



Thursday, 4 May 2017

ASX ANNOUNCEMENT

NAB March 2017 Half Year Pillar 3 Report

National Australia Bank Limited (NAB) today released its March Half Year Pillar 3 Report, as required under the Australian Prudential Regulation Authority Prudential Standard APS 330: Public Disclosure.

The Pillar 3 Report should be read in conjunction with the NAB Group's March 2017 Half Year Results Announcement. The report is attached to this announcement and available at:

<http://www.nab.com.au/about-us/shareholder-centre/regulatory-disclosures>

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PILLAR 3 REPORT 2017



National
Australia
Bank



Neville Mock,
Mock Red Hill

Incorporating the requirements of APS 330

Half Year Update as at 31 March 2017

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Section 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 have applied since 1 January 2013, except for market risk Risk-Weighted Assets (RWA), which are calculated on a Basel 2.5 basis for each period presented.

Capital Ratio Summary

The NAB Group's Common Equity Tier 1 (CET1) Capital ratio of 10.11% at 31 March 2017 is consistent with the NAB Group's objective of maintaining a strong capital position.

Capital ratios	As at	
	31 Mar 17	30 Sep 16
	%	%
Common Equity Tier 1 capital ratio	10.11	9.77
Tier 1	12.51	12.19
Total	14.71	14.14

The NAB Group maintains a strong capital, funding and liquidity position, in line with its ongoing commitment to maintain balance sheet strength.

Over the six months ended 31 March 2017, the NAB Group has accessed a diverse range of funding and capital options across various senior, subordinated and secured debt markets.

The NAB Group remains vigilant in its evaluation of the economic and regulatory environment, with the objective of ensuring that the NAB Group's balance sheet remains strong to enable it 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. The following table sets out the NAB Group's approach to applying

measures resulting from the Basel Accord, at 31 March 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

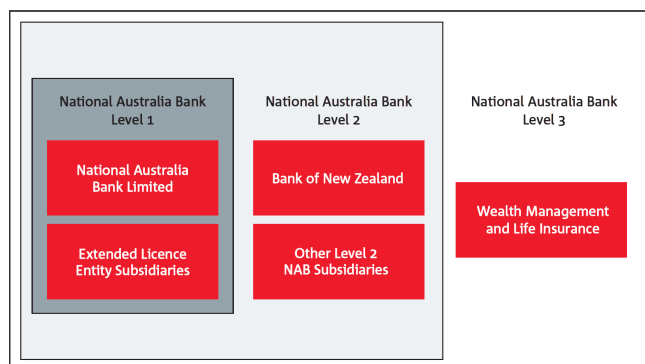
Scope of Application

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 (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 and other financial entities (e.g. finance companies and leasing companies).

As at 31 March 2017, 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. National Wealth Management Holdings (NWMH) has not been treated as part of the Level 2 Group for the purposes of this report.

On 1 April 2017, the NAB Group transitioned to a revised Level 2 structure following clarification of the Authorised Deposit-taking Institution (ADI) Level 2 Group definition by APRA. Upon transition, this change had minimal impact on the NAB Group's capital position. Remaining transitional arrangements arising from debt issued directly by NWMH are no longer required.

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

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

For financial reporting, the NAB Group applies International Financial Reporting Standards (IFRS) and consolidates all entities in which it has the power to govern the financial and operating policies so as to obtain benefit from their activities. This includes life insurance, wealth management and securitisation SPVs used to house securitised assets. As noted above, these entities may receive a different treatment for Level 2 regulatory consolidation purposes. A list of material controlled entities included in the consolidated NAB Group for financial reporting purposes can be found in the NAB Group's 2016 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 Balance Sheet and Liquidity Risk (BSLR) Policy which requires that contagion risk be managed under APRA *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 respective boards. Any capital transfer is subject to maintaining adequate subsidiary and parent company capitalisation.

Disclosure 2A: Scope of Application

There were no capital deficiencies in non-consolidated subsidiaries of the NAB Group as at 30 September 2016 or 31 March 2017.

Bank of New Zealand

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

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

Section 3

Regulatory Environment

Regulatory Reform

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

Basel III:

- The March 2017 Leverage Ratio is disclosed on pages 47 to 48 of this Report. The minimum Leverage Ratio is yet to be determined by APRA.
- The Basel Committee on Banking Supervision (BCBS) has announced its revised market risk framework due to come into effect from 2019 globally. APRA has advised final domestic standards are not expected prior to January 2020, with implementation 12 months thereafter. The Credit Valuation Adjustment (CVA) framework is currently in BCBS consultation.
- In December 2016, APRA released an amended *Prudential Standard APS 210: Liquidity*, which includes the Net Stable Funding Ratio (NSFR). A ratio of at least 100% is required on both a Level 1 and 2 basis from 1 January 2018.

Federal Government's Financial System Inquiry (Inquiry):

- In July 2016, APRA released an update to its 2015 study comparing the capital position of the Australian major banks against their international peers.
- From 1 July 2016 risk weights applicable to internal ratings-based mortgage loans increased.
- APRA is expected to release further detail in coming months on the approach to set capital standards such that capital ratios are 'unquestionably strong'.

Total Loss-absorbing Capacity (TLAC):

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for global systemically important banks (G-SIBs). In line with the recommendations in the Inquiry, APRA could implement a loss absorbing capacity framework in accordance with emerging international practice. At this stage, APRA has not yet issued guidance on how TLAC might be implemented.

Revised BCBS standards:

- Themes driving the BCBS's revision of standards include improving transparency, consistency and credibility of IRB models. Draft proposals include revisions to the standardised approaches for calculating regulatory capital for credit risk and operational risk, revisions to IRB approaches for credit risk and the introduction of a capital floor framework. Final Basel Standards are expected in the near future, with APRA's response expected sometime thereafter.
- In April 2016, the BCBS released the revised Interest Rate Risk in the Banking Book (IRRBB) framework which is due to come into effect internationally by 2018.

Other Regulatory Changes

- On 1 April 2017, the NAB Group transitioned to a revised Level 2 Group structure following clarification of the ADI Level 2 Group definition by APRA. Upon transition this change had minimal impact on the Group's capital position. Remaining transitional arrangements arising from debt issued directly by NWMH are no longer required.
- APRA's revisions to *Prudential Standard APS 120: Securitisation*. This brings together proposals to simplify securitisation for originating ADIs and the updated BCBS securitisation framework. The revised *APS 120* will take effect from 1 January 2018.
- APRA's consultation on the standardised approach to counterparty credit risk (SA-CCR) introduces the new *Prudential Standard APS 180: Counterparty Credit Risk*. Requirements will not take effect until January 2019 at the earliest.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) will be effective from 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives, with APRA advising implementation will be no earlier than 2019. APRA's quantitative impact analysis suggests no additional capital will be required as a result of the implementation.

Section 4
Capital
4.1 Capital Adequacy
Table 4.1A: Risk-Weighted Assets

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

	As at	
	31 Mar 17	30 Sep 16
	RWA	RWA
	\$m	\$m
Credit risk ⁽¹⁾		
IRB approach		
Corporate (including SME) ⁽²⁾	118,133	124,765
Sovereign	1,632	1,596
Bank	10,789	11,269
Residential mortgage	91,883	90,143
Qualifying revolving retail	3,785	3,925
Retail SME	6,021	6,182
Other retail	3,731	3,666
Total IRB approach	235,974	241,546
Specialised lending (SL)	56,977	57,900
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	2,557	2,706
Corporate	4,307	4,219
Other	531	554
Total standardised approach	7,395	7,479
Other		
Securitisation	3,325	3,435
Credit Value Adjustment	9,815	13,871
Central counterparty default fund contribution guarantee	800	473
Other ⁽³⁾	3,567	6,806
Total other	17,507	24,585
Total credit risk	317,853	331,510
Market risk	7,001	7,299
Operational risk	37,500	37,500
Interest rate risk in the banking book	12,133	12,136
Total risk weighted assets	374,487	388,445

⁽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.

Table 4.1B: Capital Ratios

The table below provides the key capital ratios for each significant ADI or overseas bank subsidiary.

Capital ratios ⁽¹⁾	As at	
	31 Mar 17	30 Sep 16
	%	%
Level 2 Common Equity Tier 1 capital ratio	10.11	9.77
Level 2 Tier 1 capital ratio	12.51	12.19
Level 2 Total capital ratio	14.71	14.14
Level 1 National Australia Bank Common Equity Tier 1 capital ratio	10.37	9.99
Level 1 National Australia Bank Tier 1 capital ratio	13.01	12.71
Level 1 National Australia Bank Total capital ratio	15.35	14.80
Significant subsidiaries		
BNZ Common Equity Tier 1 capital ratio	10.55	10.21
BNZ Tier 1 capital ratio	12.06	10.54
BNZ Total capital ratio	13.29	12.04

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

Leverage ratio	As at			
	31 Mar 17	31 Dec 16	30 Sep 16	30 Jun 16
	\$m	\$m	\$m	\$m
Tier 1 Capital	46,842	46,037	47,336	41,901
Total exposures	850,796	853,855	827,644	855,681
Leverage ratio (%)	5.51%	5.39%	5.72%	4.90%

4.2 Capital Structure

The NAB Group's capital structure comprises various forms of capital. CET1 Capital comprises paid-up ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of such capital to risk-weighted assets is called the CET1 Capital ratio. Additional Tier 1 Capital comprises certain securities with required loss absorbing characteristics. Together, CET1 Capital and Additional Tier 1 Capital make up Tier 1 Capital and the ratio of such capital to RWA is called the Tier 1 Capital ratio.

CET1 Capital contains the highest quality and most loss absorbent components of capital, followed by Additional Tier 1 Capital and then Tier 2 Capital. Tier 2 Capital mainly consists of subordinated instruments.

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

Table 4.2A: Regulatory Capital Structure - Summary

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

	As at	
	31 Mar 17	30 Sep 16
	\$m	\$m
Common Equity Tier 1 Capital before regulatory adjustments	48,683	48,809
Total regulatory adjustments to Common Equity Tier 1 Capital	(10,833)	(10,862)
Common Equity Tier 1 Capital (CET1)	37,850	37,947
Additional Tier 1 Capital before regulatory adjustments	8,993	9,390
Total regulatory adjustments to Additional Tier 1 Capital	(1)	(1)
Additional Tier 1 Capital (AT1)	8,992	9,389
Tier 1 Capital (T1 = CET1 + AT1)	46,842	47,336
Tier 2 Capital before regulatory adjustments	8,314	7,692
Total regulatory adjustments to Tier 2 Capital	(84)	(83)
Tier 2 Capital (T2)	8,230	7,609
Total Capital (TC = T1 + T2)	55,072	54,945

Section 5

Credit Risk

5.1 General Disclosure

Table 5.1A: Credit Risk Exposures Summary

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

For the IRB approach, Exposure at Default (EaD) is reported gross of specific provisions 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, securitisation and CVA.

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.

Exposure Type	As at 31 Mar 17					6 months ended 31 Mar 17
	Total exposure (EaD) ⁽¹⁾ \$m	Risk-weighted Assets \$m	Regulatory expected loss \$m	Impaired facilities ⁽²⁾ \$m	Specific provisions ⁽³⁾ \$m	Net write-offs ⁽⁴⁾ \$m
IRB approach						
Corporate (including SME)	275,333	118,133	1,882	1,813	535	223
Sovereign	93,246	1,632	3	-	-	-
Bank	67,043	10,789	14	-	-	-
Residential mortgage	362,937	91,883	962	336	96	26
Qualifying revolving retail	11,671	3,785	179	-	-	79
Retail SME	16,246	6,021	145	74	40	19
Other retail	4,574	3,731	158	3	2	57
Total IRB approach	831,050	235,974	3,343	2,226	673	404
Specialised lending (SL)	66,689	56,977	853	157	67	9
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	4,523	2,557	-	8	3	-
Corporate	62,730	4,307	-	2	5	1
Other	1,150	531	-	-	-	-
Total standardised approach	68,403	7,395	-	10	8	1
Total	966,142	300,346	4,196	2,393	748	414

⁽¹⁾ Total credit risk exposure is EaD estimates of potential exposure, according to product type, for a period of one year.

⁽²⁾ Impaired facilities includes \$nil million of restructured loans (September 2016: \$nil million).

Corporate (incl SME) impaired facilities includes \$726 million (NZ\$795 million) of NZ Banking dairy exposures currently assessed as no loss based on security held. (September 2016: \$785 million (NZ\$823 million)). Collective provisions are held against these loans.

Impaired facilities includes \$119 million of gross impaired loans at fair value (September 2016: \$135 million).

⁽³⁾ Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. For regulatory reporting, collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, are treated as regulatory specifics and total \$435 million (September 2016: \$411 million). This value is in addition to the \$748 million of specific provisions (September 2016: \$712 million) shown above. Specific provisions includes \$1 million (September 2016: \$6 million) of specific provisions on gross impaired loans at fair value.

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

Exposure Type	As at 30 Sep 16					6 months ended 30 Sep 16
	Total exposure (EaD) \$m	Risk-weighted Assets \$m	Regulatory expected loss \$m	Impaired facilities \$m	Specific provisions \$m	Net write-offs \$m
IRB approach						
Corporate (including SME)	262,099	124,765	1,756	1,978	487	135
Sovereign	80,462	1,596	2	-	-	-
Bank	61,650	11,269	15	-	-	-
Residential mortgage	357,831	90,143	935	371	90	42
Qualifying revolving retail	11,651	3,925	181	-	-	75
Retail SME	16,286	6,182	153	86	47	26
Other retail	4,614	3,666	143	3	2	63
Total IRB approach	794,593	241,546	3,185	2,438	626	341
Specialised lending (SL)	67,011	57,900	906	194	78	22
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	4,768	2,706	-	9	3	-
Corporate	60,190	4,219	-	1	5	4
Other	1,182	554	-	-	-	(1)
Total standardised approach	66,140	7,479	-	10	8	3
Total	927,744	306,925	4,091	2,642	712	366

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

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

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

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, securitisation and CVA.

Exposure type	As at 31 Mar 17				6 months ended 31 Mar 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
	\$m	\$m	\$m	\$m	\$m	\$m
IRB approach						
Corporate (including SME)	138,070	63,003	74,260	275,333	216,095	268,716
Sovereign	75,865	494	16,887	93,246	79,623	86,854
Bank	22,151	3,963	40,929	67,043	36,506	64,346
Residential mortgage	315,290	47,647	-	362,937	362,937	360,384
Qualifying revolving retail	5,955	5,716	-	11,671	11,671	11,661
Retail SME	12,325	3,921	-	16,246	16,242	16,267
Other retail	3,353	1,221	-	4,574	4,574	4,594
Total IRB approach	573,009	125,965	132,076	831,050	727,648	812,822
Specialised lending (SL)	55,364	10,493	832	66,689	65,920	66,850
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,407	116	-	4,523	4,466	4,646
Corporate	6,838	542	55,350	62,730	11,689	61,461
Other	1,149	1	-	1,150	1,067	1,165
Total standardised approach	12,394	659	55,350	68,403	17,222	67,272
Total exposure (EaD)	640,767	137,117	188,258	966,142	810,790	946,944

Exposure type	As at 30 Sep 16					6 months ended 30 Sep 16
	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 ⁽¹⁾	Average total exposure gross of EFC
	\$m	\$m	\$m	\$m	\$m	\$m
IRB approach						
Corporate (including SME)	137,853	63,496	60,750	262,099	215,497	261,815
Sovereign	64,069	537	15,856	80,462	68,252	75,907
Bank	23,151	3,481	35,018	61,650	37,754	68,670
Residential mortgage	308,642	49,189	-	357,831	357,831	352,663
Qualifying revolving retail	5,907	5,744	-	11,651	11,651	11,604
Retail SME	12,476	3,810	-	16,286	16,283	16,263
Other retail	3,347	1,267	-	4,614	4,614	4,568
Total IRB approach	555,445	127,524	111,624	794,593	711,882	791,490
Specialised lending (SL)	55,574	10,022	1,415	67,011	66,399	67,356
Standardised approach						
Australian and foreign governments	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential mortgage	4,636	132	-	4,768	4,711	4,861
Corporate	6,497	545	53,148	60,190	9,519	59,593
Other	1,181	1	-	1,182	1,083	1,177
Total standardised approach	12,314	678	53,148	66,140	15,313	65,631
Total exposures (EaD)	623,333	138,224	166,187	927,744	793,594	924,477

⁽¹⁾ EFC in the standardised approach asset classes has been restated at September 2016 to reflect an asset class reclassification for a small number of exposures. Exposure net of EFC has increased \$1 million in the Residential mortgage asset class and \$10 million in the Other asset class, offset by an \$11 million reduction in the Corporate asset class.

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 pre-netting exposure was transacted. Exposures exclude non-lending assets, securitisation and CVA.

Exposure type	As at 31 Mar 17				
	Australia \$m	United Kingdom \$m	New Zealand \$m	Other ⁽¹⁾ \$m	Total exposure \$m
IRB approach					
Corporate (including SME)	166,573	46,893	36,167	25,700	275,333
Sovereign	53,620	13,796	5,536	20,294	93,246
Bank	36,853	18,336	3,725	8,129	67,043
Residential mortgage	327,428	-	35,509	-	362,937
Qualifying revolving retail	11,671	-	-	-	11,671
Retail SME	14,454	-	1,792	-	16,246
Other retail	2,457	-	2,117	-	4,574
Total IRB approach	613,056	79,025	84,846	54,123	831,050
Specialised lending (SL)	57,740	1,074	7,274	601	66,689
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2,299	-	24	2,200	4,523
Corporate	7,234	4,867	786	49,843	62,730
Other	1,069	-	-	81	1,150
Total standardised approach	10,602	4,867	810	52,124	68,403
Total exposure (EaD)	681,398	84,966	92,930	106,848	966,142

⁽¹⁾ Other comprises North America and Asia.

Exposure type	As at 30 Sep 16				
	Australia \$m	United Kingdom \$m	New Zealand \$m	Other \$m	Total exposure \$m
IRB approach					
Corporate (including SME)	166,451	32,856	36,556	26,236	262,099
Sovereign	50,818	4,552	5,043	20,049	80,462
Bank	34,585	17,043	3,773	6,249	61,650
Residential mortgage	321,005	-	36,826	-	357,831
Qualifying revolving retail	11,651	-	-	-	11,651
Retail SME	14,446	-	1,840	-	16,286
Other retail	2,464	-	2,150	-	4,614
Total IRB approach	601,420	54,451	86,188	52,534	794,593
Specialised lending (SL)	57,992	793	7,630	596	67,011
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2,442	-	39	2,287	4,768
Corporate	6,990	7,308	690	45,202	60,190
Other	1,095	-	-	87	1,182
Total standardised approach	10,527	7,308	729	47,576	66,140
Total exposures (EaD)	669,939	62,552	94,547	100,706	927,744

Table 5.1D: Exposures by Industry

This table provides the distribution of gross credit risk exposures, excluding non-lending assets, securitisation and CVA, by major industry type. Industry classifications follow ANZSIC Level 1 classifications. To provide for a meaningful differentiation and quantitative estimates of risk that are consistent, verifiable, relevant and soundly based, exposures are disclosed based on the counterparty to which the NAB Group is exposed to credit risk, including guarantors and derivative counterparties.

	As at 31 Mar 17												
	Accommodation cafes, pubs and restaurants	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Other ⁽¹⁾	Total
Exposure type	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
IRB approach													
Corporate (including SME)	8,205	45,938	16,375	13,227	7,821	91,934	18,749	144	-	27,091	17,126	28,723	275,333
Sovereign	-	-	-	-	-	48,840	-	-	-	-	-	44,406	93,246
Bank	-	-	-	-	-	65,746	-	-	-	-	-	1,297	67,043
Residential mortgage	-	-	-	-	-	-	-	-	362,937	-	-	-	362,937
Qualifying revolving retail	-	-	-	-	-	-	-	11,671	-	-	-	-	11,671
Retail SME	840	3,966	2,020	476	1,848	981	979	106	-	2,614	838	1,578	16,246
Other retail	-	-	-	-	-	-	-	4,574	-	-	-	-	4,574
Total IRB approach	9,045	49,904	18,395	13,703	9,669	207,501	19,728	16,495	362,937	29,705	17,964	76,004	831,050
Specialised lending (SL)	210	808	105	59,757	607	422	-	7	-	-	1,638	3,135	66,689
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-	-	-	4,523	-	-	-	4,523
Corporate	2	77	359	25	58	58,612	299	39	223	734	107	2,195	62,730
Other	-	-	-	-	-	-	-	1,131	19	-	-	-	1,150
Total standardised approach	2	77	359	25	58	58,612	299	1,170	4,765	734	107	2,195	68,403
Total exposure (EaD)	9,257	50,789	18,859	73,485	10,334	266,535	20,027	17,672	367,702	30,439	19,709	81,334	966,142

⁽¹⁾ Remaining categories are grouped collectively under 'Other'.

As at 30 Sep 16													
Exposure type	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
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
IRB approach													
Corporate (including SME)	7,905	45,357	15,956	13,386	7,862	79,210	18,910	148	-	27,522	16,896	28,947	262,099
Sovereign	-	-	-	-	-	40,159	-	-	-	-	2	40,301	80,462
Bank	-	-	-	-	-	59,946	-	-	-	-	-	1,704	61,650
Residential mortgage	-	-	-	-	-	-	-	-	357,831	-	-	-	357,831
Qualifying revolving retail	-	-	-	-	-	-	-	11,651	-	-	-	-	11,651
Retail SME	839	3,971	2,004	471	1,839	971	974	130	-	2,673	818	1,596	16,286
Other retail	-	-	-	-	-	-	-	4,614	-	-	-	-	4,614
Total IRB approach	8,744	49,328	17,960	13,857	9,701	180,286	19,884	16,543	357,831	30,195	17,716	72,548	794,593
Specialised lending (SL)	355	733	105	60,636	403	416	-	3	-	-	1,713	2,647	67,011
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-	-	-	4,768	-	-	-	4,768
Corporate	2	54	331	24	66	56,101	276	68	252	739	97	2,180	60,190
Other	-	-	-	-	-	-	-	1,161	21	-	-	-	1,182
Total standardised approach	2	54	331	24	66	56,101	276	1,229	5,041	739	97	2,180	66,140
Total exposure (EaD)	9,101	50,115	18,396	74,517	10,170	236,803	20,160	17,775	362,872	30,934	19,526	77,375	927,744

Table 5.1E: Exposures by Maturity

This table sets out the residual contractual maturity breakdown of gross credit risk exposures, excluding non-lending assets, securitisation and CVA. Overdraft and other similar revolving facilities are allocated to the category that most appropriately captures the maturity characteristics of the product.

Exposure type	As at 31 Mar 17			
	<12 months	1 – 5 years	>5 years	No specified maturity ⁽¹⁾
	\$m	\$m	\$m	\$m
IRB approach				
Corporate (including SME)	122,899	114,348	30,616	7,470
Sovereign	49,548	16,194	25,818	1,686
Bank	42,599	13,234	10,912	298
Residential mortgage	35,242	7,067	320,202	426
Qualifying revolving retail	1	-	-	11,670
Retail SME	5,094	7,658	2,882	612
Other retail	278	1,094	1,067	2,135
Total IRB approach	255,661	159,595	391,497	24,297
Specialised lending (SL)	26,259	36,374	3,497	559
Standardised approach				
Australian and foreign governments	-	-	-	-
Bank	-	-	-	-
Residential mortgage	204	328	3,983	8
Corporate	56,670	1,979	3,829	252
Other	960	178	12	-
Total standardised approach	57,834	2,485	7,824	260
Total exposure (EaD)	339,754	198,454	402,818	25,116

⁽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.

Exposure type	As at 30 Sep 16			
	<12 months	1 – 5 years	>5 years	No specified maturity
	\$m	\$m	\$m	\$m
IRB approach				
Corporate (including SME)	107,385	117,282	31,204	6,228
Sovereign	41,027	16,113	23,238	84
Bank	33,154	13,738	14,394	364
Residential mortgage	36,541	7,381	313,473	436
Qualifying revolving retail	-	-	-	11,651
Retail SME	5,211	7,381	3,072	622
Other retail	266	1,090	1,090	2,168
Total IRB approach	223,584	162,985	386,471	21,553
Specialised lending (SL)	24,656	37,712	3,873	770
Standardised approach				
Australian and foreign governments	-	-	-	-
Bank	-	-	-	-
Residential mortgage	225	431	4,105	7
Corporate	54,344	1,628	4,004	214
Other	942	225	15	-
Total standardised approach	55,511	2,284	8,124	221
Total exposures (EaD)	303,751	202,981	398,468	22,544

Credit Provisions and Losses

Table 5.1F: Provisions by Asset Class

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

Exposure type	As at 31 Mar 17			6 months ended 31 Mar 17	
	Impaired facilities ⁽¹⁾	Past due facilities ≥90 days	Specific provisions ⁽²⁾	Charges for specific provisions	Net write-offs ⁽³⁾
	\$m	\$m	\$m	\$m	\$m
IRB approach					
Corporate (including SME)	1,813	269	535	272	223
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	336	1,690	96	36	26
Qualifying revolving retail	-	70	-	84	79
Retail SME	74	84	40	13	19
Other retail	3	52	2	51	57
Total IRB approach	2,226	2,165	673	456	404
Specialised lending (SL)	157	105	67	(29)	9
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	8	12	3	-	-
Corporate	2	-	5	1	1
Other	-	-	-	-	-
Total standardised approach	10	12	8	1	1
Total	2,393	2,282	748	428	414
Additional regulatory specific provisions ⁽²⁾			435		

⁽¹⁾ Impaired facilities includes \$nil million of restructured loans (September 2016: \$nil million).

Corporate (incl SME) impaired facilities includes \$726 million (NZ\$795 million) of NZ Banking dairy exposures currently assessed as no loss based on security held. (September 2016: \$785 million (NZ\$823 million)). Collective provisions are held against these loans.

Impaired facilities includes \$119 million of gross impaired loans at fair value (September 2016: \$135 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 \$435 million (September 2016: \$411 million). This value is in addition to the \$748 million of specific provisions (September 2016: \$712 million) shown above. Specific provisions includes \$1 million (September 2016: \$6 million) of specific provisions on gross impaired loans at fair value.

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

Exposure type	As at 30 Sep 16			6 months ended 30 Sep 16	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	\$m	\$m	\$m	\$m	\$m
IRB approach					
Corporate (including SME)	1,978	181	487	202	135
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	371	1,470	90	44	42
Qualifying revolving retail	-	64	-	85	75
Retail SME	86	91	47	32	26
Other retail	3	51	2	54	63
Total IRB approach	2,438	1,857	626	417	341
Specialised lending (SL)	194	110	78	55	22
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	9	8	3	-	-
Corporate	1	-	5	2	4
Other	-	-	-	-	(1)
Total standardised approach	10	8	8	2	3
Total	2,642	1,975	712	474	366
Additional regulatory specific provisions			411		

Factors Impacting Loss Experience in the Preceding Period

90+ Days Past Due Loans

Facilities 90+ days past due increased during the March 2017 half year primarily across the Australian IRB Residential mortgage portfolio. This increase was largely driven by an increase in delinquencies in Victoria and NSW, albeit off a low base, together with Western Australia due to the mining sector stress impacting economic conditions in this state.

Impaired Facilities

Impaired facilities decreased during March 2017 half year within the IRB Corporate (including SME) portfolio. This reduction was predominantly driven by a number of successful work-out strategies across the Australian businesses, combined with the improving dairy price outlook in New Zealand leading to a moderation in the impaired dairy portfolio, for which no loss (based on security held) is currently expected. This was partly offset by the impairment of a small number of larger exposures.

Specific Provision

Specific provisions increased during the March 2017 half year, largely within the Australian IRB Corporate (including SME) due to the impairment of a small number of larger exposures, partly offset by successful work-out strategies.

Charges for Specific Provisions

The Group specific provision charge for the March 2017 half year was \$46 million lower than the September 2016 half year. This decrease was primarily due to lower specific provision charges for the Australian specialised lending (SL) portfolio and lower specific provision charges within the New Zealand IRB portfolio. This was partially offset by charges raised within the Australian IRB Corporate (including SME) due to the impairment of a small number of larger exposures.

Net Write-Offs

Net write-offs increased by \$48 million during the March 2017 half year due to higher write-off levels within Australian IRB Corporate (including SME) driven by a small number of larger exposures.

Table 5.1G (i): Loss Experience

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

Actual losses (net write-offs) measured over the short-term will differ to regulatory expected loss estimates as actual losses are a lag indicator of the quality of the assets in prior periods. Other differences between these measures are:

- actual losses do not take into account modelled economic costs such as internal workout costs factored into estimates of loss
- regulatory expected loss is based on the quality of exposures at a point-in-time (PiT) using long run Probability of Default (PDs) and stressed Loss Given Default (LGDs). In most years actual losses would be below the regulatory expected loss estimate
- regulatory expected loss includes expected losses on non-defaulted assets which is a function of long-run PDs and downturn stressed LGDs. For defaulted exposures, regulatory expected loss is based on the NAB Group's best estimate of expected loss.

Exposure type	As at 31 Mar 17	
	Exposure weighted average actual loss (net write-offs) ⁽¹⁾	Exposure weighted average regulatory expected loss ⁽²⁾
	\$m	\$m
IRB approach		
Corporate (including SME)	564	2,505
Sovereign	-	2
Bank	3	53
Residential mortgage	99	899
Qualifying revolving retail	174	210
Retail SME	74	255
Other retail	93	148
Total IRB approach	1,007	4,072

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

⁽²⁾ Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 31 March 2010.

Exposure type	As at 30 Sep 16	
	Exposure weighted average actual loss (net write-offs) ⁽¹⁾	Exposure weighted average regulatory expected loss ⁽²⁾
	\$m	\$m
IRB approach		
Corporate (including SME)	596	2,595
Sovereign	-	7
Bank	7	54
Residential mortgage	102	866
Qualifying revolving retail	177	210
Retail SME	77	267
Other retail	94	145
Total IRB approach	1,053	4,144

⁽¹⁾ Calculated as an exposure weighted average of actual losses (net write-offs) experienced through each respective 12 monthly period since 30 September 2009.

⁽²⁾ Calculated as an exposure weighted average of regulatory expected loss covering each respective 12 monthly period since 30 September 2009.

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.

A full explanation of the Internal Ratings Process and the application of credit risk models to calculate PD, EaD and LGD is provided within Section 5.3 of the September 2016 Pillar 3 Report.

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 seven years to 31 March 2017. Averages of actual and estimated PD are calculated from the balance that is not in default at the beginning of the financial year and averaged out over the seven year observation period. The EaD ratio compares the estimated downturn EaD at the beginning of the financial year against the actual default amount.

Exposure type	As at 31 Mar 17		
	Average Estimated PD	Average Actual PD ⁽¹⁾	Ratio of estimated to actual EAD
	%	%	
IRB approach			
Corporate (including SME)	1.73	1.75	1.1
Sovereign ⁽²⁾	0.44	0.10	1.2
Bank ⁽²⁾	0.42	0.23	1.0
Residential mortgage ⁽³⁾	0.95	0.88	1.0
Qualifying revolving retail	1.59	1.61	1.1
Retail SME	2.05	2.04	1.1
Other retail	2.20	2.95	1.0

⁽¹⁾ These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of seven years to 31 March 2017.

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

⁽³⁾ Estimated PDs includes BNZ assets subject to RBNZ calibration overlay.

Exposure type	As at 30 Sep 16		
	Average Estimated PD ⁽¹⁾	Average Actual PD ⁽¹⁾	Ratio of estimated to actual EAD
	%	%	
IRB approach			
Corporate (including SME)	1.77	1.88	1.1
Sovereign	0.42	0.13	1.3
Bank	0.39	0.18	1.1
Residential mortgage	0.91	0.89	1.0
Qualifying revolving retail	1.50	1.59	1.1
Retail SME	2.02	2.21	1.1
Other retail	2.14	2.91	1.0

⁽¹⁾ These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of seven years to 30 September 2016.

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 seven years to 31 March 2017. Actual LGD was calculated using net write-offs from defaults during the seven year observation period with the most recent defaults excluded to allow sufficient time for the workout of the asset and recognition of any losses. For defaults relating to qualifying revolving retail and other retail, this period is the most recent 12 months and for all other asset classes the period is the most recent two years. Estimates are calculated using the downturn LGD at the beginning of the financial year.

Exposure type	As at 31 Mar 17	
	Average estimated downturn LGD ⁽¹⁾	Average actual LGD ⁽¹⁾
	%	%
IRB approach		
Corporate (including SME) ⁽²⁾	38.0	32.2
Sovereign ⁽³⁾	45.0	-
Bank ⁽³⁾	52.9	-
Residential mortgage ⁽⁴⁾	20.6	3.8
Qualifying revolving retail	87.2	66.7
Retail SME	36.3	19.9
Other retail	76.1	55.1

⁽¹⁾ These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the seven years to 31 March 2017.

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

⁽³⁾ Average actual and estimated downturn LGDs for Sovereign and Bank exposures have historically been excluded from this table in the instances where a low number of defaults have been observed.

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

Exposure type	As at 30 Sep 16	
	Average estimated downturn LGD ⁽¹⁾	Average actual LGD ⁽¹⁾
	%	%
IRB approach		
Corporate (including SME)	38.6	31.1
Sovereign	45.0	-
Bank	51.1	-
Residential mortgage	20.6	4.1
Qualifying revolving retail	87.1	66.8
Retail SME	36.2	20.5
Other retail	75.9	54.0

⁽¹⁾ These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the seven years to 30 September 2016.

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, securitisation and CVA.

Industry sector	As at 31 Mar 17			6 months ended 31 Mar 17	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation, cafes, pubs and restaurants	56	15	27	7	4
Agriculture, forestry, fishing and mining	1,108	73	160	23	32
Business services and property services	163	30	56	166	163
Commercial property	170	125	72	2	11
Construction	87	43	41	12	3
Finance and insurance	56	10	37	-	-
Manufacturing	192	44	125	49	20
Personal	4	131	2	134	136
Residential mortgages	344	1,702	99	36	26
Retail and wholesale trade	165	57	97	19	11
Transport and storage	33	41	17	4	4
Other	15	11	15	(24)	4
Total	2,393	2,282	748	428	414
Additional regulatory specific provision			435		

Industry sector	As at 30 Sep 16			6 months ended 30 Sep 16	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation, cafes, pubs and restaurants	67	11	24	19	13
Agriculture, forestry, fishing and mining	1,370	55	175	43	51
Business services and property services	122	33	51	15	17
Commercial property	148	110	54	26	22
Construction	71	29	32	15	7
Finance and insurance	61	8	39	6	(1)
Manufacturing	145	36	89	50	9
Personal	4	125	3	136	134
Residential mortgages	380	1,478	93	42	41
Retail and wholesale trade	172	40	90	81	65
Transport and storage	31	19	17	6	3
Other	71	31	45	35	5
Total	2,642	1,975	712	474	366
Additional regulatory specific provision			411		

Table 5.11: Provisions by Geography

Geographic region	As at 31 Mar 17			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	\$m	\$m	\$m	\$m
Australia	1,382	2,086	629	2,227
United Kingdom	62	10	26	14
New Zealand	942	182	90	432
Other ⁽¹⁾	7	4	3	22
Total	2,393	2,282	748	2,695
Regulatory specific provisions			435	(435)
Plus reserve created through retained earnings				96
General reserve for credit losses ⁽²⁾				2,356

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

⁽²⁾ The GRCL balance allocated across geographic regions of \$2,695 million includes \$2,373 million of provisions on loans at amortised cost and \$322 million of provisions held on assets at fair value and other debt instruments. Disclosure of the General Reserve for Credit Losses by geographic area is reflective of internal risk transfers within the NAB Group.

Geographic region	As at 30 Sep 16			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	\$m	\$m	\$m	\$m
Australia	1,558	1,806	582	2,338
United Kingdom	7	3	4	13
New Zealand	1,028	165	95	436
Other	49	1	31	24
Total	2,642	1,975	712	2,811
Regulatory specific provisions			411	(411)
Plus reserve created through retained earnings				75
General reserve for credit losses ⁽¹⁾				2,475

⁽¹⁾ The GRCL balance allocated across geographic regions of \$2,811 million includes \$2,408 million of provisions on loans at amortised cost and \$403 million of provisions held on assets at fair value and other debt instruments. Disclosure of the General Reserve for Credit Losses by geographic area is reflective of internal risk transfers within the NAB Group.

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, securitisation and CVA.

	6 months ended 31 Mar 17	6 months ended 30 Sep 16
	\$m	\$m
General reserve for credit losses		
Collective provision balance at start of period	2,408	2,453
Total charge to income statement	165	143
Net transfer to specific provision	(195)	(188)
Disposal of controlled entities	-	-
Foreign currency translation and other adjustments	(5)	-
Collective provision on loans at amortised cost	2,373	2,408
Plus provisions held on assets at fair value and other debt instruments ⁽¹⁾	322	403
Less additional regulatory specific provisions	(435)	(411)
Plus reserve created through retained earnings	96	75
General reserve for credit losses	2,356	2,475
Specific provisions		
Balance at start of period	706	596
Net transfer from general reserve for credit losses	195	188
Bad debts recovered	46	56
Bad debts written off	(460)	(420)
Total charge to income statement	234	284
Disposal of controlled entities	-	-
Foreign currency translation and other adjustments	26	2
Specific provisions excluding provisions for assets at fair value	747	706
Specific provisions held on assets at fair value	1	6
Additional regulatory specific provisions	435	411
Total regulatory specific provisions	1,183	1,123
Total provisions	3,539	3,598

⁽¹⁾ Provisions held on assets at fair value are presented gross of \$24 million regulatory specific provisions for assets held at fair value (September 2016: \$18 million).

5.2 Standardised and Supervisory Slotting Portfolios

Standardised Credit Risk Portfolios

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

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

External Rating Grade Classification

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

Table 5.2A: Standardised Exposures by Risk Weight

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

	As at 31 Mar 17		As at 30 Sep 16	
	Credit exposure before risk mitigation	Credit exposure after risk mitigation	Credit exposure before risk mitigation	Credit exposure after risk mitigation
Standardised approach – risk weights	\$m	\$m	\$m	\$m
0%	91	91	64	64
2%	55,302	4,443	52,964	2,628
4%	2,376	2,244	2,227	1,931
20%	-	1,489	-	1,515
35%	2,068	2,046	2,161	2,119
50%	572	572	594	593
75%	1,170	1,170	1,323	1,322
100%	6,637	4,984	6,643	4,978
150%	27	23	14	13
Default Fund Contributions ⁽¹⁾	160	160	150	150
Total standardised approach (EaD)	68,403	17,222	66,140	15,313

⁽¹⁾ Default fund contributions to qualifying central clearing counterparties are shown separately as they do not align to the risk weights above.

Table 5.2B: Standardised Exposures by Risk Grade

Asset class by rating grade	As at 31 Mar 17		As at 30 Sep 16	
	Credit exposure before risk mitigation	Credit exposure after risk mitigation	Credit exposure before risk mitigation	Credit exposure after risk mitigation
	\$m	\$m	\$m	\$m
Australian and foreign governments				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	-	-	-	-
Unrated	-	-	-	-
Sub-total	-	-	-	-
Bank				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	-	-	-	-
Credit rating grade 3	-	-	-	-
Credit rating grade 4	-	-	-	-
Unrated	-	-	-	-
Sub-total	-	-	-	-
Residential mortgage				
Unrated	4,523	4,466	4,768	4,711
Sub-total	4,523	4,466	4,768	4,711
Corporate				
Credit rating grade 1	-	-	-	-
Credit rating grade 2	888	837	873	800
Credit rating grade 3	183	183	-	-
Unrated (1)	61,659	10,669	59,317	8,719
Sub-total	62,730	11,689	60,190	9,519
Other				
Unrated	1,150	1,067	1,182	1,083
Sub-total	1,150	1,067	1,182	1,083
Total standardised approach (EaD)	68,403	17,222	66,140	15,313

Portfolios Subject to Supervisory Risk Weights in the IRB Approaches
Table 5.2C: Supervisory Slotting by Risk Weight

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

IRB supervisory slotting – unexpected loss risk weights	As at	
	31 Mar 17	30 Sep 16
	Exposure after risk mitigation	Exposure after risk mitigation
	\$m	\$m
70%	26,677	25,380
90%	30,468	32,107
115%	7,613	7,494
250%	694	883
Default	468	535
Total IRB supervisory slotting (EaD)	65,920	66,399

5.3 Internal Ratings Based Portfolios

Table 5.3A: Non-Retail Exposure by Risk Grade

This table provides a breakdown of gross non-retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades. Moody's risk grades have been included as a reference point. Exposures have been categorised into PD grades as assessed by the Level 2 Group's own internal ratings system and exclude non-lending assets, securitisation, CVA and Specialised Lending.

External credit rating equivalent	As at 31 Mar 17						
	PD risk grade mapping						Default 100%
	Aa3 and above 0<0.03%	A1, A2, A3 0.03<0.1%	Baa1, Baa2, Baa3 0.1<0.5%	Ba1, Ba2 0.5<2.0%	Ba3, B1 2.0<5.0%	B2 and below 5.0<99.9%	
IRB approach	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total exposure							
Corporate	-	68,537	101,504	78,807	19,030	4,424	3,031
Sovereign	87,619	5,017	495	108	6	1	-
Bank	-	58,553	8,163	310	15	2	-
Total exposure (EaD)	87,619	132,107	110,162	79,225	19,051	4,427	3,031
Undrawn commitments							
Corporate	-	14,310	25,286	12,388	2,281	412	86
Sovereign	145	263	38	22	6	-	-
Bank	-	1,457	184	45	-	-	-
Total undrawn commitments ⁽¹⁾	145	16,030	25,508	12,455	2,287	412	86
IRB approach							
Average EaD (\$m) ⁽²⁾							
Corporate	-	1.57	0.60	0.32	0.18	0.13	0.33
Sovereign	48.28	2.12	1.36	0.39	0.02	0.13	-
Bank	-	3.00	0.70	1.13	0.18	0.14	-
Exposure weighted average LGD (%)							
Corporate	-	27.0%	34.0%	26.9%	30.4%	33.8%	45.1%
Sovereign	3.5%	31.1%	41.1%	54.1%	45.0%	38.1%	45.0%
Bank	-	30.2%	30.9%	26.3%	40.9%	24.5%	-
Exposure weighted average risk weight (%)							
Corporate	-	14.7%	40.0%	51.6%	75.6%	127.6%	223.4%
Sovereign	0.7%	13.6%	49.5%	106.0%	107.2%	227.1%	596.3%
Bank	-	13.0%	36.7%	44.5%	118.7%	121.4%	-

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

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

As at 30 Sep 16							
External credit rating equivalent	PD risk grade mapping						Default 100%
	Aa3 and above 0<0.03%	A1, A2, A3 0.03<0.1%	Baa1, Baa2, Baa3 0.1<0.5%	Ba1, Ba2 0.5<2.0%	Ba3, B1 2.0<5.0%	B2 and below 5.0<99.9%	
IRB approach	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total exposure							
Corporate	-	61,838	100,898	71,552	19,406	5,391	3,013
Sovereign	74,197	5,666	568	24	6	1	-
Bank	-	52,772	8,714	108	53	3	-
Total exposure (EaD)	74,197	120,276	110,180	71,684	19,465	5,395	3,013
Undrawn commitments							
Corporate	-	14,270	26,028	11,537	2,219	463	122
Sovereign	176	289	41	8	6	-	-
Bank	-	1170	165	10	-	-	-
Total undrawn commitments	176	15,729	26,234	11,555	2,225	463	122
IRB approach							
Average EaD (\$m)							
Corporate	-	1.61	0.63	0.30	0.18	0.15	0.33
Sovereign	40.6	2.41	1.28	0.15	0.02	0.13	-
Bank	-	3.14	0.68	0.59	0.60	0.21	-
Exposure weighted average LGD(%)							
Corporate	-	29.6%	35.9%	29.1%	30.8%	34.9%	43.9%
Sovereign	3.5%	30.2%	41.4%	44.9%	45.0%	38.3%	45.0%
Bank	-	33.5%	33.9%	36.8%	52.4%	12.9%	-
Exposure weighted average risk weight (%)							
Corporate	-	17.0%	43.6%	56.6%	77.3%	137.6%	243.5%
Sovereign	0.7%	12.7%	57.8%	81.5%	107.6%	218.3%	426.2%
Bank	-	13.5%	45.9%	66.6%	125.5%	64.5%	-

Table 5.3B: Retail Exposure by Risk Grade

This table provides a breakdown of gross retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades, ranging from Super Senior Investment Grade to Defaulted exposures. Exposures exclude non-lending assets, securitisation and CVA.

As at 31 Mar 17						
IRB approach	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
	\$m	\$m	\$m	\$m	\$m	\$m
Total exposure						
Residential mortgage	111,572	125,652	94,578	18,872	9,768	2,495
Qualifying revolving retail	4,715	2,862	2,095	1,041	933	25
Retail SME	1,397	4,934	6,036	2,618	949	312
Other retail	970	795	1,035	1,213	495	66
Total exposure (EaD)	118,654	134,243	103,744	23,744	12,145	2,898
Undrawn commitments						
Residential mortgage	29,140	12,674	4,986	710	106	31
Qualifying revolving retail	3,540	1,607	443	93	32	1
Retail SME	811	1,401	858	290	83	53
Other retail	656	250	211	88	16	-
Total undrawn commitments ⁽¹⁾	34,147	15,932	6,498	1,181	237	85
IRB approach						
Average EaD (\$m) ⁽²⁾						
Residential mortgage	0.09	0.27	0.22	0.31	0.35	0.21
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.02	0.03	0.03	0.02	0.01	0.01
Other retail	small	0.01	0.01	0.01	0.01	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.3%	20.0%	20.0%	20.3%
Qualifying revolving retail	83.5%	84.7%	86.7%	87.2%	87.3%	87.6%
Retail SME	23.5%	24.6%	27.8%	29.1%	30.7%	37.5%
Other retail	83.2%	81.1%	79.3%	79.9%	78.7%	79.5%
Exposure weighted average risk weight (%)						
Residential mortgage	5.5%	16.3%	36.1%	74.9%	118.8%	220.7%
Qualifying revolving retail	4.1%	12.0%	37.8%	83.7%	161.5%	308.1%
Retail SME	5.8%	14.2%	33.2%	54.3%	94.0%	297.7%
Other retail	14.0%	43.0%	90.0%	119.4%	148.7%	208.0%

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

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

As at 30 Sep 16						
IRB approach	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
	\$m	\$m	\$m	\$m	\$m	\$m
Total exposure						
Residential mortgage	109,267	122,802	94,890	19,087	9,473	2,313
Qualifying revolving retail	4,459	3,022	2,012	1,133	1,000	25
Retail SME	1,295	4,830	6,168	2,703	967	322
Other retail	1,037	839	1,074	1,148	451	64
Total exposure (EaD)	116,058	131,493	104,144	24,071	11,891	2,724
Undrawn commitments						
Residential mortgage	28,244	13,564	6,299	903	141	38
Qualifying revolving retail	3,400	1,730	454	119	40	1
Retail SME	738	1,344	878	301	85	51
Other retail	697	261	216	77	16	-
Total undrawn commitments	33,079	16,899	7,847	1,400	282	90
IRB approach						
Average EaD (\$m)						
Residential mortgage	0.09	0.27	0.23	0.31	0.35	0.21
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.02	0.03	0.03	0.02	0.02	0.01
Other retail	0.00	0.01	0.01	0.01	small	small
Exposure weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.3%	20.0%	20.0%	20.3%
Qualifying revolving retail	83.4%	84.6%	86.7%	87.4%	87.5%	87.8%
Retail SME	23.7%	24.8%	28.2%	29.8%	30.4%	37.9%
Other retail	83.1%	81.2%	79.7%	79.6%	78.4%	79.4%
Exposure weighted average risk weight (%)						
Residential mortgage	5.4%	16.3%	35.6%	74.5%	118.7%	214.6%
Qualifying revolving retail	4.1%	11.9%	37.8%	82.5%	159.8%	337.8%
Retail SME	5.8%	14.4%	33.6%	55.6%	92.1%	293.2%
Other retail	14.1%	43.0%	90.3%	118.8%	147.8%	247.5%

5.4 Credit Risk Mitigation

Table 5.4A: Mitigation by Eligible Collateral

This table discloses the total credit exposures subject to the standardised and supervisory slotting criteria approaches which are covered by EFC. Exposures exclude non-lending assets, securitisation and CVA.

Exposure type	As at 31 Mar 17	
	Total exposure	of which is covered by EFC ⁽¹⁾
	\$m	\$m
Specialised lending (SL)	66,689	769
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	4,523	57
Corporate	62,730	51,041
Other	1,150	83
Total standardised approach	68,403	51,181

⁽¹⁾ EFC, 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.

Exposure type	As at 30 Sep 16	
	Total exposure	of which is covered by EFC ⁽¹⁾
	\$m	\$m
Specialised lending (SL)	67,011	612
Standardised approach		
Australian and foreign governments	-	-
Bank	-	-
Residential mortgage	4,768	57
Corporate	60,190	50,671
Other	1,182	99
Total standardised approach	66,140	50,827

⁽¹⁾ EFC in the standardised approach asset classes has been restated at September 2016 to ensure consistency between tables within the Pillar 3 Report. Total standardised approach EFC has increased by \$2m, comprising a \$1 million increase in the Corporate asset class and \$1 million increase in the Other asset class.

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, securitisation and CVA.

Exposure type	As at 31 Mar 17		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	\$m	\$m	\$m
IRB approach			
Corporate (including SME)	275,333	24,871	-
Sovereign	93,246	-	-
Bank	67,043	112	-
Residential mortgage	362,937	-	-
Qualifying revolving retail	11,671	-	-
Retail SME	16,246	-	-
Other retail	4,574	-	-
Total IRB approach	831,050	24,983	-
Specialised lending (SL)	66,689	-	-
Standardised approach			
Australian and foreign governments	-	-	-
Bank	-	-	-
Residential mortgage	4,523	-	-
Corporate	62,730	-	-
Other	1,150	-	-
Total standardised approach	68,403	-	-

Exposure type	As at 30 Sep 16		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	\$m	\$m	\$m
IRB approach			
Corporate (including SME)	262,099	23,426	-
Sovereign	80,462	-	-
Bank	61,650	142	-
Residential mortgage	357,831	-	-
Qualifying revolving retail	11,651	-	-
Retail SME	16,286	-	-
Other retail	4,614	-	-
Total IRB approach	794,593	23,568	-
Specialised lending (SL)	67,011	-	-
Standardised approach			
Australian and foreign governments	-	-	-
Bank	-	-	-
Residential mortgage	4,768	-	-
Corporate	60,190	-	-
Other	1,182	-	-
Total standardised approach	66,140	-	-

5.5 Counterparty Credit Risk

Table 5.5A (i): Net Derivatives Credit Exposure

This table discloses gross positive fair value of derivative contracts, netting benefits, netted current credit exposure, potential future credit exposures, cash and collateral held. Net derivatives credit exposure represents net exposure at default, or exposure amount, under the current exposure method.

	As at	
	31 Mar 17	30 Sep 16
	\$m	\$m
Gross positive fair value of derivative contracts	56,814	76,948
Netting benefits	(42,356)	(58,579)
Netted current credit exposure (NCCE)	14,458	18,369
Potential Future Credit Exposure	19,020	19,174
Collateral held		
Cash	(4,948)	(8,983)
Government Securities	-	-
Other	(146)	(174)
Total net derivatives credit exposure	28,384	28,386

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

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

Exposure type	As at 31 Mar 17		As at 30 Sep 16	
	Notional principal	Exposure at default	Notional principal	Exposure at default
	\$m	\$m	\$m	\$m
Interest rate contracts	653,312	7,671	789,222	10,553
Foreign exchange and gold contracts	1,552,818	16,802	1,526,161	15,548
Equity contracts	1,143	186	1,190	241
Precious metal contracts (other than gold)	-	-	-	-
Other commodity contracts (other than precious metals)	2,947	148	3,063	242
Other market related contracts	8,923	210	10,887	172
Central counterparty	3,466,024	3,367	3,531,125	1,630
Total	5,685,167	28,384	5,861,648	28,386

Table 5.5B: Credit Derivative Transactions

Credit derivative transactions that create exposures to CCR (notional value), segregated between use for the ADI's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group.

	As at 31 Mar 17			As at 30 Sep 16		
	Protection bought	Protection sold	Total Notional	Protection bought	Protection sold	Total Notional
	\$m	\$m	\$m	\$m	\$m	\$m
Credit derivatives products used for own credit portfolio						
Credit default swaps	98	-	98	98	-	98
Credit derivatives products used for intermediation						
Credit default swaps	11,970	10,125	22,095	10,736	10,695	21,431
Total return swaps	193	-	193	37	-	37
Total credit derivative notional value	12,261	10,125	22,386	10,871	10,695	21,566

Section 6
Securitisation

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

6.1 Third Party Securitisation

This section provides information about assets that the Level 2 Group manages as securitisations for third parties (clients) and for any retained exposure to assets securitised by the Level 2 Group.

Table 6.1A: Total Securitisation Exposures

The tables below show 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.

Underlying asset	As at 31 Mar 17				
	Total outstanding exposures				
	Originating ADI				
	Non- originating ADI exposures	Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	\$m	\$m	\$m	\$m	\$m
Residential mortgage	16,455	3	-	619	296
Credit cards and other personal loans	1,088	-	-	31	-
Auto and equipment finance	2,468	-	-	80	-
CDOs/CLOs ⁽¹⁾	-	-	-	-	-
Commercial loans	-	-	-	-	-
Commercial mortgages	2	-	-	-	-
Corporate bonds	-	-	-	-	615
Other	578	-	-	-	-
Total underlying asset	20,591	3	-	730	911

⁽¹⁾ As at 31 March 2017, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.

Underlying asset	As at 30 Sep 16				
	Total outstanding exposures				
	Originating ADI				
	Non- originating ADI exposures	Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	\$m	\$m	\$m	\$m	\$m
Residential mortgage	15,764	4	-	620	307
Credit cards and other personal loans	1,027	-	-	32	-
Auto and equipment finance	2,306	-	-	146	-
CDOs/CLOs ⁽¹⁾	-	-	-	-	184
Commercial loans	-	-	-	-	-
Commercial mortgages	2	-	-	-	31
Corporate bonds	-	-	-	-	630
Other	574	-	-	-	-
Total underlying asset	19,673	4	-	798	1,152

⁽¹⁾ As at 30 September 2016, 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.

Securitisation exposure type	As at 31 Mar 17			As at 30 Sep 16		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Liquidity facilities	15	1,791	1,806	119	1,613	1,732
Warehouse facilities	8,741	1,923	10,664	9,680	1,720	11,400
Credit enhancements	-	18	18	2	17	19
Derivative transactions	186	-	186	221	-	221
Securities	9,570	-	9,570	8,264	-	8,264
Credit derivatives transactions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total securitisation exposures	18,512	3,732	22,244	18,286	3,350	21,636

Table 6.1C: Recent Third Party Securitisation Activity

This table provides information about new securitisation facilities provided in the periods described below.

Securitisation exposure type	Notional amount of facilities provided	
	6 months ended	6 months ended
	31 Mar 17	30 Sep 16
	\$m	\$m
Liquidity facilities	338	133
Warehouse facilities	709	842
Credit enhancements	-	-
Derivative transactions	57	76
Securities	2,642	959
Credit derivatives transactions	-	-
Other	-	-
Total new facilities provided	3,746	2,010

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.

Risk weight bands	As at 31 Mar 17		As at 30 Sep 16	
	Exposure \$m	RWA \$m	Exposure \$m	RWA \$m
RBA				
≤ 10%	4,625	328	6,001	424
> 10% ≤ 25%	368	44	401	50
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	4,993	372	6,402	474
IAA				
≤ 10%	8,548	608	5,935	425
> 10% ≤ 25%	5,856	747	6,350	806
> 25% ≤ 35%	40	14	54	19
> 35% ≤ 50%	45	22	76	38
> 50% ≤ 75%	123	93	126	95
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	11	27	8	21
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	24	-	14	-
IAA sub-total	14,647	1,511	12,563	1,404
Other				
≤ 10%	349	29	70	4
> 10% ≤ 25%	369	58	400	66
> 25% ≤ 35%	605	211	681	238
> 35% ≤ 50%	-	-	35	17
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	1,141	1,132	1,154	1,146
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	2	-	2
Deductions	-	-	-	-
Other sub-total	2,464	1,432	2,340	1,473
Total	22,104	3,315	21,305	3,351

Resecuritisation Exposures by Risk Weight

Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranching 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.

Risk weight bands	As at 31 Mar 17		As at 30 Sep 16	
	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%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	16	-	16	-
IAA sub-total	16	-	16	-
Other				
≤ 10%	104	8	108	7
> 10% ≤ 25%	11	2	6	1
> 25% ≤ 35%	-	-	7	2
> 35% ≤ 50%	-	-	183	74
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
Other sub-total	115	10	304	84
Total	131	10	320	84

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.

Risk weight bands	As at 31 Mar 17		As at 30 Sep 16	
	Exposure \$m	RWA \$m	Exposure \$m	RWA \$m
RBA				
≤ 10%	4,625	328	6,001	424
> 10% ≤ 25%	368	44	401	50
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	4,993	372	6,402	474
IAA				
≤ 10%	8,548	608	5,935	425
> 10% ≤ 25%	5,856	747	6,350	806
> 25% ≤ 35%	40	14	54	19
> 35% ≤ 50%	45	22	76	38
> 50% ≤ 75%	123	93	126	95
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	11	27	8	21
> 650% ≤ 850%	-	-	-	-
1250%	-	-	-	-
Deductions	40	-	30	-
IAA sub-total	14,663	1,511	12,579	1,404
Other				
≤ 10%	453	37	178	11
> 10% ≤ 25%	380	60	406	67
> 25% ≤ 35%	605	211	688	240
> 35% ≤ 50%	-	-	218	91
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	1,141	1,132	1,154	1,146
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 850%	-	-	-	-
1250%	-	2	-	2
Deductions	-	-	-	-
Other sub-total	2,579	1,442	2,644	1,557
Total	22,235	3,325	21,625	3,435

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 17					Total
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	
	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 ⁽⁷⁾	-	-	-	-	40	40
Total securitisation exposures deducted from capital	-	-	-	-	40	40

⁽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 16					Total
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	\$m	\$m	\$m	\$m		
Securitisation exposures deducted from capital					\$m	\$m
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.

Underlying asset ⁽¹⁾	As at 31 Mar 17				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	\$m	\$m	\$m	\$m	\$m
Residential mortgage ⁽²⁾	79,704	-	339	206	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	79,704	-	339	206	-

⁽¹⁾ The definitions of impaired and past due assets, which are included in the underlying asset, are consistent with the definitions provided in the Glossary of this report.

⁽²⁾ Includes internal securitisation pools of Residential Mortgage Backed Securities that have been developed as a source of contingent liquidity to support the Level 2 Group's liquid asset holdings. As at 31 March 2017, the amount of these securitised assets is \$67,279 million (September 2016: \$69,493 million).

Underlying asset	As at 30 Sep 16				
	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
Residential mortgage	83,458	-	296	351	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	83,458	-	296	351	-

Table 6.2B: Recent Securitisation Activity

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

	As at 31 Mar 17			As at 30 Sep 16		
	Amount securitised during period directly originated \$m	Amount securitised during period indirectly originated \$m	Recognised gain or loss on sale \$m	Amount securitised during period directly originated \$m	Amount securitised during period indirectly originated \$m	Recognised gain or loss on sale \$m
Underlying asset⁽¹⁾						
Residential mortgage	5,864	-	-	6,483	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	5,864	-	-	6,483	-	-

⁽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 2017 and 30 September 2016, 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.

This table provides information about forthcoming external securitisation deals entered into between 31 March 2017 and the disclosure date of this report.

Underlying asset	\$m
Residential mortgage	-
Credit cards	-
Auto and equipment finance	-
Commercial loans	-
Other	-
Total underlying asset	-

Disclosure 6.2E: Credit Risk Mitigation and Guarantors

APS 330 Table 12n requires disclosure of resecuritisation exposures retained or purchased, broken down according to the application of credit risk mitigation and exposures to guarantors. As at 31 March 2017, the Level 2 Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

Section 7
Market Risk
Market Risk
Table 7.1A: Standard Method Risk-Weighted Assets

	As at	
	31 Mar 17	30 Sep 16
	\$m	\$m
Risk weighted assets		
Interest rate risk	572	543
Equity position risk	7	6
Foreign exchange risk	-	-
Commodity risk	-	-
Total risk weighted assets - standard method	579	549

Table 7.1B: Total Risk-Weighted Assets

	As at	
	31 Mar 17	30 Sep 16
	\$m	\$m
Market risk		
Standard method	579	549
Internal model approach	6,422	6,750
Total market risk RWA	7,001	7,299

Table 7.1C: Internal Model Approach VaR

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

	6 months ended 31 Mar 17			As at
	Mean value	Minimum value	Maximum value	31 Mar 17
	\$m	\$m	\$m	\$m
VaR at a 99% confidence level ⁽¹⁾				
Foreign exchange risk	13	9	18	10
Interest rate risk	9	6	13	7
Volatility risk	4	1	6	3
Commodities risk	1	-	1	-
Credit risk	3	1	4	3
Inflation risk	2	2	3	2
Diversification benefit	(17)	n/a	n/a	(12)
Total diversified VaR at a 99% confidence level	15	12	21	13
Other market risks ⁽²⁾	-	-	1	1
Total VaR for physical and derivative positions ⁽³⁾	15	12	22	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.

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

	6 months ended 30 Sep 16			As at
	Mean value	Minimum value	Maximum value	30 Sep 16
	\$m	\$m	\$m	\$m
VaR at a 99% confidence level				
Foreign exchange risk	14	12	17	16
Interest rate risk	9	6	11	8
Volatility risk	3	2	4	3
Commodities risk	1	-	1	1
Credit risk	1	1	2	1
Inflation risk	1	1	3	3
Diversification benefit	(15)	n/a	n/a	(16)
Total diversified VaR at a 99% confidence level	14	12	19	16
Other market risks	-	-	-	-
Total VaR for physical and derivative positions	14	12	19	16

Table 7.1D: Internal Model Approach Stressed VaR

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

	6 months ended 31 Mar 17			As at
	Mean value	Minimum value	Maximum value	31 Mar 17
	\$m	\$m	\$m	\$m
Stressed VaR at risk at a 99% confidence level ⁽¹⁾				
Foreign exchange risk	18	10	26	15
Interest rate risk	24	18	30	22
Volatility risk	6	3	10	6
Commodities risk	1	-	1	1
Credit risk	11	7	15	15
Inflation risk	6	5	8	5
Diversification benefit	(29)	n/a	n/a	(27)
Total diversified Stressed VaR at a 99% confidence level	37	27	49	37
Other market risks ⁽²⁾	1	-	4	3
Total Stressed VaR for physical and derivative positions ⁽³⁾	38	27	53	40

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

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

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

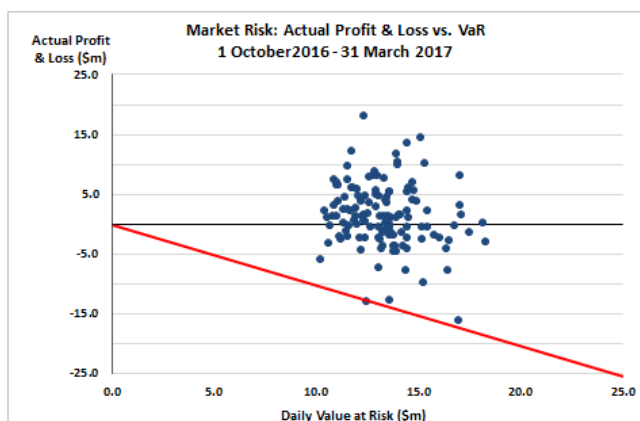
	6 months ended 30 Sep 16			As at
	Mean value	Minimum value	Maximum value	30 Sep 16
	\$m	\$m	\$m	\$m
Stressed VaR at a 99% confidence level				
Foreign exchange risk	22	16	29	24
Interest rate risk	30	22	35	27
Volatility risk	6	4	8	4
Commodities risk	-	-	1	-
Credit risk	9	5	11	9
Inflation risk	2	1	7	7
Diversification benefit	(31)	n/a	n/a	(34)
Total diversified Stressed VaR at a 99% confidence level	38	31	46	37
Other market risks	-	-	1	-
Total Stressed VaR for physical and derivative positions	38	31	47	37

Table 7.1E: Back-testing Results

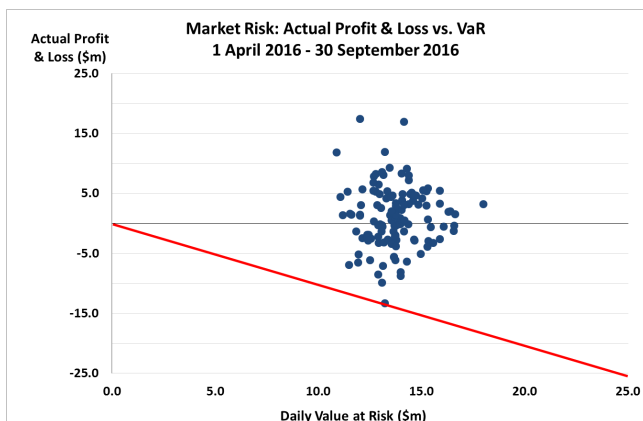
Comparison of VaR estimates to actual gains/losses	6 months ended 31 Mar 17	6 months ended 30 Sep 16
Number of "outliers" incurred for the trading portfolio	1	1

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

6 months ended 31 Mar 17



6 months ended 30 Sep 16



Back-testing, carried out by comparing the Level 2 Group's daily VaR estimate against actual P&L, identified one exception during the six month period to 31 March 2017 and one exception during the previous six month period to 30 September 2016. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

Section 8

Operational Risk

Table 8A: Total Risk-Weighted Assets

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

	As at	
	31 Mar 17	30 Sep 16
	\$m	\$m
Operational risk		
Advanced measurement approach	37,500	37,500
Total operational risk RWA	37,500	37,500

Section 9
Balance Sheet and Liquidity Risk
9.1 Interest Rate Risk in the Banking Book
Table 9.1A: Interest Rate Risk in the Banking Book (IRRBB)

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

	As at 31 Mar 17		As at 30 Sep 16	
	200 bp parallel increase \$m	200 bp parallel decrease \$m	200 bp parallel increase \$m	200 bp parallel decrease \$m
Change in economic value ⁽¹⁾				
AUD	(190)	277	(170)	204
CAD	-	-	-	-
CHF	1	(1)	-	-
EUR	(3)	3	(1)	1
GBP	(7)	7	1	(1)
HKD	3	(3)	3	(3)
JPY	1	(1)	-	-
NZD	(60)	62	(187)	193
USD	81	(82)	87	(87)
Other	3	(3)	4	(4)
Total change in economic value	(171)	259	(263)	303

⁽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 17 \$m	30 Sep 16 \$m
IRRBB risk-weighted assets	12,133	12,136

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 17		As at 30 Sep 16	
	Carrying value ⁽¹⁾	Fair value ⁽²⁾	Carrying value ⁽¹⁾	Fair value ⁽²⁾
	\$m	\$m	\$m	\$m
Total listed equities (publicly traded)	34	34	23	23
Total unlisted equities	381	381	385	386

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

⁽²⁾ For the purposes of determining the fair value of investments in the table above, the NAB Group uses the quoted prices from an active market to the extent that one is available. If the market for a financial instrument is not active, fair value is established by using a valuation technique.

Table 9.2B: Gains and Losses on Equity Investments

This table provides the realised (actual) gains/losses arising from sales and liquidations in the six months to 31 March 2017. Unrealised (expected) gains/losses which were previously included in Tier 1 and Tier 2 capital represent gains/losses recognised in the balance sheet.

	6 months ended	
	31 Mar 17	30 Sep 16
	\$m	\$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	-	101
Total unrealised gains (losses)	82	85
Total unrealised gains (losses) included in Common Equity Tier 1, Tier 1 and Tier 2 capital	82	85

Disclosure 9.2C: Equity Investments Subject to Grandfathering Provision

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

Section 10

Leverage Ratio Disclosures

The Leverage Ratio table below has been prepared in accordance with APRA's prudential standard *APS110: Capital Adequacy (Attachment D)*. The Leverage Ratio is a non-risk based measure that uses exposures to supplement the risk-weighted assets based capital requirements. In summary, the Leverage Ratio is intended to:

- restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and
- reinforce the risk-based requirements with a simple, transparent, non-risk based supplementary measure.

As at 31 March 2017, the Leverage Ratio for the Level 2 Group was 5.51%.

10.1 Leverage Ratio Disclosure Template

		As at 31 Mar 17 \$m	As at 30 Sep 16 \$m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	702,317	689,924
2	(Asset amounts deducted in determining Tier 1 capital)	(10,942)	(10,940)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	691,375	678,984
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9,418	9,245
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	18,128	18,405
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1,790)	(1,542)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	10,125	10,695
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(9,656)	(10,669)
11	Total derivative exposures (sum of rows 4 to 10)	26,225	26,134
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	70,567	58,927
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(23,021)	(21,530)
14	CCR exposure for SFT assets	2,148	1,881
15	Agent transaction exposures	-	-
16	Total Securities financing transaction exposures (sum of rows 12 to 15)	49,694	39,278
Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	153,305	153,905
18	(Adjustments for conversion to credit equivalent amounts)	(69,803)	(70,657)
19	Other off-balance sheet exposures (sum of rows 17 and 18)	83,502	83,248
Capital and total exposures			
20	Tier 1 Capital	46,842	47,336
21	Total exposures (sum of rows 3, 11, 16 and 19)	850,796	827,644
Leverage Ratio			
22	Leverage Ratio	5.51%	5.72%

10.2 Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

Items	As at 31 Mar 17	As at 30 Sep 16
	\$m	\$m
1 Total consolidated assets as per published financial statements	790,227	777,622
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(37)	1,122
3 Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the Leverage Ratio exposure measure	-	-
4 Adjustments for derivative financial instruments	(14,102)	(25,289)
5 Adjustment for SFTs (i.e. repos and similar secured lending)	2,148	1,881
6 Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	83,502	83,248
7 Other adjustments	(10,942)	(10,940)
8 Leverage Ratio exposure	850,796	827,644

At 31 March 2017 the Leverage Ratio for the NAB Level 2 Group of 5.51% remains above the BCBS minimum requirement of 3.0% for banks that have not been identified as a G-SIB. The ratio exceeds the range of between 3–5% as recommended by the Financial System Inquiry calculated in accordance with the Basel framework.

The minimum Leverage Ratio is yet to be determined by APRA, with Pillar 1 compliance not expected to be required until 1 January 2018.

Over the half year to 31 March 2017, the NAB Level 2 Group's Leverage Ratio decreased by 21 basis points to 5.51%. This decrease was primarily due to the growth in total exposures of \$23.2 billion (-15 basis points) to \$850.8 billion, which is comprised of a \$12.4 billion (-8 basis points) increase in on-balance sheet items (excluding derivatives and securities financing transactions (SFTs)) and a \$10.4 billion (-7 basis points) increase in SFT exposures.

Over the same period, Tier 1 Capital decreased by \$0.5 billion (-6 basis points) to \$46.8 billion. The reduction in Tier 1 capital mainly comprises earnings for the half year to 31 March 2017 less the payment of the 2016 final dividend (net of Dividend Reinvestment Plan participation) and the redemption of the National Capital Instruments of \$400 million on 4 October 2016.

Section 11

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is a metric that measures the adequacy of High Quality Liquid Assets (HQLA) available to meet Net Cash Outflows (NCO) over a 30 day period during a severe liquidity stress scenario. The APRA minimum coverage level has been 100% for both the Level 2 NAB Group and NAB Ltd since 1 January 2015.

The NAB Group LCR for the quarters ended 31 March 2017, 31 December 2016 and 30 September 2016 is presented in Table 11.1 LCR Template, which reflects the Basel standard disclosure template and is based on a simple average of daily LCR outcomes excluding weekends.

Liquidity Coverage Ratio Commentary

The NAB Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates.

Average liquid assets for the quarter were \$139 billion of which HQLA was \$89 billion. The HQLA consists primarily of Level 1 assets which include cash, deposits with Central Banks, Australian Semi Government and Commonwealth Government securities and securities issued by foreign sovereigns.

Alternative Liquid Assets (ALA) relate to the Committed Liquidity Facility (CLF) provided by the Reserve Bank of Australia (RBA). HQLA held in Bank of New Zealand which is excess to meeting an LCR of 115% is excluded reflecting liquidity portability considerations. The amount excluded was on average \$2.2 billion during the quarter to 31 March 2017.

The CLF value used in the LCR calculation is the lesser of the undrawn portion of the facility granted to the NAB Group and the value of the collateral the NAB Group chooses to hold at any given time to support the facility and its liquidity requirements. This collateral is a combination of internal Residential Mortgage Backed Securities (RMBS) and other RBA repo eligible securities including bank bills and third party RMBS. The drawn portion of the CLF relates to accounts held with the RBA for the settlement of payment obligations. The NAB Group has an available CLF of \$50.4 billion during the period 1 January 2017 to 31 December 2017.

LCR NCO represents the net cash flows that could potentially occur from on and off balance sheet activities within a 30 day severe liquidity stress scenario. The cash flows are calculated by applying APRA prescribed run-off factors to maturing debt and deposits and inflow factors to assets. High run-off factors are applied to sophisticated investors and depositors including long term and short term debt holders, financial institution and corporate depositors. Lower run off factors are applied to deposits less likely to be withdrawn in a period of severe stress. These include deposits from people and from small medium enterprises. Deposits from corporate and financial institutions which are considered to be operational in nature also attract a lower run off, for example deposits from the NAB Group's

custody business. NAB Group conducts an annual review of its interpretation of the LCR definitions.

Cash outflows arising from business activities that create contingent funding and collateral requirements such as repo funding and derivatives and the extension of credit and liquidity facilities to customers are also captured within the LCR calculation along with an allowance for debt buyback requests.

The NAB Group manages its LCR position daily within a target range that reflects management risk appetite across the legal entity structure, major currencies and jurisdictions in which business activities are undertaken.

Dec 2016 vs Sep 2016

Average holdings of liquid assets reduced in line with declining NCO. NCO reduced as a result of increased wholesale funding tenor along with growth in high quality deposits undertaken to support transition to Net Stable Funding Ratio (NSFR) compliance by 1 January 2018.

Mar 2017 vs Dec 2016

There are no material movements in NCO. The \$5 billion reduction in CLF in 2017 was largely offset by higher holdings of HQLA.

11.1 Liquidity Coverage Ratio Template

		31 Mar 17 63 data points		31 Dec 16 63 data points		30 Sep 16 66 data points	
		Total unweighted value (average) \$m ⁽¹⁾	Total weighted value (average) \$m	Total unweighted value (average) \$m ⁽¹⁾	Total weighted value (average) \$m	Total unweighted value (average) \$m ⁽¹⁾	Total weighted value (average) \$m
Liquid assets, of which:			139,435		140,665		146,682
1	High-quality liquid assets (HQLA) ⁽²⁾	n/a	88,810	n/a	84,993	n/a	90,938
2	Alternative liquid assets (ALA)	n/a	46,428	n/a	51,324	n/a	51,400
3	Reserve Bank of New Zealand (RBNZ) securities ⁽²⁾	n/a	4,197	n/a	4,348	n/a	4,344
Cash outflows							
4	Retail deposits and deposits from small business customers, of which:	178,313	21,535	175,125	20,816	169,085	18,114
5	<i>stable deposits</i>	50,041	2,502	49,504	2,475	48,288	2,415
6	<i>less stable deposits</i>	128,272	19,033	125,621	18,341	120,797	15,699
7	Unsecured wholesale funding, of which:	135,614	69,423	132,492	67,896	141,604	76,155
8	<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	53,898	13,475	53,333	13,333	54,449	13,612
9	<i>non-operational deposits (all counterparties)</i>	68,347	42,579	68,143	43,547	72,084	47,472
10	<i>unsecured debt</i>	13,369	13,369	11,016	11,016	15,071	15,071
11	Secured wholesale funding	n/a	5,225	n/a	4,141	n/a	4,156
12	Additional requirements, of which	164,333	31,466	164,870	32,511	140,473	32,762
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	17,668	17,668	18,669	18,669	20,953	20,953
14	<i>outflows related to loss of funding on debt products</i>	-	-	-	-	-	-
15	<i>credit and liquidity facilities</i>	146,665	13,798	146,201	13,842	119,520	11,809
16	Other contractual funding obligations	3,386	3,371	4,605	4,597	3,522	3,296
17	Other contingent funding obligations	81,938	5,896	82,262	5,864	114,403	7,464
18	Total cash outflows	n/a	136,916	n/a	135,825	n/a	141,947
Cash inflows							
19	Secured lending (e.g. reverse repos)	52,254	3,811	48,725	2,639	52,395	3,267
20	Inflows from fully performing exposures	24,323	14,484	25,447	15,267	23,959	13,520
21	Other cash inflows	4,295	4,295	4,185	4,185	4,111	4,111
22	Total cash inflows	80,872	22,590	78,357	22,091	80,465	20,898
		Total adjusted value		Total adjusted value		Total adjusted value	
23	Total liquid assets		139,435		140,665		146,682
24	Total net cash outflows		114,326		113,734		121,049
25	Liquidity Coverage Ratio (%)		122%		124%		121%

⁽¹⁾ Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.⁽²⁾ Weighted values are calculated after applying caps to the amount of liquid assets included from subsidiaries.

Section 12

Detailed Capital Disclosures

12.1 Common Disclosure Template – Regulatory Capital

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA.

The information contained within the table below should be read in conjunction with section 12.2 Regulatory Balance Sheet and section 12.3 Reconciliation between the Common Disclosure Template and the Level 2 Regulatory Balance Sheet.

		As at 31 Mar 17 \$m
Common Equity Tier 1 Capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	31,658
2	Retained earnings	16,957
3	Accumulated other comprehensive income (and other reserves)	68
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	48,683
Common Equity Tier 1 Capital: regulatory adjustments		
7	Prudential valuation adjustments	1
8	Goodwill (net of related tax liability)	2,818
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,531
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	40
12	Shortfall of provisions to expected losses	131
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	(142)
15	Defined benefit superannuation fund net assets	20
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)	5,434
26a	of which: treasury shares	(6)
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred fee income	-
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	1,945
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	1,295
26f	of which: capitalised expenses	537
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	16
26h	of which: covered bonds in excess of asset cover in pools	-
26i	of which: under capitalisation of a non-consolidated subsidiary	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	1,647
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	10,833
29	Common Equity Tier 1 Capital (CET1)	37,850

		As at 31 Mar 17 \$m
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	6,073
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	6,073
33	Directly issued capital instruments subject to phase out from Additional Tier 1	2,920
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	8,993
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)	1
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	1
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	1
44	Additional Tier 1 Capital (AT1)	8,992
45	Tier 1 Capital (T1 = CET1 + AT1)	46,842
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	5,008
47	Directly issued capital instruments subject to phase out from Tier 2	2,811
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)	435
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	60
51	Tier 2 Capital before regulatory adjustments	8,314
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)	9
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	9
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	Total regulatory adjustments to Tier 2 Capital	84
58	Tier 2 Capital (T2)	8,230
59	Total Capital (TC = T1 + T2)	55,072
60	Total risk weighted assets based on APRA standards	374,487

		As at 31 Mar 17 \$m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.11%
62	Tier 1 (as a percentage of risk weighted assets)	12.51%
63	Total capital (as a percentage of risk weighted assets)	14.71%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets) ⁽¹⁾	7.01%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	0.01%
67	of which: G-SIB buffer requirement	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.61%
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	389
73	Significant investments in the ordinary shares of financial entities	1,556
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,295
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)	60
77	Cap on inclusion of provisions in Tier 2 under standardised approach	230
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,797
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	3,028
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	2,811
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1,421

⁽¹⁾ Consistent with APS330, the 1% domestic systemically important bank capital buffer applicable to NAB from 1 January 2016 is not disclosed in this table.

12.2 Level 2 Regulatory Balance Sheet

The table shows the NAB Group's Balance Sheet and the Level 2 Regulatory Balance Sheet.

	NAB Group Balance Sheet As at 31 Mar 17 \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet As at 31 Mar 17 \$m	Template Reference / Reconciliation Table
Assets				
Cash and liquid assets	40,373	(1,065)	39,308	
Due from other banks	53,725	-	53,725	
Trading derivatives	33,166	1,771	34,937	
Trading securities	48,501	-	48,501	
Debt instruments at fair value through other comprehensive income	43,499	-	43,499	
Investments relating to life insurance business	81	(81)	-	
Other financial assets at fair value	18,520	(70)	18,450	
Hedging derivatives	5,387	-	5,387	
Loans and advances	520,954	(29)	520,925	
Due from customers on acceptances	8,548	-	8,548	
Current tax Assets	133	-	133	
Property, plant and equipment	1,337	(7)	1,330	
Goodwill and other intangible assets	5,393	(2,415)	2,978	Table A
Deferred tax assets	1,711	(555)	1,156	
Other assets	8,899	(2,645)	6,254	
Investment in non-consolidated entities	-	3,928	3,928	Table A
Due from controlled entities	-	1,131	1,131	
Total assets	790,227	(37)	790,190	
Liabilities				
Due to other banks	47,618	-	47,618	
Trading derivatives	34,022	2	34,024	
Other financial liabilities at fair value	28,161	-	28,161	
<i>of which:</i>				
<i>Change in own credit worthiness</i>	142	-	142	Row 14
Hedging derivatives	3,397	-	3,397	
Deposits and other borrowings	487,252	1	487,253	
Life policy liabilities	-	-	-	
Current tax liabilities	-	(11)	(11)	
Provisions	1,381	(163)	1,218	
Bonds, notes and subordinated debt	124,027	(3,123)	120,904	
Other debt issues	6,205	-	6,205	
External unitholders' liability	-	-	-	
Other liabilities	7,308	2,155	9,463	
Due to controlled entities	-	260	260	
Total liabilities	739,371	(879)	738,492	
Net assets	50,856	842	51,698	

	NAB Group Balance Sheet As at 31 Mar 17 \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet As at 31 Mar 17 \$m	Template Reference / Reconciliation Table
Equity				
Issues and paid-up ordinary share capital	31,421	237	31,658	Row 1
Other contributed equity	2,920	(1)	2,919	
Contributed equity	34,341	236	34,577	
General reserve for credit losses	96	-	96	
Asset revaluation reserve	83	-	83	
Foreign currency translation reserve	(415)	(6)	(421)	
Cash flow hedge reserve	40	-	40	Row 11
Equity-based compensation reserve	157	-	157	
Debt instruments at fair value through other comprehensive income reserve	127	-	127	
Equity instruments at fair value through other comprehensive income reserve	82	-	82	
Other reserves	74	(6)	68	Row 3
Reserves	170	(6)	164	
Retained profits	16,334	623	16,957	Row 2
Total equity (parent entity interest)	50,845	853	51,698	
Non-controlling interest in controlled entities	11	(11)	-	
Total equity	50,856	842	51,698	

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

Table A	As at 31 Mar 17 \$m	Template Reference
Goodwill and other intangible assets	2,978	
Investment in non-consolidated entities	3,928	
Total	6,906	
<i>Less</i>		
DTL for other intangible assets	1	
Goodwill (net of related tax liability)	2,818	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,531	Row 9
Net tangible assets of investment in non-consolidated entities	1,556	
<i>Add</i>		
Insignificant equity investment in financial institutions	389	Row 72
Total equity investment in financial institutions	1,945	Row 26d

12.4 Material Entities Excluded from Level 2 Regulatory Balance Sheet

Table 12.4A: Insurance and Fund Management Entities

	As at 31 Mar 17	
	Total Assets	Total Liabilities
	\$m	\$m
Superannuation and Funds Management Entities		
National Wealth Management Holdings Limited	2,179	1,241
National Australia Financial Management Limited	803	10
MLC Holdings Limited	572	-
MLC Investments Limited	150	30

12.5 Countercyclical Capital Buffer

Table 12.5A: Countercyclical Capital Buffer – Private Sector Credit Exposures

The Basel III countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which ADIs have private sector credit exposures and is calculated in accordance with APRA's prudential standard APS110: Capital Adequacy (Attachment C). Its primary objective is to use a buffer of capital to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of systemwide risk.

Private sector credit exposures are exposures (including non-banking financial sector exposures) that attract a credit risk capital charge or the risk-weighted equivalent trading book capital charge for specific risk, incremental risk and securitisation.

An ADI may be required to hold additional CET1 Capital of between zero and 2.5 per cent of total RWA, as a countercyclical capital buffer.

The table below provides the geographic breakdown, at country level, of the private sector credit exposures and the associated RWA values that are used to calculate the Level 2 Group's countercyclical capital buffer ratio.

Country	As at 31 Mar 17			
	Countercyclical Capital Buffer	EAD	RWA	ADI-specific Buffer
	%	\$m	\$m	%
Hong Kong	1.25	3,175	1,423	0.006
Norway	1.5	49	40	0.000
Sweden	2.0	104	72	0.001
Other ⁽¹⁾	-	824,601	297,395	0.000
Total	n/a	827,929	298,930	0.007

⁽¹⁾ 'Other' encompasses all other countries in jurisdictions to which the Level 2 Group has private sector credit exposures where the countercyclical capital buffer is zero.

Country	As at 30 Sep 16			
	Countercyclical Capital Buffer	EAD	RWA	ADI-specific Buffer
	%	\$m	\$m	%
Hong Kong	0.625	2,857	1,330	0.003
Norway	1.5	49	53	0.000
Sweden	1.5	311	150	0.001
Other	-	803,891	306,691	0.000
Total	n/a	807,108	308,224	0.004

Section 13

Glossary

Term	Description
ABCP	Asset-Backed Commercial Paper 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 provisions	That portion of collective provisions covering facilities where any assessment of probability of default or loss would give rise to a reasonable expectation that the facilities in question will need in the short term to be subject to a write-down or write-off, or assessment for impairment on an individual facility basis.
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	Additional Tier 1 Capital comprises high quality components of capital that satisfy the following essential characteristics: (a) provide a permanent and unrestricted commitment of funds; (b) are freely available to absorb losses; (c) rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and (d) provide for fully discretionary capital distributions
Advanced IRB approach (IRB)	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 E&D 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.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Alternative Liquid Assets (ALA)	Alternative liquid assets are made available in jurisdictions where there is insufficient supply of HQLA in the domestic currency to meet the aggregate demand of banks with significant exposures in the domestic currency in the Liquidity Coverage Ratio (LCR) framework. The Committed Liquidity Facility (CLF) provided by the Reserve Bank of Australia to Australian banks is treated as an ALA in the LCR.
Alternative Standardised Approach (ASA)	Alternative Standardised Approach is the risk estimation process used for the NAB Group's operational risk.
Back-testing	Back-testing refers to the process undertaken to monitor performance of the NAB Group's risk models. Historical data is used to compare the actual outcomes to the expected outcomes. Theoretical (or hypothetical) back-testing refers to the process whereby the trading positions at the end of the preceding day are revalued using the end-of-day rates for that day and then again at the succeeding day's closing rates. The difference between the two mark-to-market values of the portfolio which represents the profit and loss that would have occurred had there been no transactions on the day, is compared with the VaR. VaR is also compared with the actual daily traded profit and loss as a cross-check of the reasonableness of the theoretical portfolio movement.
Basel Accord	The Basel regulatory framework (which includes Basel II, Basel 2.5 and Basel III) is the global benchmark for assessing banks' capital adequacy. The guidelines are aimed at promoting a more resilient banking system through the development of capital adequacy standards that are more accurately aligned with the individual risk profile of institutions, by offering greater flexibility for supervisors to recognise and encourage the use of more sophisticated risk management techniques.
Board	Board of Directors of NAB.
BRC	Board Risk Committee.
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 (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 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 <i>Prudential Standard APS 222 Associations with Related Entities</i> .
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 is limited to the collateral items detailed in Attachment H of APS 112. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Foundation 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 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.
Guarantees	Guarantors under the standardised approach are recognised according to <i>APS 112 Attachment F paragraph 3</i> . 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 <i>Attachment A</i> 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 <i>APS 113 Attachment B paragraph 49</i>), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to <i>APS 113 Attachment B paragraph 60</i>) and, for certain exposures, a double default approach (refer to <i>APS 113 Attachment B paragraph 67</i>). 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 <i>APS 113 Attachment C paragraph 19</i>) and, for certain exposures, a double default approach (refer to <i>APS 113 Attachment C paragraph 28</i>). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
High Quality Liquid Assets (HQLA)	HQLA refers to high quality liquid assets determined in accordance with APS 210 Liquidity (APS210). These assets include notes and coins, central bank reserves and highly rated marketable securities issued or guaranteed by central banks or governments.
IAA	Internal Assessment Approach.
ICAAP	Internal Capital Adequacy Assessment Process (ICAAP) is the mechanism developed and used by the NAB Group to determine capital requirements as outlined under Basel III. It results in the NAB Group identifying and assessing all risks to which it is exposed and allocating an appropriate level of capital to each.
IFRS	International Financial Reporting Standards.
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 past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. - Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
IRRBB	Interest rate risk in the banking book.
Level 2 Group	The Level 2 Group, being NAB and the entities it controls subject to certain exceptions set out in <i>Section 2 Scope of Application</i> 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 <i>Prudential Standard APS110: Capital Adequacy</i> .
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 came into force on 1 January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the NAB Group's liquidity needs for a 30 day calendar liquidity stress scenario.
Liquidity facilities	Liquidity facilities are provided by the NAB Group to an SPV for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the SPV (asset liquidity facilities), or to cover the inability of the SPV to roll over ABCP (standby liquidity facilities).

Term	Description
Loan to value ratio	Loan to Value Ratio (LVR) is the ratio between the loan and value of the security provided.
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 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. Finalised requirements are still to be outlined by the Basel Committee and APRA.
Net write-offs	Write-offs on loans at amortised cost and Fair Value loans net of recoveries.
Non-retail credit	Non-retail credit broadly refers to credit exposure to business customers. It excludes retail credit defined below.
Non-traded book	Non-traded book refers to the investment in securities held by the NAB Group through to maturity.
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.
Point in Time	Point in Time (PiT) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the current economic conditions.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
RBA	Reserve Bank of Australia.
Regulatory capital	Regulatory capital is the total capital held by the NAB Group as a buffer against potential losses arising from the business the NAB Group operates in. Unlike economic capital, it is calculated based on guidance and standards provided by the NAB Group's regulators, including APRA. It is designed to support stability in the banking system and protect depositors.
Regulatory expected loss	Regulatory Expected Loss (EL) is a calculation of the estimated loss that may be experienced by the NAB Group over the next 12 months. Regulatory EL calculations are based on the PD, LGD and EaD values of the portfolio at the time of the estimate which includes stressed LGDs for economic conditions. As such, regulatory EL is not an estimate of long-run average expected loss.
Resecuritisation	Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranching 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, 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.
Stress testing	Stress testing refers to a technique whereby the NAB Group's capital position is assessed against a number of different scenarios used to determine the movement on expected losses and subsequent impact on capital.
Through the cycle	Through the Cycle (TtC) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the impact of an economic downturn.
Tier 1 Capital	Tier 1 Capital comprises Common Equity Tier 1 (CET1) Capital and instruments issued by the NAB Group that meet the criteria for inclusion as Addition Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital
Tier 1 Capital ratio	Tier 1 Capital as defined by APRA divided by RWA.
Tier 2 Capital	Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Tier 2 Capital ratio	Tier 2 Capital as defined by APRA divided by RWA.
Total Capital	Total capital is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA.
Total Capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' securities over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
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.
Warehouse facilities	Warehouse facilities are lending facilities provided by the NAB Group to an SPV for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.

Section 14

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