National Australia Bank

PILLAR 3 REPORT 2018

Incorporating the requirements of APS 330

First Quarter Update as at 31 December 2017

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National Australia Bank Limited ABN 12 004 044 937

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Section 1

Introduction

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

In Australia, the Australian Prudential Regulation Authority (APRA) has 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 and liquidity adequacy, having regard to the operating environment. The report also addresses the requirements of APRA's *Prudential Standard APS 330: Public Disclosure (APS 330)*.

All figures in this report are in Australian dollars (AUD) unless otherwise noted. Disclosures in this report are based on the APRA Basel III standards that have applied since 1 January 2013, except for market risk Risk Weighted Assets (RWA) 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 10.2% at 31 December 2017 is consistent with the NAB Group's objective of maintaining a strong capital position.

	As at	
	31 Dec 17	30 Sep 17
Capital ratios (Level 2)	%	%
Common Equity Tier 1	10.2	10.1
Tier 1	12.6	12.4
Total	14.6	14.6

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

1.1 The NAB Group's Capital Adequacy Methodologies

The majority of the NAB Group's businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom and the United States of America. The following table sets out the NAB Group's approach to applying measures resulting from the Basel Accord, as applied across the NAB Group as at 31 December 2017.

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

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

(1) IRB: Internal Ratings Based approach
(2) AMA: Advanced Measurement Approach
(3) IRRBB: Interest Rate Risk in the Banking Book
(4) IMA: Internal Models Approach

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

1.2 APS 330 Disclosure Governance

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

Section 2

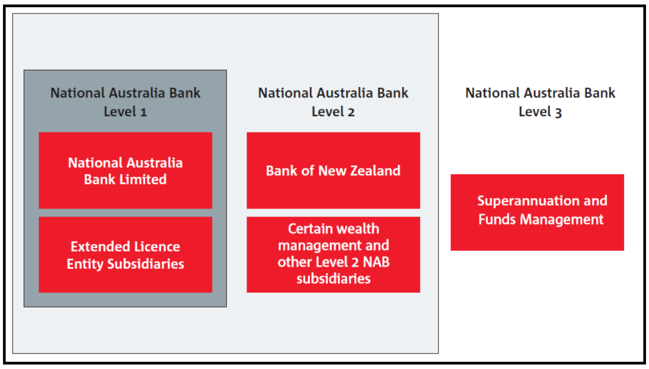
Scope of Application

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

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

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

NAB Group Consolidation for Regulatory Purposes



The controlled entities in the Level 2 Group include BNZ and other financial entities such as broking, wealth advisory and leasing companies.

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

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

Section 3

Capital

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

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

	As at 31 Dec 17 RWA $m	30 Sep 17 RWA $m
Credit risk (1)		
IRB approach		
Corporate (including SME) (2)	112,300	115,831
Sovereign	1,310	1,306
Bank	10,237	10,998
Residential mortgage	101,566	100,741
Qualifying revolving retail	4,104	4,062
Retail SME	5,891	5,949
Other retail	3,491	3,484
Total IRB approach	**238,899**	**242,371**
Specialised lending (SL)	**58,493**	**58,902**
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	1,570	2,414
Corporate	4,459	4,462
Other	512	521
Total standardised approach	**6,541**	**7,397**
Other		
Securitisation	2,888	3,380
Credit Value Adjustment	8,193	9,001
Central counterparty default fund contribution guarantee	1,070	1,005
Other (3)	4,622	3,913
Total other	**16,773**	**17,299**
Total credit risk	**320,706**	**325,969**
Market risk	8,657	7,766
Operational risk	37,546	37,575
Interest rate risk in the banking book	9,715	10,804
Total risk-weighted assets	**376,624**	**382,114**

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

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

(3) *'Other' includes non-lending asset exposures. December 2017 includes an RBNZ overlay adjustment required to maintain a minimum risk profile for the NZ Agri portfolio.*

Capital ratios (Level 2)	As at 31 Dec 17 %	30 Sep 17 %
Common Equity Tier 1	10.2	10.1
Tier 1	12.6	12.4
Total	14.6	14.6

Leverage ratio	As at 31 Dec 17 $m	30 Sep 17 $m	30 Jun 17 $m	31 Mar 17 $m
Tier 1 Capital	47,396	47,417	46,051	46,842
Total exposures	870,574	856,241	866,186	850,796
Leverage ratio (%)	**5.4%**	**5.5%**	**5.3%**	**5.5%**

Section 4

Credit Risk Exposures

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

This table provides the credit risk exposure subject to the Standardised and Advanced IRB approaches. The Level 2 Group has no credit risk exposures subject to the Foundation IRB Approach.

Gross credit risk exposure refers to the potential exposure as a result of a counterparty default prior to the application of credit risk mitigation. It is defined as the outstanding amount on drawn commitments plus a credit conversion factor on undrawn commitments on a given facility. For derivatives, exposure is defined as the mark-to-market plus a potential value of future movements. This table includes total Exposure at Default (EaD) net of eligible financial collateral (EFC). The average credit risk exposure is the simple average of the gross credit risk exposure at the beginning and end of the reporting period.

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

	As at 31 Dec 17					3 months ended 31 Dec 17
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure gross of EFC	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	142,375	65,073	81,042	288,490	220,467	287,383
Sovereign	68,872	340	17,678	86,890	72,667	83,214
Bank	23,376	3,644	35,682	62,702	35,844	60,890
Residential mortgage	327,683	49,235	-	376,918	376,918	375,269
Qualifying revolving retail	6,029	5,690	-	11,719	11,719	11,647
Retail SME	12,422	3,942	-	16,364	16,358	16,353
Other retail	3,267	1,184	-	4,451	4,448	4,458
Total IRB approach	**584,024**	**129,108**	**134,402**	**847,534**	**738,421**	**839,214**
Specialised lending (SL)	**56,843**	**10,527**	**753**	**68,123**	**67,483**	**68,347**
Standardised approach						-
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	2,128	112	-	2,240	2,239	3,273
Corporate	7,451	531	54,874	62,856	12,421	66,093
Other	1,133	1	-	1,134	1,121	1,152
Total standardised approach	**10,712**	**644**	**54,874**	**66,230**	**15,781**	**70,518**
Total exposure (EaD)	**651,579**	**140,279**	**190,029**	**981,887**	**821,685**	**978,079**

	As at 30 Sep 17					3 months ended 30 Sep 17
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure gross of EFC	Total exposure net of EFC	Average total exposure gross of EFC
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	142,823	64,886	78,568	**286,277**	**222,458**	286,570
Sovereign	64,403	444	14,690	**79,537**	**67,085**	84,012
Bank	23,956	3,514	31,608	**59,078**	**36,187**	61,375
Residential mortgage	324,322	49,298	-	**373,620**	**373,620**	371,855
Qualifying revolving retail	5,806	5,768	-	**11,574**	**11,574**	11,597
Retail SME	12,431	3,911	-	**16,342**	**16,338**	16,374
Other retail	3,251	1,214	-	**4,465**	**4,462**	4,557
Total IRB approach	**576,992**	**129,035**	**124,866**	**830,893**	**731,724**	**836,340**
Specialised lending (SL)	**57,082**	**10,740**	**750**	**68,572**	**67,824**	**68,191**
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,191	115	-	**4,306**	**4,262**	4,374
Corporate	7,223	535	61,571	**69,329**	**12,038**	70,861
Other	1,169	1	-	**1,170**	**1,116**	1,189
Total standardised approach	**12,583**	**651**	**61,571**	**74,805**	**17,416**	**76,424**
Total exposure (EaD)	**646,657**	**140,426**	**187,187**	**974,270**	**816,964**	**980,955**

Section 5

Credit Provision and Losses

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

The following tables set out information on credit risk provision by Basel Accord asset class, excluding non-lending assets and securitisation exposures. Definitions of impairment and past due facilities are based on *APS 220: Credit Quality*. This standard also provides guidance for provisioning, estimated future credit losses and the General Reserve for Credit Losses (GRCL).

	As at 31 Dec 17			3 months ended 31 Dec 17	
	Impaired facilities[(1)]	**Past due facilities ≥90 days**	**Specific provisions**[(2)]	**Charges for specific provisions**	**Net write-offs**[(3)]
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	999	163	477	12	22
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	282	1,804	88	12	9
Qualifying revolving retail	-	60	-	40	38
Retail SME	70	96	36	7	8
Other retail	4	53	3	26	30
Total IRB approach	**1,355**	**2,176**	**604**	**97**	**107**
Specialised lending (SL)	**183**	**66**	**71**	**8**	**-**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	10	11	5	2	-
Corporate	1	1	9	1	1
Other	-	-	-	-	-
Total standardised approach	**11**	**12**	**14**	**3**	**1**
Total	**1,549**	**2,254**	**689**	**108**	**108**

General reserve for credit losses			**2,411**

(1) *Impaired facilities includes $35 million of restructured loans (September 2017: $nil).*
Corporate (incl SME) impaired facilities includes $62 million (NZ$69 million) of BNZ dairy exposures currently assessed as no loss based on security held (September 2017: $205 million (NZ$222 million)). Collective provisions are held against these loans.
Impaired facilities includes $20 million of gross impaired loans at fair value (September 2017: $34 million).

(2) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. For regulatory reporting collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, are treated as regulatory specifics and total $422 million (September 2017: $404 million). This value is in addition to the $689 million of specific provisions (September 2017: $691 million) shown above. Specific provisions includes $1 million (September 2017: $2 million) of specific provisions on gross impaired loans at fair value.*

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

	As at 30 Sep 17			3 months ended 30 Sep 17	
	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)	1,183	175	489	22	60
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	305	1,757	87	13	33
Qualifying revolving retail	-	62	-	47	47
Retail SME	71	90	39	8	11
Other retail	4	53	3	28	35
Total IRB approach	**1,563**	**2,137**	**618**	**118**	**186**
Specialised lending (SL)	**151**	**84**	**62**	**4**	**4**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	9	11	4	-	-
Corporate	1	13	7	3	1
Other	-	-	-	-	-
Total standardised approach	**10**	**24**	**11**	**3**	**1**
Total	**1,724**	**2,245**	**691**	**125**	**191**

General reserve for credit losses			**2,394**	

Section 6

Securitisation

Third Party Securitisation Exposures [APS 330 Attachment C, Table 5b]

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: Securitisation*. 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: Securitisation*. The table below breaks down the securitisation exposures by type of facility as defined in the glossary.

	As at 31 Dec 17			As at 30 Sep 17		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
Securitisation exposure type	$m	$m	$m	$m	$m	$m
Liquidity facilities	47	1,677	1,724	20	1,737	1,757
Warehouse facilities	7,365	3,240	10,605	7,738	2,467	10,205
Credit enhancements	-	-	-	-	-	-
Derivative transactions	148	-	148	172	-	172
Securities	9,153	-	9,153	10,379	-	10,379
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	**16,713**	**4,917**	**21,630**	**18,309**	**4,204**	**22,513**

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

This table provides information about new securitisation facilities provided in three months to reporting period.

	Notional amount of facilities provided	
	3 months ended 31 Dec 17	3 months ended 30 Sep 17
Securitisation exposure type	$m	$m
Liquidity facilities	367	30
Warehouse facilities	421	197
Credit enhancements	-	-
Derivative transactions	58	16
Securities	478	1,016
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	**1,324**	**1,259**

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

This table may include assets which are sold to securitisation SPVs:

- That issue securities which meet the Reserve Bank of Australia's repurchase eligibility criteria.
- Which otherwise do not result in significant risk transfer and are considered on-balance sheet for regulatory purposes.
- Or in which significant risk transfer has taken place and which are considered off-balance sheet for regulatory purposes. The Level 2 Group may retain an exposure to securitisation SPVs which are considered off-balance sheet for regulatory purposes.

	3 months ended 31 Dec 17			3 months ended 30 Sep 17		
	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
Underlying asset [(1)]	$m	$m	$m	$m	$m	$m
Residential mortgage	2,775	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**2,775**	**-**	**-**	**-**	**-**	**-**

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

Section 7

Glossary

Term	Description
90 + days past due facilities	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Asset-Backed Commercial Paper (ABCP)	ABCP being a form of commercial paper that is collateralised by other financial assets. It is a short-term debt instrument created by an issuing party (typically a bank or other financial institution).
Additional regulatory specific provisions	That portion of collective provisions covering facilities where any assessment of probability of default or loss would give rise to a reasonable expectation that the facilities in question will need in the short term to be subject to a write-down or write-off, or assessment for impairment on an individual facility basis.
ADI	Authorised Deposit-taking Institution.
Advanced Internal Ratings Based (IRB) approach	The Advanced IRB approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	AMA is the risk estimation process used for the NAB Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
ADI Prudential Standards (APS)	Prudential Standards issued by APRA applicable to ADIs.
Basel Accord	The Basel regulatory framework (which includes Basel II, Basel 2.5 and Basel III) is the global benchmark for assessing banks' capital adequacy. The guidelines are aimed at promoting a more resilient banking system through the development of capital adequacy standards that are more accurately aligned with the individual risk profile of institutions, by offering greater flexibility for supervisors to recognise and encourage the use of more sophisticated risk management techniques.
Board	Board of Directors of NAB.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the NAB Group is exposed to, and the capital that the NAB Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
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.
Common Equity Tier 1 (CET1) Capital	Common Equity Tier 1 (CET1) Capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Corporate (including SME)	Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the NAB Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the NAB Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
Credit Value Adjustment (CVA)	CVA is a capital charge to reflect potential mark-to-market losses due to counterparty migration risk on bilateral OTC derivative contracts.
Default Fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a CCP's mutualised loss sharing arrangements.
Derivative transactions	In relation to securitisation exposures, derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
Exposure at Default (EaD)	EaD is an estimate of the credit exposure amount NAB Group may be exposed consequent to default of an obligor. It is used in the calculation of RWA.
Eligible financial collateral (EFC)	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach is limited to the collateral items detailed in *Attachment H* of *APS 112*. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment.
Extended Licensed Entity	The Extended Licensed Entity comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in *Prudential Standard APS 222 Associations with Related Entities.*
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Foundation Internal Ratings Based (IRB) approach	Foundation IRB approach refers to an alternative approach to advanced IRB defined under the Basel Accord where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.
General Reserve for Credit Losses (GRCL)	GRCL is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets; as set out under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes.
GRCL calculation methodology	The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
IFRS	International Financial Reporting Standards.
Internal Model Approach (IMA)	IMA describes the approach used in the assessment of traded market risk. The NAB Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the Standard Method.

Term	Description
Impaired facilities	Impaired facilities consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue. - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest. - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. - Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
IRRBB	Interest rate risk in the banking book.
Level 2 Group	The Level 2 Group, being NAB and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application* of this report.
Level 3 conglomerate Group	Contains APRA-regulated entities with material operations across more than one APRA-regulated industry and/or unregulated entities.
Leverage ratio	The leverage ratio is a simple, transparent; non-risk based supplementary measure that use exposures to supplement the risk-weighted assets based capital requirements and is prepared in accordance with APRA's *Prudential Standard APS110: Capital Adequacy.*
Loss Given Default (LGD)	LGD is an estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default. It is used in the calculation of RWA.
Liquidity 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).
NAB Group	NAB and its controlled entities.
Net write-offs	Write-offs on loans at amortised cost and fair value loans net of recoveries.
Probability of Default (PD)	PD is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the NAB Group in the next 12 months.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
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.
Risk-Weighted Assets (RWA)	RWA is a quantitative measure of the NAB Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
Securitisation	Structured finance technique which involves pooling, packaging cash-flows and converting financial assets into securities that can be sold to investors.
SME	Small and medium sized enterprises.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation.
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 Common Equity Tier 1 (CET1) Capital and instruments issued by the NAB Group that meet the criteria for inclusion as Addition Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital.
Tier 1 Capital ratio	Tier 1 Capital as defined by APRA divided by RWA.
Tier 2 Capital	Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Tier 2 Capital ratio	Tier 2 Capital as defined by APRA divided by RWA.
Total Capital	Total capital is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA.
Total Capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
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.