighted average regulatory expected loss (2)
	$m	$m
IRB approach		
Corporate (including SME)	792	3,195
Sovereign	-	14
Bank	12	80
Residential mortgage	120	830
Qualifying revolving retail	192	221
Retail SME	82	312
Other retail	95	152
Total IRB approach	**1,293**	**4,804**

(1) *Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 30 September 2008.*

(2) *Calculated as an exposure weighted average of regulatory expected loss at the beginning of each 12 monthly period since 30 September 2008.*

Accuracy of Risk Estimates

The following tables have been provided to summarise and compare across asset classes, the estimates of credit risk factors used within the calculation of regulatory capital with actual outcomes. Estimates for Specialised Lending have not been included as these exposures are subject to the Supervisory Slotting Criteria approach, which relies upon the application of supervisory risk weights when calculating regulatory Expected Loss (EL).

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

This table provides a comparison of internal estimates of long-run PD with actual default rates averaged over a period of four years to 31 March 2014. Averages of actual and estimated PD are calculated from customers not in default at the beginning of the financial year and averaged out over the four 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 14		
	Average Estimated PD	**Average Actual PD**	**Ratio of estimated to actual EAD**
	%	**%**	
IRB approach			
Corporate (including SME)	1.80	2.13	1.1
Sovereign [(1)]	0.40	0.13	1.1
Bank [(1)]	0.33	0.30	1.0
Residential mortgage [(2)]	1.00	0.86	1.0
Qualifying revolving retail	1.67	1.58	1.0
Retail SME	1.96	2.31	1.1
Other retail	2.33	2.93	1.0

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

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

	As at 30 Sep 13		
	Average Estimated PD [(1)]	**Average Actual PD** [(1)]	**Ratio of estimated to actual EAD**
	%	**%**	
IRB approach			
Corporate (including SME)	1.83	2.24	1.1
Sovereign	0.39	0.20	1.3
Bank	0.30	0.26	1.1
Residential mortgage	0.94	0.88	1.0
Qualifying revolving retail	1.60	1.57	1.0
Retail SME	1.98	2.38	1.1
Other retail	2.28	2.88	1.0

(1) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of four financial years to 30 September 2013.*

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

This table provides comparison of internal estimates of downturn LGD with actual losses which were evidenced during the four years to 31 March 2014. Actual LGD was calculated using net write-offs from defaults during the four 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 twelve 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 14	
	Average estimated downturn LGD	**Average actual LGD**
	%	**%**
IRB approach		
Corporate (including SME) [1]	35.8	32.1
Sovereign [2]	14.1	-
Bank [2]	-	-
Residential mortgage [3]	20.7	3.9
Qualifying revolving retail	87.2	68.7
Retail SME	37.9	21.7
Other retail	74.5	54.4

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

(2) Average actual LGDs for Sovereign and Bank exposures are based on a low number of observed defaults.

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

	As at 30 Sep 13	
	Average estimated downturn LGD [1]	**Average actual LGD [1]**
	%	**%**
IRB approach		
Corporate (including SME)	35.9	27.7
Sovereign	45.0	-
Bank	-	-
Residential mortgage	20.7	2.9
Qualifying revolving retail	87.1	68.4
Retail SME	37.1	22.0
Other retail	75.1	54.0

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the four years to 30 September 2013.

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, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 14			6 months ended 31 Mar 14	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	369	49	153	52	38
Agriculture, forestry, fishing and mining	582	116	127	34	90
Business services and property services	263	109	95	46	21
Commercial property	2,410	421	829	116	204
Construction	270	56	109	30	14
Finance and insurance	82	41	34	5	15
Manufacturing	204	47	85	67	57
Personal	34	158	11	207	193
Residential mortgages	714	1,376	166	54	61
Retail and wholesale trade	250	69	120	50	44
Transport and storage	41	33	26	14	13
Other	395	51	199	30	2
Total	**5,614**	**2,526**	**1,954**	**705**	**752**

Additional regulatory specific provision	520

	As at 30 Sep 13			6 months ended 30 Sep 13	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	328	46	136	71	69
Agriculture, forestry, fishing and mining	663	130	160	117	99
Business services and property services	242	84	70	54	71
Commercial property	2,724	425	858	321	289
Construction	241	53	98	37	49
Finance and insurance	121	40	45	3	19
Manufacturing	278	46	94	79	82
Personal	13	163	11	149	167
Residential mortgages	802	1,309	180	71	82
Retail and wholesale trade	221	80	116	20	115
Transport and storage	109	19	23	19	41
Other	605	68	239	133	78
Total	**6,347**	**2,463**	**2,030**	**1,074**	**1,161**

Additional regulatory specific provision	459

Table 5.1I: Provisions by Geography

	As at 31 Mar 14			
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**General reserve for credit losses**
	$m	**$m**	**$m**	**$m**
Geographic region				
Australia	2,356	1,634	672	1,777
United Kingdom (1)	2,754	640	1,139	793
New Zealand	374	236	124	270
Other (2)	130	16	19	72
Total	**5,614**	**2,526**	**1,954**	**2,912**
Regulatory specific provisions			520	(520)
Plus reserve created through retained earnings				563
General reserve for credit losses (3)				**2,955**

(1) *March 2014 balance includes UK mortgage defaulted customers, not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased, totalling $102 million. March 2014 disclosure reflects changes in NAB Group and regulatory practices. However, prior period comparatives have not been restated. The comparative period 90+ days past due balance as at September 2013 would have been $604 million.*

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

(3) *The GRCL balance allocated across geographic regions of $2,912 million includes $2,059 million of provisions on loans at amortised cost and $853 million of provisions held on assets at fair value.*

	As at 30 Sep 13			
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**General reserve for credit losses**
	$m	**$m**	**$m**	**$m**
Geographic region				
Australia	3,153	1,707	797	1,743
United Kingdom	2,725	491	1,087	885
New Zealand	360	243	132	258
Other	109	22	14	73
Total	**6,347**	**2,463**	**2,030**	**2,959**
Regulatory specific provisions			459	(459)
Plus reserve created through retained earnings				539
General reserve for credit losses (1)				**3,039**

(1) *The GRCL balance allocated across geographic regions of $2,959 million includes $2,178 million of provisions on loans at amortised cost and $781 million of provisions held on assets at fair value.*

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, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	6 months ended 31 Mar 14 $m	6 months ended 30 Sep 13 $m
General reserve for credit losses		
Collective provision balance at start of period	2,178	2,291
Total charge to income statement for impairment loss	528	757
Net transfer to specific provision	(675)	(989)
Recoveries	-	-
Balances written off	-	-
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	28	119
Collective provision on loans at amortised cost	2,059	2,178
Plus provisions held on assets at fair value (1)	853	781
Less additional regulatory specific provisions	(520)	(459)
Plus reserve created through retained earnings	563	539
General reserve for credit losses	**2,955**	**3,039**
Specific provisions		
Balance at start of period	1,840	1,883
Net transfer from general reserve for credit losses	675	989
Bad debts recovered	112	73
Bad debts written off	(864)	(1,234)
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	19	129
Specific provisions excluding provisions for assets at fair value	1,782	1,840
Specific provisions held on assets at fair value	172	190
Additional regulatory specific provisions	520	459
Total regulatory specific provisions	**2,474**	**2,489**
Total provisions	**5,429**	**5,528**

(1) *Provisions held on assets at fair value are presented gross of $100 million regulatory specific provisions for assets held at fair value (September 2013: $14 million).*

5.2 Standardised and Supervisory Slotting Portfolios

Table 5.2A: Standardised Exposures by Risk Weight

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

	As at 31 Mar 14		As at 30 Sep 13	
	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Standardised approach – risk weights				
0%	35,198	13,166	31,719	13,462
2%	767	767	3	3
4%	2,650	2,650	2,814	2,814
20%	2,953	1,644	1,382	1,302
35%	31,557	31,372	27,672	27,472
50%	4,731	4,894	4,703	4,865
75%	2,444	2,444	2,210	2,210
100%	30,508	29,460	31,040	29,884
150%	665	658	681	673
Total standardised approach (EaD)	**111,473**	**87,055**	**102,224**	**82,685**

(1) The NAB Group recognises the mitigation of credit risk as a result of eligible financial collateral and mitigation providers. Eligible financial collateral refers to cash and cash equivalents as defined in Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112).

Table 5.2B: Standardised Exposures by Risk Grade

	As at 31 Mar 14		As at 30 Sep 13	
Asset class by rating grade	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	2,546	2,772	3,613	3,831
Credit rating grade 2	13	13	14	14
Unrated	396	7	444	8
Sub-total	2,955	2,792	4,071	3,853
Bank				
Credit rating grade 1	10,450	10,455	9,912	9,918
Credit rating grade 2	7	185	296	478
Credit rating grade 3	12	12	38	38
Unrated	2,232	521	212	24
Sub-total	12,701	11,173	10,458	10,458
Residential mortgage				
Unrated	42,116	42,053	38,023	37,957
Sub-total	42,116	42,053	38,023	37,957
Corporate				
Credit rating grade 1	1	1	-	-
Credit rating grade 2	672	599	671	614
Credit rating grade 3	24	24	2	2
Unrated	49,276	26,745	45,255	26,121
Sub-total	49,973	27,369	45,928	26,737
Other				
Unrated	3,728	3,668	3,744	3,680
Sub-total	3,728	3,668	3,744	3,680
Total standardised approach (EaD)	**111,473**	**87,055**	**102,224**	**82,685**

Table 5.2C: Supervisory Slotting by Risk Weight

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

	As at	
	31 Mar 14	30 Sep 13
	Exposure after risk mitigation $m	Exposure after risk mitigation $m
IRB supervisory slotting – unexpected loss risk weights		
70%	24,684	27,284
90%	24,285	24,203
115%	7,975	7,415
250%	1,552	1,403
Default	4,026	4,671
Total IRB supervisory slotting (EaD)	**62,522**	**64,976**

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, equities, securitisation, CVA, the CCP default fund contribution guarantee and specialised lending.

	As at 31 Mar 14						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2**	**Ba3, B1**	**B2 and below**	**Default**
	0<0.03%	**0.03<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	44,536	86,130	67,786	19,605	4,639	3,213
Sovereign	54,792	6,700	687	17	8	-	-
Bank	-	64,322	5,819	1,186	53	21	35
Total exposure (EaD)	**54,792**	**115,558**	**92,636**	**68,989**	**19,666**	**4,660**	**3,248**
Undrawn commitments							
Corporate	-	9,610	19,970	9,928	2,607	393	182
Sovereign	287	147	244	5	3	-	-
Bank	-	955	13	4	2	-	33
Total undrawn commitments (1)	**287**	**10,712**	**20,227**	**9,937**	**2,612**	**393**	**215**
IRB approach							
Exposure weighted average EaD ($m) (2)							
Corporate	-	1.44	0.69	0.36	0.22	0.19	0.41
Sovereign	33.58	2.60	1.72	0.08	0.02	-	-
Bank	-	2.13	2.62	3.71	0.66	0.41	6.94
Exposure weighted average LGD (%)							
Corporate	-	29.1 %	34.7 %	28.9 %	32.5 %	37.1 %	43.5 %
Sovereign	4.2 %	21.7 %	43.6 %	44.9 %	44.2 %	-	-
Bank	-	36.4 %	19.6 %	9.5 %	52.1 %	12.0 %	40.5 %
Exposure weighted average risk weight (%)							
Corporate	-	16.5 %	41.2 %	55.2 %	79.7 %	131.0 %	142.5 %
Sovereign	1.0 %	10.2 %	66.9 %	87.2 %	127.4 %	-	-
Bank	-	17.3 %	25.1 %	12.5 %	156.2 %	81.7 %	466.9 %

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

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

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	As at 30 Sep 13						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2**	**Ba3, B1**	**B2 and below**	**Default**
	0<0.03%	**0.03<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	39,934	77,769	64,949	20,292	5,127	3,369
Sovereign	37,282	5,992	548	13	11	-	-
Bank	-	56,456	2,439	1,024	128	9	36
Total exposure (EaD)	**37,282**	**102,382**	**80,756**	**65,986**	**20,431**	**5,136**	**3,405**
Undrawn commitments							
Corporate	-	9,435	18,932	9,581	2,768	396	158
Sovereign	309	247	116	3	3	-	-
Bank	-	797	178	4	2	-	17
Total undrawn commitments	**309**	**10,479**	**19,226**	**9,588**	**2,773**	**396**	**175**

IRB approach							
Exposure weighted average EaD ($m)							
Corporate	-	1.37	0.63	0.34	0.22	0.19	0.40
Sovereign	22.99	2.27	1.45	0.06	0.03	-	-
Bank	-	1.92	1.36	2.65	1.40	0.14	2.01
Exposure weighted average LGD (%)							
Corporate	-	30.6 %	35.1 %	30.2 %	33.2 %	34.9 %	42.1 %
Sovereign	4.8 %	21.8 %	44.2 %	44.7 %	43.3 %	-	-
Bank	-	37.6 %	42.8 %	13.7 %	58.4 %	2.2 %	39.7 %
Exposure weighted average risk weight (%)							
Corporate	-	17.4 %	41.3 %	58.0 %	82.1 %	128.5 %	152.2 %
Sovereign	1.1 %	11.6 %	58.3 %	83.8 %	118.3 %	-	-
Bank	-	17.4 %	55.7 %	21.2 %	173.6 %	11.1 %	391.5 %

Table 5.3B: Retail Exposure by Risk Grade

This table provides a break down 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, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 14					
	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	85,295	105,593	89,447	16,413	8,725	2,065
Qualifying revolving retail	4,243	3,014	2,024	931	880	75
Retail SME	1,707	4,546	6,424	2,509	977	440
Other retail	1,252	907	1,235	782	503	69
Total exposure (EaD)	**92,497**	**114,060**	**99,130**	**20,635**	**11,085**	**2,649**
Undrawn commitments						
Residential mortgage	22,576	13,070	6,459	484	69	11
Qualifying revolving retail	3,190	1,803	477	127	74	6
Retail SME	1,006	1,163	814	253	67	62
Other retail	758	277	222	102	31	1
Total undrawn commitments (1)	**27,530**	**16,313**	**7,972**	**966**	**241**	**80**

IRB approach						
Exposure weighted average EaD ($m) (2)						
Residential mortgage	0.07	0.28	0.26	0.29	0.35	0.16
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.03	0.03	0.03	0.02	0.02	0.02
Other retail	-	0.01	0.01	0.01	-	0.01
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	19.9 %	20.6 %	20.0 %	20.0 %	20.7 %
Qualifying revolving retail	83.4 %	84.4 %	86.6 %	86.8 %	87.0 %	89.1 %
Retail SME	24.9 %	26.1 %	29.5 %	30.8 %	33.8 %	40.0 %
Other retail	83.2 %	81.2 %	78.5 %	77.7 %	77.9 %	79.1 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.4 %	10.8 %	27.6 %	56.3 %	93.3 %	191.1 %
Qualifying revolving retail	4.1 %	12.1 %	37.6 %	83.5 %	165.8 %	151.0 %
Retail SME	6.1 %	15.5 %	35.1 %	59.3 %	105.6 %	202.6 %
Other retail	14.8 %	42.6 %	87.6 %	115.1 %	147.5 %	249.1 %

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

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

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	As at 30 Sep 13					
	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	83,060	101,817	86,109	16,488	8,827	2,228
Qualifying revolving retail	3,998	3,157	1,928	1,004	919	89
Retail SME	1,531	4,468	6,717	2,680	1,017	463
Other retail	1,198	873	1,194	739	472	71
Total exposure (EaD)	**89,787**	**110,315**	**95,948**	**20,911**	**11,235**	**2,851**
Undrawn commitments						
Residential mortgage	21,775	12,716	6,038	482	73	6
Qualifying revolving retail	3,055	1,885	468	143	80	12
Retail SME	892	1,142	846	259	74	57
Other retail	733	260	189	80	34	1
Total undrawn commitments	**26,455**	**16,003**	**7,541**	**964**	**261**	**76**

IRB approach						
Exposure weighted average EaD ($m)						
Residential mortgage	0.07	0.27	0.25	0.29	0.37	0.17
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.03	0.03	0.04	0.02	0.03	0.02
Other retail	-	0.01	0.01	0.01	-	0.01
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	20.0 %	20.7 %	20.1 %	20.0 %	20.5 %
Qualifying revolving retail	83.4 %	84.4 %	86.4 %	86.9 %	87.0 %	89.4 %
Retail SME	25.1 %	26.0 %	29.4 %	30.8 %	33.2 %	39.9 %
Other retail	82.9 %	81.0 %	79.4 %	78.4 %	77.6 %	76.3 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.3 %	10.8 %	27.9 %	57.0 %	92.8 %	185.4 %
Qualifying revolving retail	4.2 %	12.0 %	37.3 %	81.9 %	164.7 %	141.7 %
Retail SME	6.2 %	15.4 %	35.2 %	60.0 %	104.0 %	197.6 %
Other retail	14.8 %	42.6 %	89.0 %	116.1 %	146.4 %	257.3 %

5.4 Credit Risk Mitigation

Table 5.4A: Mitigation by Eligible Collateral

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

	As at 31 Mar 14	
	Total exposure	of which is covered by eligible financial collateral [1]
	$m	$m
Specialised lending (SL)	62,918	396
Standardised approach		
Australian and foreign governments	2,955	163
Bank	12,701	1,528
Residential mortgage	42,116	63
Corporate	49,973	22,604
Other	3,728	60
Total standardised approach	111,473	24,418

[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 13	
	Total exposure	of which is covered by eligible financial collateral
	$m	$m
Specialised lending (SL)	65,211	235
Standardised approach		
Australian and foreign governments	4,071	218
Bank	10,458	-
Residential mortgage	38,023	66
Corporate	45,928	19,191
Other	3,744	64
Total standardised approach	102,224	19,539

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, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 14		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	225,909	19,816	-
Sovereign	62,204	1	-
Bank	71,436	238	308
Residential mortgage	307,538	-	-
Qualifying revolving retail	11,167	-	-
Retail SME	16,603	-	-
Other retail	4,748	-	-
Total IRB approach	**699,605**	**20,055**	**308**
Specialised lending (SL)	**62,918**	**-**	**-**
Standardised approach			
Australian and foreign governments	2,955	389	-
Bank	12,701	183	-
Residential mortgage	42,116	-	-
Corporate	49,973	2	-
Other	3,728	-	-
Total standardised approach	**111,473**	**574**	**-**

	As at 30 Sep 13		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	211,440	20,067	-
Sovereign	43,846	1	-
Bank	60,092	185	335
Residential mortgage	298,529	-	-
Qualifying revolving retail	11,095	-	-
Retail SME	16,876	-	-
Other retail	4,547	-	-
Total IRB approach	**646,425**	**20,253**	**335**
Specialised lending (SL)	**65,211**	**-**	**-**
Standardised approach			
Australian and foreign governments	4,071	436	-
Bank	10,458	191	-
Residential mortgage	38,023	-	-
Corporate	45,928	1	-
Other	3,744	-	-
Total standardised approach	**102,224**	**628**	**-**

6. Securitisation

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

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

	As at 31 Mar 14				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	12,124	20	-	718	554
Credit cards and other personal loans	-	-	-	43	-
Auto and equipment finance	902	-	-	164	-
CDOs/CLOs [(1)]	-	-	-	-	1,101
Commercial mortgages	21	-	-	-	62
Corporate bonds	-	-	-	-	624
Other	570	-	-	-	342
Total underlying asset	**13,617**	**20**	**-**	**925**	**2,683**

(1) *As at 31 March 2014, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

	As at 30 Sep 13				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	13,586	20	-	665	686
Credit cards and other personal loans	-	-	-	41	-
Auto and equipment finance	590	-	-	155	-
CDOs/CLOs [(1)]	-	-	-	-	1,281
Commercial mortgages	21	-	-	-	69
Corporate bonds	-	-	-	-	604
Other	570	-	-	-	402
Total underlying asset	**14,767**	**20**	**-**	**861**	**3,042**

(1) *As at 30 September 2013, 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 14			As at 30 Sep 13		
	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Securitisation exposure type						
Liquidity facilities	-	2,259	2,259	5	2,480	2,485
Warehouse facilities [(1)]	7,896	1,622	9,518	8,132	2,598	10,730
Credit enhancements [(1)]	-	-	-	-	-	-
Derivative transactions	191	-	191	178	-	178
Securities	5,322	-	5,322	5,314	-	5,314
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	**13,409**	**3,881**	**17,290**	**13,629**	**5,078**	**18,707**

(1) *The ongoing review of the securitisation portfolio has resulted in $781 million reclassification of exposures from 'Credit enhancements' to 'Warehouse facilities' (September 2013: $863 million).*

Table 6.1C: Recent Third Party Securitisation Activity

This table provides information about new securitisation facilities provided in the six months to reporting date.

	Notional amount of facilities provided	
	6 months ended 31 Mar 14 $m	6 months ended 30 Sep 13 $m
Securitisation exposure type		
Liquidity facilities	36	296
Warehouse facilities [(1)]	871	2,893
Credit enhancements [(1)]	-	-
Derivative transactions	36	22
Securities	1,448	2,004
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	**2,391**	**5,215**

(1) *The ongoing review of the securitisation portfolio has resulted in a reclassification of exposures from 'Credit enhancements' to 'Warehouse facilities'. March 2014 figures are presented on this basis (September 2013: $850 million).*

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), the Internal Assessment Approach (IAA), and Other.

Securitisation Exposures by Risk Weight

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

	As at 31 Mar 14		As at 30 Sep 13	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,034	430	6,730	464
> 10% ≤ 25%	228	30	219	27
> 25% ≤ 35%	32	12	37	12
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**6,294**	**472**	**6,986**	**503**
IAA				
≤10%	3,070	218	3,116	218
> 10% ≤ 25%	4,833	609	4,829	605
> 25% ≤ 35%	312	109	376	131
> 35% ≤ 50%	22	11	33	17
> 50% ≤ 75%	64	48	160	119
> 75% ≤ 100%	-	-	228	228
> 100% ≤ 650%	-	1	1	1
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	19	-	19	-
IAA sub-total	**8,320**	**996**	**8,762**	**1,319**
Other				
≤10%	31	2	-	-
> 10% ≤ 25%	301	50	258	42
> 25% ≤ 35%	3	1	34	12
> 35% ≤ 50%	98	49	77	38
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	713	713	722	722
> 100% ≤ 650%	17	77	30	128
> 650% ≤ 850%	-	-	-	-
1250%	147	1,889	166	2,131
Deductions	-	-	-	-
Other sub-total	**1,310**	**2,781**	**1,287**	**3,073**
Total	**15,924**	**4,249**	**17,035**	**4,895**

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 14		As at 30 Sep 13	
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%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**-**	**-**	**-**	**-**
IAA				
≤10%	-	-	-	-
> 10% ≤ 25%	3	-	6	1
> 25% ≤ 35%	-	-	120	36
> 35% ≤ 50%	4	2	4	2
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	16	78	16	78
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
IAA sub-total	**23**	**80**	**146**	**117**
Other				
≤10%	87	6	81	5
> 10% ≤ 25%	5	1	4	1
> 25% ≤ 35%	7	2	7	2
> 35% ≤ 50%	848	340	1,021	409
> 50% ≤ 75%	85	55	82	53
> 75% ≤ 100%	170	170	180	180
> 100% ≤ 650%	30	157	21	98
> 650% ≤ 850%	5	46	5	45
1250%	61	762	97	1,213
Deductions	-	-	11	-
Other sub-total	**1,298**	**1,539**	**1,509**	**2,006**
Total	**1,321**	**1,619**	**1,655**	**2,123**

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 14		As at 30 Sep 13	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,034	430	6,730	464
> 10% ≤ 25%	228	30	219	27
> 25% ≤ 35%	32	12	37	12
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**6,294**	**472**	**6,986**	**503**
IAA				
≤10%	3,070	218	3,116	218
> 10% ≤ 25%	4,836	609	4,835	606
> 25% ≤ 35%	312	109	496	167
> 35% ≤ 50%	26	13	37	19
> 50% ≤ 75%	64	48	160	119
> 75% ≤ 100%	-	-	228	228
> 100% ≤ 650%	16	79	17	79
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	19	-	19	-
IAA sub-total	**8,343**	**1,076**	**8,908**	**1,436**
Other				
≤10%	118	8	81	5
> 10% ≤ 25%	306	51	262	43
> 25% ≤ 35%	10	3	41	14
> 35% ≤ 50%	946	389	1,098	447
> 50% ≤ 75%	85	55	82	53
> 75% ≤ 100%	883	883	902	902
> 100% ≤ 650%	47	234	51	226
> 650% ≤ 850%	5	46	5	45
1250%	208	2,651	263	3,344
Deductions	-	-	11	-
Other sub-total	**2,608**	**4,320**	**2,796**	**5,079**
Total	**17,245**	**5,868**	**18,690**	**7,018**

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 14					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital [(1)]						
Deductions from Common Equity Tier 1 Capital	-	-	-	-	19	**19**
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**19**	**19**

[(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 13					
	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	-	-	-	-	30	**30**
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**30**	**30**

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 14				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset (1)					
Residential mortgage (2)	52,890	-	103	199	-
Credit cards	-	-	-	-	-
Auto and equipment finance	148	-	2	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**53,038**	**-**	**105**	**199**	**-**

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

(2) *Includes internal securitisation pools of residential mortgage-backed securities (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 $37,655 million (September 2013: $36,296 million).*

	As at 30 Sep 13				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	47,728	-	116	151	-
Credit cards	-	-	-	-	-
Auto and equipment finance	212	-	3	1	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**47,940**	**-**	**119**	**152**	**-**

Table 6.2B: Recent Securitisation Activity

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

	6 months ended 31 Mar 14			6 months ended 30 Sep 13		
	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale
	$m	$m	$m	$m	$m	$m
Underlying asset [(1)]						
Residential mortgage	8,085	-	-	9,350	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**8,085**	-	-	**9,350**	-	-

(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 2014 and 30 September 2013, none of these securitisations have been undertaken by the Level 2 Group.

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

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

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

There have been no exposures identified for specific external securitisation deals between 31 March 2014 and the disclosure date of this report.

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 2014, the Level 2 Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

7. Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at 31 Mar 14 $m	30 Sep 13 $m
Risk-Weighted Assets		
Interest rate risk	895	964
Equity position risk	2	1
Foreign exchange risk	11	-
Commodity risk	2	10
Total risk-weighted assets - standard method	**910**	**975**

Table 7.1B: Total Risk-Weighted Assets

	As at 31 Mar 14 $m	30 Sep 13 $m
Market risk (1)		
Standard method	910	975
Internal model approach	4,881	4,216
Total market risk RWA	**5,791**	**5,191**

(1) *Market Risk risk-weighted assets are calculated on a Basel 2.5 basis for each period presented.*

Table 7.1C: Internal Model Approach Value at Risk

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

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

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

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

	6 months ended 30 Sep 13			As at
	Mean value $m	Minimum value $m	Maximum value $m	30 Sep 13 $m
Value at risk at a 99% confidence level				
Foreign exchange risk	4	1	8	1
Interest rate risk	6	4	12	6
Volatility risk	1	1	2	1
Commodities risk	1	-	2	-
Credit risk	7	5	10	6
Inflation risk	-	-	1	-
Diversification benefit	(8)	n/a	n/a	(6)
Total diversified value at risk at a 99% confidence level	**11**	**7**	**14**	**8**
Other market risks	1	-	2	-
Total value at risk for physical and derivative positions	**12**	**7**	**16**	**8**

Table 7.1D: Internal Model Approach Stressed Value at Risk

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

	6 months ended 31 Mar 14			As at 31 Mar 14
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at a 99% confidence level [(1)]				
Foreign exchange risk	5	1	13	4
Interest rate risk	13	8	18	17
Volatility risk	5	1	9	8
Commodities risk	1	-	2	-
Credit risk	22	18	25	21
Inflation risk	1	1	1	1
Diversification benefit	(20)	n/a	n/a	(21)
Total diversified VaR at a 99% confidence level	**27**	**17**	**34**	**30**
Other market risks [(2)]	1	-	1	-
Total VaR for physical and derivative positions	**28**	**17**	**35**	**30**

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

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

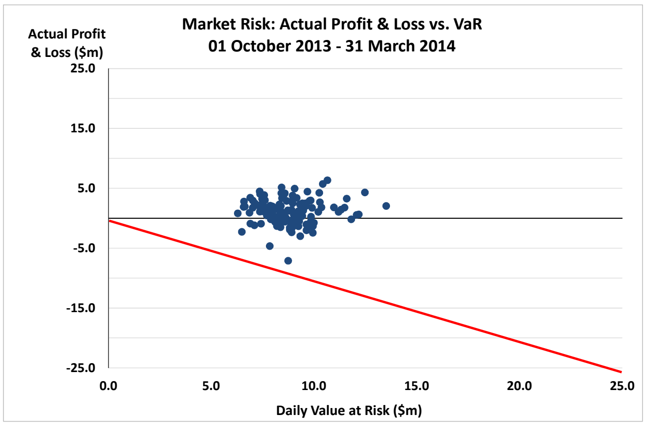
	6 months ended 30 Sep 13			As at 30 Sep 13
	Mean value $m	Minimum value $m	Maximum value $m	$m
Stressed VaR at a 99% confidence level				
Foreign exchange risk	7	1	23	1
Interest rate risk	11	6	17	10
Volatility risk	2	1	4	2
Commodities risk	1	-	3	-
Credit risk	18	11	22	18
Inflation risk	1	1	4	1
Diversification benefit	(18)	n/a	n/a	(12)
Total diversified VaR at a 99% confidence level	**22**	**14**	**30**	**20**
Other market risks	1	-	3	-
Total VaR for physical and derivative positions	**23**	**14**	**33**	**20**

Table 7.1E: Back-testing Results

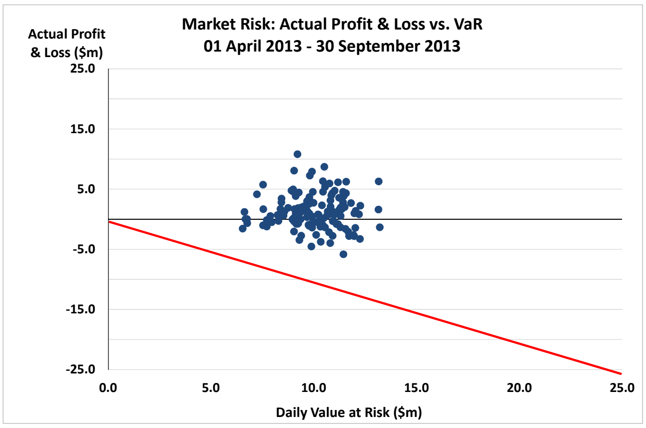
Comparison of value at risk estimates to actual gains/losses	6 months ended 31 Mar 14	6 months ended 30 Sep 13
Number of "outliers" incurred for the trading portfolio	-	-

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

6 months ended 31 Mar 14



6 months ended 30 Sep 13



Back-testing Outliers

Back-testing, carried out by comparing the Level 2 Group's daily VaR estimate against actual P&L numbers, identified no exceptions during the six month period to 31 March 2014 and no exceptions during the previous six month period to 30 September 2013. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

8. Operational Risk

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

Table 8A: Total Risk-Weighted Assets

	As at	
	31 Mar 14	30 Sep 13
	$m	$m
Operational risk		
Standardised approach	3,997	3,738
Advanced measurement approach	32,283	31,011
Total operational risk RWA	**36,280**	**34,749**

9. Non-Traded Market Risk

9.1 Interest Rate Risk in the Banking Book

Table 9.1A: Interest Rate Risk in the Banking Book

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

	As at 31 Mar 14		As at 30 Sep 13	
	200 bp parallel increase	200 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease
	$m	$m	$m	$m
Change in economic value [(1)]				
AUD	(26)	37	(162)	189
CHF	(2)	2	(1)	2
EUR	(8)	8	(17)	18
GBP	(143)	150	(123)	132
HKD	-	-	2	(2)
JPY	-	-	(1)	1
NZD	(15)	17	(28)	29
USD	99	(67)	84	(48)
Other	14	(14)	12	(12)
Total change in economic value	**(81)**	**133**	**(234)**	**309**

(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 14	30 Sep 13
	$m	$m
IRRBB risk-weighted assets	6,814	7,464

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 14		As at 30 Sep 13	
	Carrying value [1]	Fair value [2]	Carrying value	Fair value
	$m	$m	$m	$m
Total listed equities (publicly traded)	91	91	89	89
Total unlisted equities	546	546	416	416

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

(2) *The best evidence of fair value is quoted prices in an active market. 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 2014 recognised through the profit and loss account. Unrealised (expected) gains/losses which were previously included in Tier 1 and Tier 2 Capital represent gains/losses recognised in the balance sheet but not through the profit and loss account.

	6 months ended	
	31 Mar 14	30 Sep 13
	$m	$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	(1)	7
Total unrealised gains (losses)	(47)	89
Total unrealised gains (losses) included in Common Equity Tier 1, Tier 1 and/or Tier 2 Capital	188	60

Disclosure 9.3C: Equity Investments Subject to Grandfathering Provision

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

10. Detailed Capital Disclosures

10.1 Common Disclosure Template – Regulatory Capital

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with section 10.2 Regulatory Balance Sheet and section 10.3 Reconciliation between the Common Disclosure Template and the Level 2 Regulatory Balance Sheet.

		As at 31 Mar 14 $m
Common Equity Tier 1 Capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	25,137
2	Retained earnings	20,144
3	Accumulated other comprehensive income (and other reserves)	(1,514)
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**	**43,767**
Common Equity Tier 1 Capital: regulatory adjustments		
7	Prudential valuation adjustments	2
8	Goodwill (net of related tax liability)	5,148
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,476
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	(10)
12	Shortfall of provisions to expected losses	421
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	(188)
15	Defined benefit superannuation fund net assets	19
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)	4,163
26a	of which: treasury shares	(9)
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	(39)
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	2,421
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	1,547
26f	of which: capitalised expenses	161
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	64
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	18
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**12,031**
29	**Common Equity Tier 1 Capital (CET1)**	**31,736**

		As at 31 Mar 14 $m
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	3,196
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	3,196
33	Directly issued capital instruments subject to phase out from Additional Tier 1	4,845
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**	**8,041**
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)	3
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	3
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**	**3**
44	**Additional Tier 1 Capital (AT1)**	**8,038**
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**39,774**
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	-
47	Directly issued capital instruments subject to phase out from Tier 2	4,498
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)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	599
51	**Tier 2 Capital before regulatory adjustments**	**5,097**
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)	117
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	117
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 Capital**	**192**
58	**Tier 2 Capital (T2)**	**4,905**
59	**Total Capital (TC = T1 + T2)**	**44,679**
60	**Total risk weighted assets based on APRA standards**	**367,224**

		As at 31 Mar 14 $m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	8.64%
62	Tier 1 (as a percentage of risk weighted assets)	10.83%
63	Total capital (as a percentage of risk weighted assets)	12.17%
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)	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	n/a
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)	n/a
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	577
73	Significant investments in the ordinary shares of financial entities	1,843
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,547
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)	554
77	Cap on inclusion of provisions in Tier 2 under standardised approach	733
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	45
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,558
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	4,845
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	831
84	Current cap on T2 instruments subject to phase out arrangements	4,498
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	278

10.2 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 14 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 14 $m	Template Reference / Reconciliation Table
Assets				
Cash and liquid assets	38,095	(3,079)	35,016	
Due from other banks	50,246	(1)	50,245	
Trading derivatives	41,784	834	42,618	
Trading securities	38,782	-	38,782	
Investments - available for sale	37,558	(7)	37,551	
Investments - held to maturity	3,708	(1,410)	2,298	
Investments relating to life insurance business	81,282	(81,282)	-	
Other financial assets at fair value	80,268	-	80,268	
Hedging derivatives	4,276	-	4,276	
Loans and advances	423,711	(75)	423,636	
Due from customers on acceptances	25,917	-	25,917	
Current tax assets	50	(2)	48	
Property, plant and equipment	1,951	(8)	1,943	
Goodwill and other intangible assets	7,830	(4,314)	3,516	Table A
Deferred tax assets	1,332	(494)	838	
Investment in non-consolidated entities	-	5,952	5,952	Table A
Due from controlled entities	-	2,133	2,133	
Other assets	9,224	(852)	8,372	
Total assets	**846,014**	**(82,605)**	**763,409**	
Liabilities				
Due to other banks	44,881	(595)	44,286	
Trading derivatives	43,895	(33)	43,862	
Other financial liabilities at fair value	27,287	-	27,287	
of which:				
Change in own credit worthiness	188	-	188	Row 14
Hedging derivatives	3,245	(14)	3,231	
Deposits and other borrowings	462,297	7	462,304	
Liability on acceptances	12	-	12	
Life policy liabilities	67,630	(67,630)	-	
Current tax liabilities	338	(15)	323	
Provisions	1,405	(19)	1,386	
Bonds, notes and subordinated debt	115,779	(2,206)	113,573	
Other debt issues	4,663	-	4,663	
of which:				
Convertible preference share	3,196	-	3,196	Row 32
Defined benefit superannuation plan liabilities	278	-	278	
External unitholders' liability	14,690	(14,690)	-	
Deferred tax liabilities	-	(1,130)	(1,130)	
Due to controlled entities	-	506	506	
Other liabilities	12,136	1,824	13,960	
Total liabilities	**798,536**	**(83,995)**	**714,541**	
Net assets	**47,478**	**1,390**	**48,868**	

	NAB Group Balance Sheet As at 31 Mar 14 $m	Adjustments $m	Level 2 Regulatory Balance Sheet As at 31 Mar 14 $m	Template Reference / Reconciliation Table
Equity				
Issues and paid-up ordinary share capital	23,616	1,521	25,137	Row 1
Other contributed equity	4,535	-	4,535	
Contributed equity	**28,151**	**1,521**	**29,672**	
General reserve for credit losses	563	-	563	
Asset revaluation reserve	79	-	79	
Foreign currency translation reserve	(1,990)	2	(1,988)	
Cash flow hedge reserve	(20)	10	(10)	Row 11
Equity-based compensation reserve	217	-	217	
Available for sale investments reserve	191	(3)	188	
Other reserves	(1,523)	9	(1,514)	Row 3
Reserves	**(960)**	**9**	**(951)**	
Retained profits	20,269	(125)	20,144	Row 2
Total equity (parent entity interest)	**47,460**	**1,405**	**48,865**	
Non-controlling interest in controlled entities	18	(15)	3	
Total equity	**47,478**	**1,390**	**48,868**	

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

Table A	As at 31 Mar 14 $m	Template Reference
Goodwill and other intangible assets	3,516	
Investment in non-consolidated entities	5,952	
Total	**9,468**	
Less		
DTL for other intangible assets	-	
Goodwill (net of related tax liability)	5,148	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,476	Row 9
Net tangible assets of investment in non-consolidated entities	**1,844**	
Add		
Insignificant equity investment in financial institutions	577	
Total equity investment in financial institutions	**2,421**	Row 26d

10.4 Material Entities Excluded from Level 2 Regulatory Balance Sheet

Table 10.4A: Insurance and Fund Management Entities

	As at 31 Mar 14	
	Total Assets	**Total Liabilities**
	$m	**$m**
National Wealth Management Holdings Limited [(1)]	9,289	2,134
National Australia Financial Management Limited	6,664	7
MLC Holdings Limited	3,838	1
MLC Investments Limited	81	10
MLC Limited	71,778	69,010
National Australia Trustees Limited	11	1

[(1)] *See Section 3 Regulatory Environment for information on the future inclusion of intermediate holding companies (principally National Wealth Management Holdings Limited) in the Level 2 Group.*

Table 10.4B: Securitisation Entities

	As at 31 Mar 14	
	Total Assets	**Total Liabilities**
	$m	**$m**
TSL (USA)	478	478
National RMBS Trust 2006-3 [(1)]	328	330
Quasar No. 14 Trust	301	301
Titan NZ (MRP Bonds) Trust	235	235
Titan NZ Funding Trust	234	234

[(1)] *This entity has negative assets due to accounting measurement differences where the hedging derivatives are measured at marked to market but the financial instruments being hedged are measured at amortised cost.*

11. Glossary

Term	Description
ABCP	Asset-Backed Commercial Paper is a form of commercial paper that is collateralised by other financial assets. It is a short-term debt instrument created by an issuing party (typically a bank or other financial institution).
ADI	Authorised Deposit-taking Institution.
Advanced IRB approach	The Advanced Internal Ratings Based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the PD, LGD and EaD models.
AMA	Advanced Measurement Approach (AMA) is the risk estimation process used for the NAB Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
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.
BIPRU	BIPRU refers to the UK PRA's requirements and guidance for accreditation under the Basel Accord. It refers to the Prudential Sourcebook for Banks, Building Societies and Investment Firms.
Board	Principal Board of Directors of NAB.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the NAB Group is exposed to, and the capital that the NAB Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
CDO	Collateralised Debt Obligation.
Central Counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer.
CLO	Collateralised Loan Obligation.
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia will establish a committed liquidity facility (CLF) as part of Australia's implementation of the Basel III liquidity reform, which will provide high-quality liquidity to commercial banks to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1	Common equity 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; share premium; retained earnings; undistributed current year earnings; as well as other elements as defined under *Prudential Standard APS111 Capital Adequacy: Measurement of Capital*.
Corporate (including SME)	Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.
Credit derivatives	Credit derivatives include single-name credit default and certain total rate of return swaps, cash funded credit linked notes and first-to-default and second-to-default credit derivative basket products. ADIs may also recognise many more complex credit derivatives that do not fall into the list above, that have been approved by APRA.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the NAB Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the NAB Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
Credit Value Adjustment (CVA)	A capital charge to reflect potential mark-to-market losses due to counterparty migration risk on bilateral OTC derivative contracts.
Default Fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a CCP's mutualised loss sharing arrangements.
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.

Term	Description
EaD	Exposure at Default (EaD) is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default. It is used in the calculation of RWA.
Economic capital	Economic capital represents the NAB Group's internal assessment of the amount of capital required to protect against potential unexpected future losses arising from its business activities, in line with its target credit rating.
ELE	The Extended Licensed Entity (ELE) comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in *Prudential Standard APS222 Associations with Related Entities*.
Eligible financial collateral	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach, for corporate, sovereign and bank portfolios, is limited to the collateral items detailed in paragraphs 4 and 23 of Attachment G of *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk*. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment, paragraph 6.
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Foundation IRB (FIRB)	Foundation Internal Ratings Based (FIRB) approach refers to an alternative approach to advanced IRB defined under the Basel Accord where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.
General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under *Prudential Standard 220 Credit Quality*.
GRCL calculation methodology	The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
Guarantees	Guarantors under the standardised approach are recognised according to *APS 112 Attachment F paragraph 3*. The secured portion of an exposure is weighted according to the risk weight appropriate to the guarantor and the unsecured portion is weighted according to the risk weight applicable to the original counterparty (Refer to Attachment A for the appropriate risk weights). Under the IRB approach, for corporate, sovereign and bank portfolios, the ADI may recognise credit risk mitigation in the form of guarantees and credit derivatives according to the FIRB substitution approach where an ADI uses supervisory estimates of LGD (refer to *APS 113 Attachment B paragraph 49*), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to *APS 113 Attachment B paragraph 60*) and, for certain exposures, a double default approach (refer to *APS 113 Attachment B paragraph 67*). An ADI may decide, separately for each eligible exposure, to apply either the relevant substitution approach or the double default approach. For retail portfolios there are two approaches for the recognition of credit risk mitigation in the form of guarantees and credit derivatives under the retail IRB approach, a substitution approach (refer to *APS 113 Attachment C paragraph 19*) and, for certain exposures, a double default approach (refer to *APS 113 Attachment C paragraph 28*). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
IAA	Internal Assessment Approach.
IFRS	International Financial Reporting Standards.
IMA	Internal Model Approach (IMA) describes the approach used in the assessment of traded market risk. The NAB Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the Standard Method.
Impaired facilities	Impaired facilities consist of Retail loans (excluding unsecured portfolio-managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and arrears of interest revenue. Unsecured portfolio managed facilities are classified as impaired assets when they become 180 days past due (if not written off) as per ARF 220 instructions; Non-retail loans that are contractually 90 days or more past due and/or sufficient doubt exists about the ultimate ability to collect principal and interest; and Impaired off-balance sheet credit exposures, where current circumstances indicate that losses may be incurred.
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.
LGD	Loss Given Default (LGD) is an estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default. It is used in the calculation of RWA.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that will apply from 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 its 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).

Term	Description
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB Group	NAB and its controlled entities.
Net Stable Funding Ratio (NSFR)	NSFR is a new 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 net of recoveries.
Non-retail credit	Non-retail credit broadly refers to credit exposure to business customers. It excludes retail credit defined below.
Non-traded book	Non-traded book refers to the investment in securities held by the NAB Group through to maturity.
Past due facilities ≥ 90 days	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
PD	Probability of Default (PD) is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the NAB Group in the next 12 months.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
RBA	Ratings-Based Approach.
Regulatory capital	Regulatory capital is the total capital held by the NAB Group as a buffer against potential losses arising from the business the NAB Group operates in. Unlike economic capital, it is calculated based on guidance and standards provided by the NAB Group's regulators, including APRA. It is designed to support stability in the banking system and protect depositors.
Regulatory expected loss	Regulatory Expected Loss (EL) is a calculation of the estimated loss that may be experienced by the NAB Group over the next 12 months. Regulatory EL calculations are based on the PD, LGD and EaD values of the portfolio at the time of the estimate which include stressed LGDs for economic conditions. As such, regulatory EL is not an estimate of long-run average expected loss.
Resecuritisation	Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.
Retail credit	For the purposes of managing credit, two broad categories are used: retail credit and non-retail credit. This reflects the different approaches to the sales and ongoing management of credit and is consistent with the approach required under the Basel Accord. Retail credit refers to the credit provided to retail or personal customers. For the purposes of regulatory capital, retail credit is categorised into four groups: residential mortgages, credit cards (or qualifying revolving credit), retail SME and other.
Risk appetite	Risk appetite defines the level of risk the NAB Group is prepared to accept as part of its business. The resulting level of risk is a direct input into the NAB Group's capital requirements.
Risk-Weighted Assets (RWA)	A quantitative measure of the NAB Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SME	Small and medium sized enterprises.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Tier 1 Capital	Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, which are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings, and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 Capital ratio	Tier 1 Capital divided by risk-weighted assets.
Tier 2 Capital	Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an entity as a going concern. It is divided into: Upper Tier 2 Capital comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument; and Lower Tier 2 Capital comprising components of capital that are not permanent.
Tier 2 Capital ratio	Tier 2 Capital 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	Value at Risk (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.

Term	Description
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.

12. Reference to APS 330 Tables

Table of Contents Reference	Title	APS 330 Reference
Table 4.1A	Risk-Weighted Assets	APS 330 Table 6b-f
Table 4.1B	Capital Ratios	APS 330 Table 6g
Table 4.2A	Regulatory Capital Structure – Summary	n/a
Table 5.1A	Credit Risk Exposures Summary	APS 330 Table 7i
Table 5.1B	Total and Average Credit Risk Exposures	APS 330 Table 7b
Table 5.1C	Exposures by Geography	APS 330 Table 7c
Table 5.1D	Exposures by Industry	APS 330 Table 7d
Table 5.1E	Exposures by Maturity	APS 330 Table 7e
Table 5.1F	Provisions by Asset Class	APS 330 Table 9e
Table 5.1G (i)	Loss Experience	APS 330 Table 9f
Table 5.1G (ii)	Accuracy of Risk Estimates – PD and EaD	APS 330 Table 9f
Table 5.1G (iii)	Accuracy of Risk Estimates – LGD	APS 330 Table 9f
Table 5.1H	Provisions by Industry	APS 330 Table 7f
Table 5.1I	Provisions by Geography	APS 330 Table 7g
Table 5.1J	Movement in Provisions	APS 330 Table 7h
Table 5.2A	Standardised Exposures by Risk Weight	APS 330 Table 8b
Table 5.2B	Standardised Exposures by Risk Grade	n/a
Table 5.2C	Supervisory Slotting by Risk Weight	APS 330 Table 8b
Table 5.3A	Non-Retail Exposure by Risk Grade	APS 330 Table 9d
Table 5.3B	Retail Exposure by Risk Grade	APS 330 Table 9d
Table 5.4A	Mitigation by Eligible Collateral	APS 330 Table 10b
Table 5.4B	Mitigation by Guarantees and Credit Derivatives	APS 330 Table 10c
Table 6.1A	Total Securitisation Exposures	n/a
Table 6.1B	Type of Exposure	APS 330 Table 12k
Table 6.1C	Recent Third Party Securitisation Activity	n/a
Table 6.1D	Exposures by Risk Weight	APS 330 Table 12l
Table 6.1E	Exposures Deducted from Capital	APS 330 Table 12l
Table 6.2A	Assets Securitised by the Level 2 Group	APS 330 Table 12g & h
Table 6.2B	Recent Securitisation Activity	APS 330 Table 12j
Disclosure 6.2C	Securitisation Subject to Early Amortisation	APS 330 Table 12m
Disclosure 6.2D	Forthcoming Securitisation Activity by the Level 2 Group	APS 330 Table 12i
Disclosure 6.2E	Credit Risk Mitigation and Guarantors	APS 330 Table 12n
n/a	n/a	APS 330 Table 12o – w
Table 7.1A	Standard Method Risk-Weighted Assets	APS 330 Table 13b
Table 7.1B	Total Risk-Weighted Assets	n/a
Table 7.1C	Internal Model Approach Value at Risk	APS 330 Table 14d
Table 7.1D	Internal Model Approach Stressed Value at Risk	APS 330 Table 14d
Table 7.1E	Back-testing Results	APS 330 Table 14d
Table 8A	Total Risk-Weighted Assets	n/a
Table 9.1A	Interest Rate Risk in the Banking Book	APS 330 Table 17b
Table 9.1B	Total Risk-Weighted Assets	n/a
Table 9.2A	Equities Banking Book Position	APS 330 Table 16b-c
Table 9.2B	Gains and Losses on Equities Investments	APS 330 Table 16d-e
Disclosure 9.2C	Equity Investments Subject to Grandfathering Provision	APS 330 Table 16f
Table 10.1	Common Disclosure Template – Regulatory Capital	APS 330 Attachment A
Table 10.2	Level 2 Regulatory Balance Sheet	APS 330 Para 11a, 11c, 11d
Table 10.3	Reconciliation between the Common Disclosure Template and Level 2 Regulatory Balance Sheet	APS 330 Para 11d
Table 10.4A	Insurance and Fund Management Entities	APS 330 Para 11b, Para 12
Table 10.4B	Securitisation Entities	APS 330 Para 11b, Para 12