



Pillar 3 Report

as at 31 December 2024

Incorporating the requirements of APS 330



Table of contents

Section 1 Introduction	2
Section 2 Capital	3
Section 3 Credit risk	5
Section 4 Securitisation	9
Section 5 Liquidity Coverage Ratio	10
Glossary	11

Introduction

National Australia Bank Limited (NAB) is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959* (Cth). This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*, which requires disclosure of information to the market to contribute to the transparency of financial markets and to enhance market discipline.

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

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

Capital adequacy methodologies

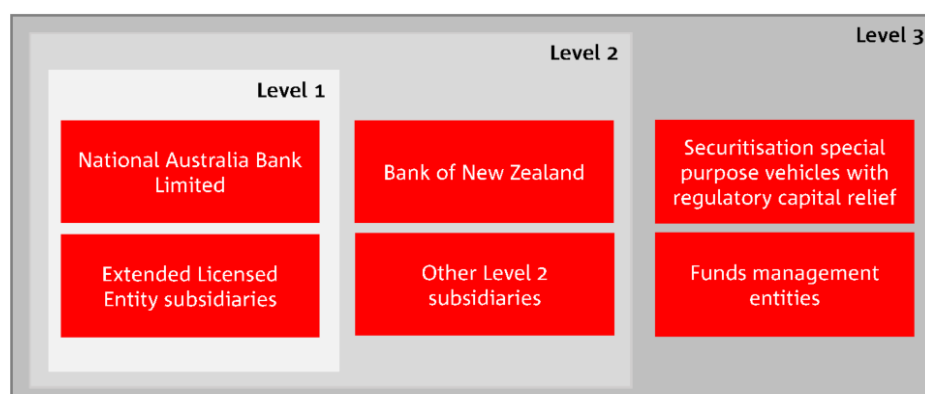
The Group uses the following approaches to measure capital adequacy as at 31 December 2024.

Credit risk	Operational risk	Non-traded market risk	Traded market risk
Internal Ratings-based Approach (IRB) ⁽¹⁾	Standardised Measurement Approach (SMA)	Internal Model Approach (IMA)	Internal Model Approach (IMA) and standard method

(1) The Group has received IRB accreditation from APRA and applies the advanced IRB, foundation IRB, supervisory slotting and standardised approaches to different portfolios. Risk-weighted assets (RWA) and expected loss for the Group's banking subsidiary regulated by the Reserve Bank of New Zealand (RBNZ), Bank of New Zealand (BNZ), are calculated using RBNZ prudential requirements, with the exception of scaling factors and the capital floor which are applied under APRA requirements. BNZ has received IRB accreditation from the RBNZ and applies the internal ratings-based approach, supervisory slotting estimates and standardised approach to different portfolios.

Scope of application

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



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

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

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

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

Capital

Capital adequacy

The following table provides RWA for each risk type.

	As at	
	31 Dec 24	30 Sep 24
	\$m	\$m
Credit risk		
Subject to advanced IRB approach		
Corporate (including small and medium-sized enterprises (SME))	108,155	104,089
Retail SME	10,757	10,327
Residential mortgage	107,247	104,004
Qualifying revolving retail	2,716	2,682
Other retail	1,921	1,922
Subject to foundation IRB approach		
Corporate	20,936	20,950
Sovereign	1,846	1,617
Financial institution	22,789	19,068
Total IRB approach	276,367	264,659
Specialised lending	2,898	2,609
Subject to standardised approach		
Corporate	7,897	7,693
Residential mortgage	3,003	3,212
Other retail	6,065	6,041
Other ⁽¹⁾	4,018	4,355
Total standardised approach	20,983	21,301
RBNZ regulated banking subsidiary	51,951	51,899
Other		
Securitisation exposures	5,596	5,369
Credit valuation adjustment	6,318	5,054
Total other	11,914	10,423
Total credit risk	364,113	350,891
Market risk	12,863	11,427
Operational risk	37,985	36,102
Interest rate risk in the banking book	14,167	15,526
Total RWA	429,128	413,946

(1) Other subject to the standardised approach consists of cash items in the process of collection, premises and other fixed assets, and all other exposures, and includes \$102 million for equity exposures (30 September 2024: \$102 million).

Capital

The following tables provide the capital ratios and leverage ratio.

Capital ratios	As at	
	31 Dec 24	30 Sep 24
	%	%
Level 2 Common Equity Tier 1	11.6	12.4
Level 2 Tier 1	13.9	14.7
Level 2 Total	20.2	20.9
Level 1 Common Equity Tier 1	11.4	12.1
Level 1 Tier 1	13.9	14.7
Level 1 Total	20.8	21.5

Leverage ratio	As at			
	31 Dec 24	30 Sep 24	30 Jun 24	31 Mar 24
	\$m	\$m	\$m	\$m
Tier 1 capital	59,567	60,728	63,276	61,133
Total exposures	1,231,826	1,191,855	1,188,241	1,198,406
Leverage ratio (%)	4.8%	5.1%	5.3%	5.1%

Credit risk

Credit risk exposures

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

Exposure type	As at 31 Dec 24				3 months ended
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	31 Dec 24
	\$m	\$m	\$m	\$m	Average exposure at default \$m
Subject to advanced IRB approach					
Corporate (including SME)	186,018	28,241	3,642	217,901	214,416
Retail SME	17,280	7,571	-	24,851	24,799
Residential mortgage	356,653	58,862	-	415,515	413,117
Qualifying revolving retail	4,308	5,128	-	9,436	9,354
Other retail	1,392	347	-	1,739	1,746
Subject to foundation IRB approach					
Corporate	18,539	13,662	5,982	38,183	37,954
Sovereign	169,902	728	2,790	173,420	167,764
Financial institution	32,487	19,800	26,683	78,970	71,986
Total IRB approach	786,579	134,339	39,097	960,015	941,136
Specialised lending	2,426	1,260	118	3,804	3,496
Subject to standardised approach					
Corporate	6,383	2,774	3,368	12,525	12,411
Residential mortgage	6,389	651	-	7,040	7,292
Other retail	5,313	3,251	-	8,564	8,537
Other	5,910	-	-	5,910	6,158
Total standardised approach	23,995	6,676	3,368	34,039	34,398
RBNZ regulated banking subsidiary	113,747	8,815	4,015	126,577	125,593
Total exposure at default	926,747	151,090	46,598	1,124,435	1,104,623

Credit risk (cont.)

Exposure type	As at 30 Sep 24				3 months ended
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	30 Sep 24
	\$m	\$m	\$m	\$m	Average exposure at default \$m
Subject to advanced IRB approach					
Corporate (including SME)	181,410	26,541	2,981	210,932	208,705
Retail SME	17,379	7,367	-	24,746	24,797
Residential mortgage	351,276	59,442	-	410,718	404,763
Qualifying revolving retail	4,065	5,208	-	9,273	9,296
Other retail	1,391	361	-	1,752	1,745
Subject to foundation IRB approach					
Corporate	18,317	13,196	6,213	37,726	37,870
Sovereign	159,291	839	1,978	162,108	160,712
Financial institution	29,985	17,619	17,397	65,001	66,834
Total IRB approach	763,114	130,573	28,569	922,256	914,722
Specialised lending	2,363	696	129	3,188	3,426
Subject to standardised approach					
Corporate	6,618	2,422	3,257	12,297	12,450
Residential mortgage	6,841	704	-	7,545	12,200
Other retail	5,295	3,215	-	8,510	8,512
Other	6,406	-	-	6,406	6,926
Total standardised approach	25,160	6,341	3,257	34,758	40,088
RBNZ regulated banking subsidiary	112,758	8,368	3,483	124,609	123,252
Total exposure at default	903,395	145,978	35,438	1,084,811	1,081,488

Credit risk (cont.)

Credit provisions and losses

The following table provides information on asset quality.

Exposure type	As at 31 Dec 24			3 months ended 31 Dec 24	
	Non-performing exposures \$m	Provision for non-performing exposures ⁽¹⁾ \$m	Of which: Individually assessed provision for credit impairment \$m	Individually assessed credit impairment charge \$m	Net write-offs \$m
Subject to advanced IRB approach					
Corporate (including SME)	3,419	903	465	45	10
Retail SME	1,202	285	138	37	25
Residential mortgage	4,663	459	45	8	10
Qualifying revolving retail	46	21	-	26	20
Other retail	59	38	2	14	19
Subject to foundation IRB approach					
Corporate	15	2	1	-	-
Financial institution	51	13	9	-	-
Total IRB approach	9,455	1,721	660	130	84
Specialised lending	-	-	-	-	-
Subject to standardised approach					
Corporate	104	31	23	(2)	-
Residential mortgage	110	14	1	-	-
Other retail	87	31	-	22	23
Total standardised approach	301	76	24	20	23
RBNZ regulated banking subsidiary	940	189	106	2	10
Total	10,696	1,986	790	152	117
Provision for performing exposures⁽²⁾		4,074			
Total provision for credit impairment on loans at amortised cost		6,060			

(1) Provision for non-performing exposures represents Stage 3 expected credit losses, which are individually and collectively assessed.

(2) Provision for performing exposures represents Stage 1 and Stage 2 expected credit losses, which are collectively assessed.

Credit risk (cont.)

Exposure type	As at 30 Sep 24			3 months ended 30 Sep 24	
	Non-performing exposures	Provision for non-performing exposures ⁽¹⁾	Of which: Individually assessed provision for credit impairment	Individually assessed credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Subject to advanced IRB approach					
Corporate (including SME)	3,134	847	433	211	31
Retail SME	1,161	270	120	6	20
Residential mortgage	4,533	395	47	9	6
Qualifying revolving retail	36	14	-	26	20
Other retail	58	37	2	12	18
Subject to foundation IRB approach					
Corporate	4	2	2	(1)	-
Financial institution	28	11	9	1	-
Total IRB approach	8,954	1,576	613	264	95
Specialised lending	-	-	-	5	6
Subject to standardised approach					
Corporate	86	31	26	-	-
Residential mortgage	106	13	1	-	-
Other retail	85	36	-	25	26
Total standardised approach	277	80	27	25	26
RBNZ regulated banking subsidiary	999	199	116	33	12
Total	10,230	1,855	756	327	139
Provision for performing exposures⁽²⁾		4,066			
Total provision for credit impairment on loans at amortised cost		5,921			

(1) Provision for non-performing exposures represents Stage 3 expected credit losses, which are individually and collectively assessed.

(2) Provision for performing exposures represents Stage 1 and Stage 2 expected credit losses, which are collectively assessed.

Securitisation

Recent securitisation activity

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

Underlying asset	3 months ended 31 Dec 24			Gain or loss on sale
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgages	(195)	(23)	(175)	-

Underlying asset	3 months ended 30 Sep 24			Gain or loss on sale
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgages	(351)	(203)	62	-

Securitisation exposures retained or purchased

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

Securitisation exposure type	As at 31 Dec 24			As at 30 Sep 24		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Liquidity facilities	327	1,089	1,416	272	1,117	1,389
Warehouse facilities	17,246	6,944	24,190	18,636	6,477	25,113
Securities	4,843	-	4,843	5,372	-	5,372
Derivatives	-	28	28	-	34	34
Total	22,416	8,061	30,477	24,280	7,628	31,908

The Group had \$443 million of derivative exposures to third party securitisation vehicles held in the trading book as at 31 December 2024 (30 September 2024: \$666 million).

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) for the three months ended 31 December 2024 and 30 September 2024 presented in the disclosure template below is based on a simple average of daily LCR outcomes, excluding non-business days. There were 64 daily LCR data points used in calculating the average for the current quarter and 66 in the previous quarter.

Average LCR for the three months ended 31 December 2024 increased from 137% to 139% driven by a decrease in average net cash outflows of \$2.5 billion, which was partially offset by a decrease in liquid assets of \$1.0 billion.

The decrease in average net cash outflows was due to fewer unsecured wholesale deposits falling in the 30-day liquidity stress period, as well as higher cash inflows from performing loans. These decreases in average net cash outflows were partially offset by increased cash outflows from credit and liquidity facilities.

Liquidity Coverage Ratio disclosure template

	3 months ended			
	31 Dec 24		30 Sep 24	
	Unweighted value (average) ⁽¹⁾	Weighted value (average)	Unweighted value (average) ⁽¹⁾	Weighted value (average)
	\$m	\$m	\$m	\$m
Liquid assets, of which:		213,659		214,662
1 High-quality liquid assets (HQLA) ⁽²⁾⁽³⁾		211,705		212,400
2 Alternative liquid assets (ALA) ⁽³⁾		-		-
3 Reserve Bank of New Zealand (RBNZ) securities ⁽²⁾⁽³⁾		1,954		2,262
Cash outflows				
4 Retail deposits and deposits from small business customers	291,167	29,694	286,005	29,101
5 of which: stable deposits	131,596	6,580	129,441	6,472
6 of which: less stable deposits	159,571	23,114	156,564	22,629
7 Unsecured wholesale funding	171,542	82,291	178,708	84,817
8 of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	87,546	21,887	85,926	21,481
9 of which: non-operational deposits (all counterparties)	70,276	46,684	78,887	49,441
10 of which: unsecured debt	13,720	13,720	13,895	13,895
11 Secured wholesale funding ⁽³⁾		14,812		15,058
12 Additional requirements	214,877	42,385	214,238	41,109
13 of which: outflows related to derivatives exposures and other collateral requirements	12,706	12,700	12,632	12,629
14 of which: outflows related to loss of funding on debt products	-	-	-	-
15 of which: credit and liquidity facilities	202,171	29,685	201,606	28,480
16 Other contractual funding obligations	231	231	81	81
17 Other contingent funding obligations	87,666	5,700	87,070	5,834
18 Total cash outflows		175,113		176,000
Cash inflows				
19 Secured lending (e.g. reverse repos)	53,301	5,338	50,074	5,345
20 Inflows from fully performing exposures	20,311	13,128	20,074	12,359
21 Other cash inflows	2,417	2,411	1,580	1,579
22 Total cash inflows	76,029	20,877	71,728	19,283
23 Total liquid assets		213,659		214,662
24 Total net cash outflows		154,236		156,717
25 Liquidity Coverage Ratio (%)		139%		137%

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

(2) Weighted values exclude New Zealand dollar (NZD) liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations. The amount excluded during the three months to 31 December 2024 and 30 September 2024 was on average \$7.8 billion and \$7.0 billion, respectively.

(3) Disclosed on a weighted basis only, consistent with the disclosure template prescribed by APS 330.

Glossary

Additional Tier 1 capital

Comprises high quality components of capital that satisfy the following characteristics:

- provide a permanent and unrestricted commitment of funds.
- are freely available to absorb losses.
- rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer.
- provide for fully discretionary capital distributions.

ADI

Authorised Deposit-taking Institution.

Advanced Internal Ratings-based Approach (Advanced IRB)

The approach used by the Group, under approval from APRA, to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, loss given default and exposure at default.

APRA

Australian Prudential Regulation Authority.

APS

Prudential Standards issued by APRA applicable to ADIs.

Bank of New Zealand (BNZ)

Bank of New Zealand, a banking subsidiary regulated by the Reserve Bank of New Zealand.

Banking book

Exposures not contained in the trading book.

Common Equity Tier 1 (CET1) capital

The highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 'Capital Adequacy: Measurement of Capital'.

Common Equity Tier 1 capital ratio

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

Corporate

The corporate asset class in the credit risk disclosures consists of corporations, partnerships, public sector entities and any other credit exposure not classified elsewhere.

Credit valuation adjustment

A capital charge to reflect potential mark-to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.

Default

Default occurs when a loan obligation is contractually 90 days or more past due, or when it is considered unlikely that the credit obligation will be paid in full without remedial action, such as realisation of security.

Eligible financial collateral (EFC)

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

Exposure at default (EaD)

An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral, except where indicated.

Extended Licensed Entity

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

Foundation Internal Ratings-based Approach (Foundation IRB)

An approach to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, and supervisory estimates for loss given default and exposure at default.

Group

NAB and its controlled entities.

High-quality liquid assets (HQLA)

Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 'Liquidity'.

Individually assessed provision for credit impairment

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

Internal Model Approach (IMA) - Non-traded Market Risk

The approach used by the Group, under approval from APRA, to calculate the capital requirement for non-traded market risk. The IMA is used to calculate interest rate risk in the banking book for transactions in the banking book.

Internal Model Approach (IMA) - Traded Market Risk

The approach used by the Group, under approval from APRA, to calculate the capital requirement for traded market risk. The IMA is used to calculate general market risk for transactions in the trading book, other than those covered by the standard method.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

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

Loss given default (LGD)

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

NAB

National Australia Bank Limited ABN 12 004 044 937.

Net write-offs

Write-offs, net of recoveries.

Non-performing exposures

Exposures which are in default aligned to the definition in APS 220 'Credit Risk Management'.

Probability of default (PD)

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

Qualifying revolving retail

Revolving exposures to individuals less than \$100,000, unsecured and unconditionally cancellable by the Group.

RBNZ

Reserve Bank of New Zealand.

Risk-weighted assets (RWA)

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

RMBS

Residential mortgage-backed securities.

Securitisation exposures

Include the following exposure types:

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

SME

Small and medium-sized enterprises.

SPV

Special purpose vehicle.

Standard method

An alternative approach used to calculate the capital requirement for traded market risk, which applies supervisory risk-weights to positions arising from trading activities.

Standardised approach

An alternative approach used to calculate the capital requirement for credit risk, which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

Standardised Measurement Approach (SMA)

An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure.

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio

Tier 1 capital divided by risk-weighted assets.

Tier 2 capital

Includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Total capital

The sum of Tier 1 capital and Tier 2 capital.

Total capital ratio

Total capital divided by risk-weighted assets.

Trading book

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

Write-offs

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

