



Monday, 27 April 2020

## **ASX ANNOUNCEMENT**

### **NAB March 2020 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 report is attached to this announcement and available at:

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

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The release of this announcement was authorised by Gary Lennon, Group Chief Financial Officer.





National  
Australia  
Bank

# PILLAR 3 REPORT

**Incorporating the  
requirements of APS 330  
as at 31 March 2020**



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## Section 1

## Introduction

National Australia Bank Limited (NAB) is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959* (Cth). This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*, which requires disclosure of information to the market relating to capital adequacy and risk management practices. APS 330 was established to implement the third pillar of the Basel Committee on Banking Supervision's (BCBS) framework for bank capital adequacy. In simple terms, the framework consists of three mutually reinforcing pillars.

<b>Pillar 1</b> <b>Minimum capital requirement</b>	<b>Pillar 2</b> <b>Supervisory review process</b>	<b>Pillar 3</b> <b>Market discipline</b>
Minimum requirements for the level and quality of capital	Management's responsibility for capital adequacy to support risks beyond the minimum requirements, including an Internal Capital Adequacy Assessment Process (ICAAP)	Disclosure to the market of qualitative and quantitative aspects of risk management, capital adequacy and various risk metrics

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

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

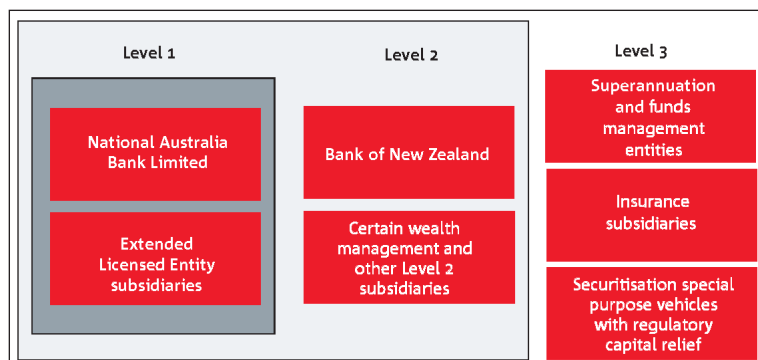
## Capital Adequacy Methodologies

The Group uses the following approaches to measure capital adequacy as at 31 March 2020.

<b>Credit Risk</b>	<b>Operational Risk</b>	<b>Non-traded Market Risk</b>	<b>Traded Market Risk</b>
Advanced Internal Ratings-Based Approach (IRB)	Advanced Measurement Approach (AMA)	Internal Model Approach (IMA)	Standardised and Internal Model Approach (IMA)

## Scope of Application

APRA measures capital adequacy by assessing financial strength at three levels as illustrated below.



Level 1 comprises NAB and its subsidiary entities approved by APRA as part of the Extended Licensed Entity.

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

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

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

### Section 2

## Regulatory Reform

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

#### *'Unquestionably Strong' and Basel III Revisions*

- The major Australian banks, including NAB, have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020. APRA has temporarily suspended these requirements in response to the COVID-19 pandemic. In suspending these requirements, APRA has indicated that banks may need to utilise some of the current large capital buffers to facilitate ongoing lending to the economy.
- APRA's consultation on revisions to the capital framework includes consideration of 'benchmarks for capital strength', 'risk sensitivity of the capital framework' and 'transparency, comparability and flexibility of the capital framework'. APRA has recently deferred the scheduled implementation of these prudential standards in Australia by one year to January 2023, consistent with the BCBS. The deferral supports ADIs in maintaining operations and supporting customers in response to the COVID-19 pandemic. APRA has reiterated its view that ADIs currently hold sufficient capital to meet the new requirements.
- In October 2019, APRA proposed changes to the treatment of equity investments in subsidiaries (including BNZ) for the purpose of calculating Level 1 regulatory capital from 1 January 2021.
- APRA has also proposed a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology from 1 January 2022. The Group's leverage ratio as at 31 March 2020 of 5.24% (under current methodology) is disclosed in further detail in Table 3.4A *Leverage Ratio Disclosure Template*.

#### *Increased Loss-absorbing Capacity for ADIs*

In July 2019, APRA released its framework for the implementation of an Australian loss-absorbing capacity regime, requiring an increase in total capital of 3% of risk-weighted assets (RWA) for Domestic Systemically Important Banks (D-SIBs) by 1 January 2024. APRA has maintained its overall target calibration of 4% to 5% of RWA, and will consult on alternative methods for raising the additional loss-absorbing capacity equal to 1% to 2% of RWA over the next four years.

#### *Reserve Bank of New Zealand (RBNZ) Capital Review*

In December 2019, the RBNZ finalised its review of the capital adequacy framework applied to registered banks incorporated in New Zealand. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:

- increases in credit RWA for banks that use the internal ratings-based approach due to an increase in the scalar, prescribed use of the standardised approach for banks and sovereign exposures and, the introduction of an overall minimum standardised floors
- an increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement equal to 18% of RWA.

Due to significant uncertainties arising from the impacts of the COVID-19 pandemic, the RBNZ has delayed the start of the new capital requirements by one year to 1 July 2021, after which it is expected that the changes will be phased in over a seven year period.

#### *Dividend*

In response to the impacts of the COVID-19 pandemic, the RBNZ and APRA have introduced restrictions on the payment of distributions:

- The RBNZ has prohibited the payment of dividends on ordinary shares and the redemption of non-Common Equity Tier 1 (CET1) capital instruments.
- APRA announced its expectation that ADIs will seriously consider deferring decisions on the appropriate level of dividends until the outlook is clearer. However, where dividends are approved, this should only be on the basis of robust stress testing results that have been discussed with APRA, and should be at a materially reduced level. Any dividend payments should be offset to the extent possible through the use of capital management initiatives.

In each case, these regulatory restrictions will apply until further notice.

#### *Other regulatory changes*

- The BCBS announced its revised market risk and Credit Value Adjustment (CVA) frameworks, which are due to come into effect from 1 January 2023 globally. In February 2018, APRA released its discussion paper on revisions to the capital framework, including market risk and CVA. APRA has recently deferred the implementation date for APS 116 *Capital Adequacy: Market Risk* to 1 January 2024.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) took effect on 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives.
- The revised APS 222 Related Entity framework will take effect from 1 January 2022.

## Section 3

## Capital

## 3.1 Capital Adequacy

Table 3.1A: Risk-weighted Assets

The following table provides RWA for each risk type for the Level 2 Group.

	As at	
	31 Mar 20	30 Sep 19
	\$m	\$m
<b>Credit risk</b>		
<b>Subject to IRB approach</b>		
Corporate (including Small and Medium Enterprises (SME))	135,362	127,049
Sovereign	1,489	1,407
Bank	10,120	10,430
Residential mortgage	108,108	106,209
Qualifying revolving retail	3,258	3,494
Retail SME	6,326	6,467
Other retail	3,002	3,104
<b>Total IRB approach</b>	<b>267,665</b>	<b>258,160</b>
<b>Specialised lending</b>	<b>59,632</b>	<b>58,320</b>
<b>Subject to standardised approach</b>		
Residential mortgage	1,359	1,560
Corporate	4,720	4,798
Other	440	472
<b>Total standardised approach</b>	<b>6,519</b>	<b>6,830</b>
<b>Other</b>		
Securitisation exposures	5,197	4,865
Credit value adjustment	15,596	15,006
Central counterparty default fund contribution guarantee	137	306
Other <sup>(1)</sup>	9,804	8,159
<b>Total other</b>	<b>30,734</b>	<b>28,336</b>
<b>Total credit risk</b>	<b>364,550</b>	<b>351,646</b>
<b>Market risk</b>	10,035	10,023
<b>Operational risk</b>	50,604	47,698
<b>Interest rate risk in the banking book</b>	7,477	6,404
<b>Total RWA</b>	<b>432,666</b>	<b>415,771</b>

<sup>(1)</sup> Other includes non-lending assets and RWA overlay adjustments for regulatory prescribed methodology requirements.

The following table provides total RWA for the Level 1 Group.

	As at	
	31 Mar 20	30 Sep 19
	\$m	\$m
<b>Total RWA</b>	<b>388,707</b>	<b>375,440</b>

### 3.1 Capital Adequacy (continued)

**Table 3.1B: Capital and Leverage Ratios**

The following tables provide:

- the key capital ratios for the Level 1 and Level 2 Group and for the Group's significant overseas bank subsidiary, BNZ
- the leverage ratio for the Level 2 Group as at 31 March 2020 and for the three previous quarters

Capital ratios	As at	
	31 Mar 20	30 Sep 19
	%	%
Level 2 Common Equity Tier 1 capital ratio	10.39	10.38
Level 2 Tier 1 capital ratio	11.96	12.36
Level 2 Total capital ratio	14.61	14.68
Level 1 Common Equity Tier 1 capital ratio	10.41	10.52
Level 1 Tier 1 capital ratio	12.13	12.67
Level 1 Total capital ratio	14.93	15.14
Significant bank subsidiary <sup>(1)</sup>		
BNZ Common Equity Tier 1 capital ratio	11.16	10.97
BNZ Tier 1 capital ratio	12.46	12.32
BNZ Total capital ratio	14.11	13.93

<sup>(1)</sup> BNZ's capital ratios have been derived under the RBNZ's capital adequacy framework.

Leverage ratio	As at			
	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19
	\$m	\$m	\$m	\$m
Tier 1 capital	51,761	52,761	51,388	50,409
Total exposures	988,245	937,042	925,973	927,846
Leverage ratio (%)	5.24%	5.63%	5.55%	5.43%

### 3.2 Capital Structure

Regulatory capital is calculated in accordance with APS 111 *Capital Adequacy: Measurement of Capital*. The Group's capital structure comprises various forms of capital which are summarised in the table below.

Common Equity Tier 1 (CET1) capital	Tier 1 capital	Total capital
CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111.	CET1 capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 capital.	Tier 1 capital plus subordinated debt instruments with complying loss absorbing characteristics known as Tier 2 capital.

CET1 capital contains the highest quality and most effective loss absorbent components of capital, followed by Additional Tier 1 capital and then Tier 2 capital. Further details of Additional Tier 1 and Tier 2 securities are available online in the capital instruments section of the Group's website at <https://capital.nab.com.au/disclaimer-area/capital-instruments.phps>.

#### Restrictions on the Transfer of Funds or Regulatory Capital within the Group

Limits are placed on the level of exposure (debt and equity) that NAB may have to a related entity. The Conglomerate Group Aggregate Risk Exposure Policy requires consideration of excessive risk when setting risk limits between Group entities. Policy on lending between Group entities requires intercompany transactions to be adequately controlled and comply with legal and regulatory requirements.

As the Group's significant overseas bank subsidiary, BNZ works with the Group to manage capital to target capital ranges approved by its board of directors. Any capital transfer is subject to maintaining adequate subsidiary and parent company capitalisation.

## 3.2 Capital Structure (continued)

**Table 3.2A: Regulatory Capital Structure**

The table below provides the structure of regulatory capital for the Level 2 Group. A detailed breakdown as at 31 March 2020 is shown in Table 3.3A *Regulatory Capital Disclosure Template*.

	As at	
	31 Mar 20	30 Sep 19
	\$m	\$m
Common Equity Tier 1 capital before regulatory adjustments	56,240	53,406
Regulatory adjustments to Common Equity Tier 1 capital	(11,280)	(10,268)
<b>Common Equity Tier 1 capital (CET1)</b>	<b>44,960</b>	<b>43,138</b>
Additional Tier 1 capital before regulatory adjustments	6,801	8,250
Regulatory adjustments to Additional Tier 1 capital	-	-
<b>Additional Tier 1 capital (AT1)</b>	<b>6,801</b>	<b>8,250</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>51,761</b>	<b>51,388</b>
Tier 2 capital before regulatory adjustments	11,542	9,748
Regulatory adjustments to Tier 2 capital	(100)	(90)
<b>Tier 2 capital (T2)</b>	<b>11,442</b>	<b>9,658</b>
<b>Total capital (TC = T1 + T2)</b>	<b>63,203</b>	<b>61,046</b>



### 3.3 Detailed Capital Disclosures

#### Table 3.3A: Regulatory Capital Disclosure Template

The capital ratios for the Level 2 Group and other regulatory capital information are presented in the following regulatory capital disclosure template. The capital disclosure template is based on the post 1 January 2018 Basel III requirements as the Group is applying the regulatory adjustments under Basel III in full as implemented by APRA.

Explanation of how amounts in the template reconcile to the Level 2 Group balance sheet is contained in Table 3.3B

*Reconciliation between the Group and Level 2 Group Balance Sheet and Table 3.3C Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template.*

		As at 31 Mar 20
		\$m
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	39,248
2	Retained earnings	16,134
3	Accumulated other comprehensive income (and other reserves)	858
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)	-
<b>6</b>	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>56,240</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
7	Prudential valuation adjustments	1
8	Goodwill	2,865
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,336
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	75
11	Cash flow hedge reserve	601
12	Shortfall of provisions to expected losses	69
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	881
15	Defined benefit superannuation plan assets (net of related tax liability)	33
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	-
<b>APRA specific regulatory adjustments</b>		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	4,419
26a	of which: treasury shares	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred net fee income	620
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23 (adjusted for intangible assets held by those entities)	879
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	2,614
26f	of which: capitalised expenses	125
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	41
26h	of which: covered bonds in excess of asset cover in pools	-
26i	of which: undercapitalisation of a non-consolidated subsidiary	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	140
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>11,280</b>
<b>29</b>	<b>Common Equity Tier 1 capital (CET1)</b>	<b>44,960</b>

## 3.3 Detailed Capital Disclosures (continued)

		As at 31 Mar 20
		\$m
<b>Additional Tier 1 capital: instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments	5,590
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	5,590
33	Directly issued capital instruments subject to phase out from Additional Tier 1	1,211
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 Additional Tier 1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
<b>36</b>	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>6,801</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>		
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)	-
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	-
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	-
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>
<b>44</b>	<b>Additional Tier 1 capital (AT1)</b>	<b>6,801</b>
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>51,761</b>
<b>Tier 2 capital: instruments and provisions</b>		
46	Directly issued qualifying Tier 2 instruments	9,031
47	Directly issued capital instruments subject to phase out from Tier 2	814
48	Tier 2 instruments (and CET1 and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	437
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions <sup>(1)</sup>	1,260
<b>51</b>	<b>Tier 2 capital before regulatory adjustments</b>	<b>11,542</b>
<b>Tier 2 capital: regulatory adjustments</b>		
52	Investments in own Tier 2 instruments	75
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the Tier 2 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 Tier 2 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)	25
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	25
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
<b>57</b>	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>100</b>
<b>58</b>	<b>Tier 2 capital (T2)</b>	<b>11,442</b>
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>63,203</b>
<b>60</b>	<b>Total RWA based on APRA standards</b>	<b>432,666</b>

<sup>(1)</sup> Provisions consists of surplus provisions on non-defaulted exposures subject to the IRB approach (\$1,199m) and the General Reserve for Credit Losses (GRCL) for exposures subject to the standardised approach (\$61m).

## 3.3 Detailed Capital Disclosures (continued)

		As at 31 Mar 20
		\$m
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of RWA)	10.39%
62	Tier 1 (as a percentage of RWA)	11.96%
63	Total capital (as a percentage of RWA)	14.61%
64	Buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any countercyclical buffer requirements expressed as a percentage of RWA) <sup>(1)</sup>	8.01%
65	of which: capital conservation buffer requirement	3.50%
66	of which: ADI-specific countercyclical buffer requirements	0.01%
67	of which: Global Systemically Importable Bank (G-SIB) buffer requirement	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of RWA)	10.39%
<b>National minima (if different from Basel III)</b>		
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
<b>Amounts below the thresholds for deduction (not risk-weighted)<sup>(2)</sup></b>		
72	Non-significant investments in the capital of other financial entities	462
73	Significant investments in the ordinary shares of financial entities (adjusted for intangible assets held by those entities)	417
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2,614
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	61
77	Cap on inclusion of provisions in Tier 2 under standardised approach	334
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	1,199
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	2,027
<b>Capital instruments subject to phase-out arrangements (applicable between 1 January 2018 and 1 January 2022)</b>		
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 Additional Tier 1 instruments subject to phase out arrangements	1,211
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	734
84	Current cap on Tier 2 instruments subject to phase out arrangements	1,124
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-

<sup>(1)</sup> Comprises a minimum CET1 ratio of 4.5% per APS 110 Capital Adequacy paragraph 23(a), a capital conservation buffer of 2.5% of RWA, an additional capital buffer applicable to D-SIBs of 1% of RWA and a countercyclical capital buffer (refer to Table 3.3E: Countercyclical Capital Buffer).

<sup>(2)</sup> Amounts below the thresholds for deduction under Basel III requirements are an APRA specific regulatory adjustment.

### 3.3 Detailed Capital Disclosures (continued)

**Table 3.3B: Reconciliation between the Group and Level 2 Group Balance Sheet**

The following table shows the Group's balance sheet and adjustments to derive the Level 2 Group balance sheet as at 31 March 2020. The adjustments remove the assets, liabilities and equity balances of Level 3 entities deconsolidated for regulatory purposes, and reinstates any intragroup assets and liabilities, treating them as external to the Level 2 Group.

The template and reconciliation references are either directly to rows in Table 3.3A *Regulatory Capital Disclosure Template* or to reconciliations in Table 3.3C *Reconciliation between the Level 2 Group Balance Sheet and Regulatory Disclosure Template*.

	Group balance sheet	Adjustments	Level 2 Group balance sheet	Disclosure template row / reconciliation table reference
	\$m	\$m	\$m	
<b>Assets</b>				
Cash and liquid assets	58,338	(163)	58,175	
Due from other banks	60,884	-	60,884	
Trading instruments	124,647	-	124,647	
Debt instruments	40,275	-	40,275	
Other financial assets	5,974	(210)	5,764	
Hedging derivatives	13,287	-	13,287	
Loans and advances	601,798	(2,350)	599,448	
of which: deferred net fee income	620	-	620	Row 26c
Due from customers on acceptances	2,010	-	2,010	
Property, plant and equipment	2,291	(1)	2,290	
Due from controlled entities	-	128	128	
Investment in non-consolidated controlled entities	-	417	417	
Goodwill and other intangible assets	4,696	(4)	4,692	Table A
Deferred tax assets	2,970	(10)	2,960	Table C
Other assets	10,458	(294)	10,164	
<b>Total assets</b>	<b>927,628</b>	<b>(2,487)</b>	<b>925,141</b>	
<b>Liabilities</b>				
Due to other banks	53,076	-	53,076	
Trading instruments	56,669	-	56,669	
Other financial liabilities	35,119	-	35,119	
Hedging derivatives	6,664	-	6,664	
Deposits and other borrowings	544,498	-	544,498	
Current tax liabilities	300	(14)	286	
Provisions	3,446	(9)	3,437	
Due to controlled entities	-	275	275	
Bonds, notes and subordinated debt	148,873	(2,399)	146,474	
Other debt issues	5,636	-	5,636	
Other liabilities	14,969	(147)	14,822	
<b>Total liabilities</b>	<b>869,250</b>	<b>(2,294)</b>	<b>866,956</b>	
<b>Net assets</b>	<b>58,378</b>	<b>(193)</b>	<b>58,185</b>	
<b>Equity</b>				
Issued and paid-up ordinary share capital	39,248	-	39,248	Row 1
Other contributed equity	1,945	-	1,945	Table D
<b>Contributed equity</b>	<b>41,193</b>	<b>-</b>	<b>41,193</b>	
Foreign currency translation reserve	453	(12)	441	
Asset revaluation reserve	30	-	30	
Cost of hedging reserve	(141)	-	(141)	
Cash flow hedge reserve	601	-	601	Row 11
Equity-based compensation reserve	73	-	73	
Debt instruments at fair value through other comprehensive income reserve	(157)	-	(157)	
Equity instruments at fair value through other comprehensive income reserve	11	-	11	
<b>Reserves</b>	<b>870</b>	<b>(12)</b>	<b>858</b>	Row 3
Retained profits	16,314	(180)	16,134	Row 2
<b>Total equity (parent entity interest)</b>	<b>58,377</b>	<b>(192)</b>	<b>58,185</b>	
Non-controlling interest in controlled entities	1	(1)	-	
<b>Total equity</b>	<b>58,378</b>	<b>(193)</b>	<b>58,185</b>	



## 3.3 Detailed Capital Disclosures (continued)

**Table 3.3C: Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template**

<b>Table A</b>	<b>As at 31 Mar 20 \$m</b>	<b>Disclosure template row</b>
Goodwill and other intangible assets	4,692	
Associated net deferred tax assets	509	
<b>Total</b>	<b>5,201</b>	
<i>which comprises:</i>		
Goodwill	2,865	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax)	2,336	Row 9

<b>Table B</b>	<b>As at 31 Mar 20 \$m</b>	<b>Disclosure template row</b>
Non-defaulted expected loss	2,585	
<i>Less</i>		
Collective provision for credit impairment	3,845	
<i>Add</i>		
Standardised approach general reserve for credit losses	61	Row 50, 76
IRB approach surplus provisions on non-defaulted exposures	1,199	Row 50, 78
<b>Non-defaulted: shortfall of provisions to expected losses</b>	<b>-</b>	
Defaulted expected loss	1,646	
<i>Less</i>		
Individual provision for credit impairment	815	
Partial write-offs	206	
Collective provision for credit impairment for defaulted exposures subject to the IRB approach	556	
<b>Defaulted: shortfall of provisions to expected loss</b>	<b>69</b>	
<b>Gross deduction of shortfall of provisions to expected losses</b>	<b>69</b>	Row 12

<b>Table C</b>	<b>As at 31 Mar 20 \$m</b>	<b>Disclosure template row</b>
Deferred tax assets	2,960	
<i>Less</i>		
Deferred tax assets that rely on future profitability	75	Row 10
Unrealised revaluation on funding vehicles	294	
<i>Add</i>		
Net deferred tax assets included in other regulatory adjustments or associated with reserves ineligible for inclusion in regulatory capital	17	
Impact of calculating the deduction on a jurisdictional basis	6	
<b>Deferred tax assets APRA specific regulatory adjustment</b>	<b>2,614</b>	Row 26e, 75

<b>Table D</b>	<b>As at 31 Mar 20 \$m</b>	<b>Disclosure template row</b>
Face value of NAB Convertible Preference Shares II	1,717	
Face value of NAB Capital Notes II	1,499	
Face value of NAB Capital Notes III	1,874	
Face value of NAB Wholesale Capital Notes	500	
<b>Directly issued qualifying Additional Tier 1 instruments classified as liabilities</b>	<b>5,590</b>	Row 32
<b>Directly issued qualifying Additional Tier 1 instruments classified as equities</b>	<b>-</b>	Row 31
<b>Directly issued qualifying Additional Tier 1 instruments</b>	<b>5,590</b>	Row 30
National Income Securities	1,945	
<b>Directly issued Additional Tier 1 instruments subject to phase out</b>	<b>1,945</b>	
<i>which comprises:</i>		
Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	734	Row 83
Current cap on Additional Tier 1 instruments subject to phase out arrangements	1,211	Row 33, 82

## 3.3 Detailed Capital Disclosures (continued)

	As at 31 Mar 20	Disclosure template row
<b>Table E</b>	<b>\$m</b>	
Subordinated medium term notes	9,031	
<b>Directly issued qualifying Tier 2 instruments</b>	<b>9,031</b>	Row 46
Subordinated medium term notes	40	
Perpetual floating rate notes	40	
Additional Tier 1 in excess of transitional cap transferred to Tier 2	734	Row 83
<b>Directly issued Tier 2 instruments subject to phase out</b>	<b>814</b>	Row 47

	As at 31 Mar 20	Disclosure template row
<b>Table F</b>	<b>\$m</b>	
Subordinated notes issued by BNZ	437	
<b>Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in Tier 2 capital)</b>	<b>437</b>	Row 48

**Table 3.3D: Entities Excluded from Level 2 Group Balance Sheet**

The following table provides details of entities included in the accounting scope of consolidation and excluded from the regulatory scope of consolidation.

Entity name	Principal activity	As at 31 Mar 20	
		Total assets	Total liabilities
		\$m	\$m
Antares Capital Partners Limited	Investment	23	2
BNZ Life Insurance Limited	Insurance	119	32
MLC Investments Limited	Investment	160	90
MLC Asset Management Services Limited	Investment	26	11
NAB Trust Services Limited	Trustee	12	2
MLC Asset Management Proprietary Limited	Funds Manager	28	13
National Asset Management Limited	Investment	1	-
National Australia Managers Limited	Funds Manager	2	-
National RMBS Trust 2018-1	Securitisation	1,184	1,185
National RMBS Trust 2018-2	Securitisation	1,222	1,223
Navigator Australia Limited	Investment	39	17
NULIS Nominees (Australia) Limited	Superannuation	390	37
Orchard Street Investment Management LLP	Funds Manager	8	1
Presima Inc.	Funds Manager	8	2

### 3.3 Detailed Capital Disclosures (continued)

**Table 3.3E: Countercyclical Capital Buffer**

The countercyclical capital buffer represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 capital of up to 2.5% of RWA. It is calculated in accordance with APS 110 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 system-wide risk. The Level 2 Group's capital ratios remain above buffer requirements as shown in Table 3.3A *Regulatory Capital Disclosure Template* row 64.

The following table provides the geographic breakdown of private sector credit exposures (gross of eligible financial collateral) and associated RWA that are used to calculate the Level 2 Group's countercyclical capital buffer ratio. The geographic breakdown is at a country level based on the country of ultimate risk. A number of countries reduced their countercyclical capital buffer rate before 31 March 2020 in response to the COVID-19 pandemic.

Country	As at 31 Mar 20			
	Countercyclical capital buffer	Private sector credit exposure	RWA	ADI-specific buffer
	%	\$m	\$m	%
Hong Kong	1.00	5,839	1,984	0.006
Ireland	1.00	5,828	648	0.002
Other	-	947,874	337,942	0.000
<b>Total</b>	<b>n/a</b>	<b>959,541</b>	<b>340,574</b>	<b>0.008</b>

Country	As at 30 Sep 19			
	Countercyclical capital buffer	Private sector credit exposure	RWA	ADI-specific buffer
	%	\$m	\$m	%
Hong Kong	2.50	3,835	1,411	0.011
Norway	2.00	333	167	0.001
Sweden	2.50	368	176	0.001
United Kingdom	1.00	72,761	14,013	0.043
Ireland	1.00	6,177	690	0.002
Other	-	819,990	312,273	0.000
<b>Total</b>	<b>n/a</b>	<b>903,464</b>	<b>328,730</b>	<b>0.058</b>

### 3.4 Leverage Ratio

The leverage ratio is a non-risk based measure that uses exposures to supplement the RWA based capital requirements. It is calculated in accordance with APS 110 Attachment D. In summary, the leverage ratio is intended to:

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

The leverage ratio calculation is presented in the disclosure template below. The leverage ratio at 31 March 2020 decreased by 31 basis points to 5.24% compared to 30 September 2019. The decrease was due to an increase in total exposures of \$62 billion, mainly related to increases in due from other banks and loans and advances of \$21 billion and \$14 billion respectively. There was a significant increase in deposits with central banks, and the increase in loans and advances was due to lending growth and exchange rate movements. In addition, there were increases in exposures for derivatives and securities financing transactions of \$12 billion and \$11 billion respectively.

**Table 3.4A: Leverage Ratio Disclosure Template**

		As at	
		31 Mar 20	30 Sep 19
		\$m	\$m
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	775,718	737,005
2	(Asset amounts deducted in determining Tier 1 capital)	(9,674)	(9,918)
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)</b>	<b>766,044</b>	<b>727,087</b>
<b>Derivative exposures<sup>(1)</sup></b>			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19,609	10,596
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	20,998	18,832
6	Gross-up for derivatives collateral provided where not included in on-balance sheet items	2,469	2,461
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(3,422)	(3,800)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	4,119	3,381
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(3,413)	(2,937)
11	<b>Total derivative exposures (sum of rows 4 to 10)</b>	<b>40,360</b>	<b>28,533</b>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	102,747	79,360
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(26,138)	(12,353)
14	Counterparty Credit Risk (CCR) exposure for SFT assets	4,870	3,192
15	Agent transaction exposures	-	-
16	<b>Total securities financing transaction exposures (sum of rows 12 to 15)</b>	<b>81,479</b>	<b>70,199</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	191,485	187,753
18	(Adjustments for conversion to credit equivalent amounts)	(91,123)	(87,599)
19	<b>Other off-balance sheet exposures (sum of rows 17 and 18)</b>	<b>100,362</b>	<b>100,154</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>51,761</b>	<b>51,388</b>
21	<b>Total exposures (sum of rows 3, 11, 16 and 19)</b>	<b>988,245</b>	<b>925,973</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>5.24%</b>	<b>5.55%</b>

<sup>(1)</sup> Derivative exposures under the current exposure method.

**Table 3.4B: Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure**

		As at	
		31 Mar 20	30 Sep 19
		\$m	\$m
<b>Items</b>			
1	Total consolidated assets as per published financial statements	927,628	847,124
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2,487)	(2,878)
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	(32,454)	(11,701)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	4,870	3,192
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	100,362	100,154
7	Other adjustments	(9,674)	(9,918)
8	<b>Leverage ratio exposure</b>	<b>988,245</b>	<b>925,973</b>



## Section 4

## Credit Risk

## 4.1 General Disclosures

Information presented in this section excludes credit risk information in respect of certain securitisation exposures and non-lending assets. In particular, it excludes information on third party securitisation exposures and own asset securitisations with capital relief which have separate disclosures in Section 5 *Securitisation*.

Exposure at default throughout this section represents credit risk exposures net of offsets for eligible financial collateral.

**Table 4.1A: Credit Risk Exposures Summary**

The following table provides information on credit exposures and asset quality.

As at 31 Mar 20						6 months ended 31 Mar 20
Exposure type	Total exposure (EaD) \$m	Risk-weighted assets (RWA) \$m	Regulatory expected loss \$m	Impaired facilities \$m	Specific provision for credit impairment \$m	Net write-offs \$m
<b>Subject to IRB approach</b>						
Corporate (including SME)	282,988	135,362	1,635	1,384	574	94
Sovereign	72,519	1,489	2	-	-	-
Bank	43,666	10,120	13	-	-	(2)
Residential mortgage	388,918	108,108	1,121	371	120	35
Qualifying revolving retail	10,182	3,258	202	-	-	67
Retail SME	17,215	6,326	194	89	55	22
Other retail	3,823	3,002	147	4	2	47
<b>Total IRB approach</b>	<b>819,311</b>	<b>267,665</b>	<b>3,314</b>	<b>1,848</b>	<b>751</b>	<b>263</b>
<b>Specialised lending</b>	<b>68,209</b>	<b>59,632</b>	<b>917</b>	<b>176</b>	<b>64</b>	<b>2</b>
<b>Subject to standardised approach</b>						
Residential mortgage	1,808	1,359	-	11	4	-
Corporate	11,074	4,720	-	2	8	2
Other	989	440	-	-	-	-
<b>Total standardised approach</b>	<b>13,871</b>	<b>6,519</b>	<b>-</b>	<b>13</b>	<b>12</b>	<b>2</b>
<b>Total</b>	<b>901,391</b>	<b>333,816</b>	<b>4,231</b>	<b>2,037</b>	<b>827</b>	<b>267</b>

As at 30 Sep 19						6 months ended 30 Sep 19
Exposure type	Total exposure (EaD) \$m	Risk-weighted assets (RWA) \$m	Regulatory expected loss \$m	Impaired facilities \$m	Specific provision for credit impairment \$m	Net write-offs \$m
<b>Subject to IRB approach</b>						
Corporate (including SME)	261,988	127,049	1,563	1,389	562	87
Sovereign	60,665	1,407	2	-	-	-
Bank	39,333	10,430	13	-	-	-
Residential mortgage	386,018	106,209	1,067	333	99	30
Qualifying revolving retail	10,540	3,494	210	-	-	81
Retail SME	17,581	6,467	181	81	49	24
Other retail	4,053	3,104	140	5	3	55
<b>Total IRB approach</b>	<b>780,178</b>	<b>258,160</b>	<b>3,176</b>	<b>1,808</b>	<b>713</b>	<b>277</b>
<b>Specialised lending</b>	<b>66,510</b>	<b>58,320</b>	<b>915</b>	<b>156</b>	<b>59</b>	<b>7</b>
<b>Subject to standardised approach</b>						
Residential mortgage	2,050	1,560	-	7	4	-
Corporate	12,846	4,798	-	1	6	1
Other	1,121	472	-	-	-	-
<b>Total standardised approach</b>	<b>16,017</b>	<b>6,830</b>	<b>-</b>	<b>8</b>	<b>10</b>	<b>1</b>
<b>Total</b>	<b>862,705</b>	<b>323,310</b>	<b>4,091</b>	<b>1,972</b>	<b>782</b>	<b>285</b>

## 4.1 General Disclosures (continued)

Table 4.1B: Total and Average Credit Risk Exposures

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

As at 31 Mar 20					6 months ended 31 Mar 20
Exposure type	On-balance sheet exposure \$m	Non-market related off- balance sheet \$m	Market related off-balance sheet \$m	Total exposure \$m	Average total exposure \$m
<b>Subject to IRB approach</b>					
Corporate (including SME)	170,290	78,359	34,339	282,988	272,488
Sovereign	65,415	753	6,351	72,519	66,592
Bank	30,034	2,134	11,498	43,666	41,499
Residential mortgage	340,698	48,220	-	388,918	387,468
Qualifying revolving retail	4,917	5,265	-	10,182	10,361
Retail SME	12,873	4,342	-	17,215	17,398
Other retail	2,685	1,138	-	3,823	3,938
<b>Total IRB approach</b>	<b>626,912</b>	<b>140,211</b>	<b>52,188</b>	<b>819,311</b>	<b>799,744</b>
<b>Specialised lending</b>	<b>57,863</b>	<b>8,422</b>	<b>1,924</b>	<b>68,209</b>	<b>67,360</b>
<b>Subject to standardised approach</b>					
Residential mortgage	1,695	113	-	1,808	1,929
Corporate	5,159	579	5,336	11,074	11,960
Other	988	1	-	989	1,055
<b>Total standardised approach</b>	<b>7,842</b>	<b>693</b>	<b>5,336</b>	<b>13,871</b>	<b>14,944</b>
<b>Total exposure (EaD)</b>	<b>692,617</b>	<b>149,326</b>	<b>59,448</b>	<b>901,391</b>	<b>882,048</b>

As at 30 Sep 19					6 months ended 30 Sep 19
Exposure type	On-balance sheet exposure \$m	Non-market related off- balance sheet \$m	Market related off-balance sheet \$m	Total exposure \$m	Average total exposure \$m
<b>Subject to IRB approach</b>					
Corporate (including SME)	160,879	76,500	24,609	261,988	257,352
Sovereign	55,072	394	5,199	60,665	60,283
Bank	24,600	3,743	10,990	39,333	39,097
Residential mortgage	338,277	47,741	-	386,018	387,231
Qualifying revolving retail	5,170	5,370	-	10,540	10,771
Retail SME	13,385	4,196	-	17,581	17,733
Other retail	2,924	1,129	-	4,053	4,175
<b>Total IRB approach</b>	<b>600,307</b>	<b>139,073</b>	<b>40,798</b>	<b>780,178</b>	<b>776,642</b>
<b>Specialised lending</b>	<b>57,027</b>	<b>7,840</b>	<b>1,643</b>	<b>66,510</b>	<b>67,145</b>
<b>Subject to standardised approach</b>					
Residential mortgage	1,917	133	-	2,050	2,120
Corporate	5,028	532	7,286	12,846	12,193
Other	1,120	1	-	1,121	1,118
<b>Total standardised approach</b>	<b>8,065</b>	<b>666</b>	<b>7,286</b>	<b>16,017</b>	<b>15,431</b>
<b>Total exposures (EaD)</b>	<b>665,399</b>	<b>147,579</b>	<b>49,727</b>	<b>862,705</b>	<b>859,218</b>

## 4.1 General Disclosures (continued)

**Table 4.1C: Credit Risk Exposures by Geography**

The following table provides the credit risk exposures by major geographical area, derived from the booking office where the exposure was transacted.

Exposure type	As at 31 Mar 20			Total exposure
	Australia	New Zealand	Asia, Europe and Americas	
	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>				
Corporate (including SME)	185,346	45,919	51,723	282,988
Sovereign	51,943	8,228	12,348	72,519
Bank	24,340	6,993	12,333	43,666
Residential mortgage	342,169	46,749	-	388,918
Qualifying revolving retail	10,182	-	-	10,182
Retail SME	15,300	1,915	-	17,215
Other retail	1,723	2,100	-	3,823
<b>Total IRB approach</b>	<b>631,003</b>	<b>111,904</b>	<b>76,404</b>	<b>819,311</b>
<b>Specialised lending</b>	<b>57,814</b>	<b>8,349</b>	<b>2,046</b>	<b>68,209</b>
<b>Subject to standardised approach</b>				
Residential mortgage	1,741	13	54	1,808
Corporate	9,421	742	911	11,074
Other	989	-	-	989
<b>Total standardised approach</b>	<b>12,151</b>	<b>755</b>	<b>965</b>	<b>13,871</b>
<b>Total exposure (EaD)</b>	<b>700,968</b>	<b>121,008</b>	<b>79,415</b>	<b>901,391</b>

Exposure type	As at 30 Sep 19			Total exposure
	Australia	New Zealand	Asia, Europe and Americas	
	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>				
Corporate (including SME)	173,047	43,033	45,908	261,988
Sovereign	48,961	4,923	6,781	60,665
Bank	21,799	5,414	12,120	39,333
Residential mortgage	342,917	43,101	-	386,018
Qualifying revolving retail	10,540	-	-	10,540
Retail SME	15,710	1,871	-	17,581
Other retail	1,927	2,126	-	4,053
<b>Total IRB approach</b>	<b>614,901</b>	<b>100,468</b>	<b>64,809</b>	<b>780,178</b>
<b>Specialised lending</b>	<b>56,620</b>	<b>8,187</b>	<b>1,703</b>	<b>66,510</b>
<b>Subject to standardised approach</b>				
Residential mortgage	1,967	15	68	2,050
Corporate	10,549	992	1,305	12,846
Other	1,120	-	1	1,121
<b>Total standardised approach</b>	<b>13,636</b>	<b>1,007</b>	<b>1,374</b>	<b>16,017</b>
<b>Total exposures (EaD)</b>	<b>685,157</b>	<b>109,662</b>	<b>67,886</b>	<b>862,705</b>

## 4.1 General Disclosures (continued)

**Table 4.1D: Credit Risk Exposures by Industry**

The following table provides credit risk exposures by major industry type. Industry classifications follow ANZSIC Level 1 classifications. Exposures are disclosed based on the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties.

As at 31 Mar 20															
	Accommodation and hospitality	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Government and public authorities	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Utilities	Other <sup>(1)</sup>	Total
Exposure type	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>															
Corporate (including SME)	9,227	53,952	21,671	12,500	8,931	70,227	-	20,035	84	-	28,840	24,996	12,395	20,130	282,988
Sovereign	-	-	-	-	-	18,340	54,022	-	-	-	-	-	-	157	72,519
Bank	-	-	-	-	-	39,895	3,771	-	-	-	-	-	-	-	43,666
Residential mortgage	-	-	-	-	-	-	-	-	-	388,918	-	-	-	-	388,918
Qualifying revolving retail	-	-	-	-	-	-	-	-	10,182	-	-	-	-	-	10,182
Retail SME	833	3,866	2,431	377	2,089	1,146	-	1,103	17	-	2,696	920	39	1,698	17,215
Other retail	-	-	-	-	-	-	-	-	3,823	-	-	-	-	-	3,823
<b>Total IRB approach</b>	<b>10,060</b>	<b>57,818</b>	<b>24,102</b>	<b>12,877</b>	<b>11,020</b>	<b>129,608</b>	<b>57,793</b>	<b>21,138</b>	<b>14,106</b>	<b>388,918</b>	<b>31,536</b>	<b>25,916</b>	<b>12,434</b>	<b>21,985</b>	<b>819,311</b>
<b>Specialised lending</b>	<b>159</b>	<b>1,107</b>	<b>104</b>	<b>61,432</b>	<b>639</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1,498</b>	<b>2,888</b>	<b>371</b>	<b>68,209</b>
<b>Subject to standardised approach</b>															
Residential mortgage	-	-	-	-	-	-	-	-	-	1,808	-	-	-	-	1,808
Corporate	3	76	442	20	79	6,614	-	326	18	111	695	160	2	2,528	11,074
Other	-	-	-	-	-	-	-	-	939	18	-	-	-	32	989
<b>Total standardised approach</b>	<b>3</b>	<b>76</b>	<b>442</b>	<b>20</b>	<b>79</b>	<b>6,614</b>	<b>-</b>	<b>326</b>	<b>957</b>	<b>1,937</b>	<b>695</b>	<b>160</b>	<b>2</b>	<b>2,560</b>	<b>13,871</b>
<b>Total exposure (EaD)</b>	<b>10,222</b>	<b>59,001</b>	<b>24,648</b>	<b>74,329</b>	<b>11,738</b>	<b>136,228</b>	<b>57,793</b>	<b>21,464</b>	<b>15,068</b>	<b>390,855</b>	<b>32,231</b>	<b>27,574</b>	<b>15,324</b>	<b>24,916</b>	<b>901,391</b>

<sup>(1)</sup> Other includes health and community services, and education.



## 4.1 General Disclosures (continued)

As at 30 Sep 19															
	Accommodation and hospitality	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Government and public authorities	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Utilities	Other	Total
Exposure type	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>															
Corporate (including SME)	9,454	51,052	21,158	13,320	8,767	56,379	-	19,201	86	-	28,523	22,497	11,693	19,858	261,988
Sovereign	-	-	-	-	-	9,788	50,714	-	-	-	-	-	-	163	60,665
Bank	-	-	-	-	-	36,086	3,247	-	-	-	-	-	-	-	39,333
Residential mortgage	-	-	-	-	-	-	-	-	-	386,018	-	-	-	-	386,018
Qualifying revolving retail	-	-	-	-	-	-	-	-	10,540	-	-	-	-	-	10,540
Retail SME	865	4,011	2,452	403	2,098	1,184	-	1,099	21	-	2,753	931	37	1,727	17,581
Other retail	-	-	-	-	-	-	-	-	4,053	-	-	-	-	-	4,053
<b>Total IRB approach</b>	<b>10,319</b>	<b>55,063</b>	<b>23,610</b>	<b>13,723</b>	<b>10,865</b>	<b>103,437</b>	<b>53,961</b>	<b>20,300</b>	<b>14,700</b>	<b>386,018</b>	<b>31,276</b>	<b>23,428</b>	<b>11,730</b>	<b>21,748</b>	<b>780,178</b>
<b>Specialised lending</b>	<b>183</b>	<b>1,162</b>	<b>104</b>	<b>60,123</b>	<b>684</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1,288</b>	<b>2,644</b>	<b>296</b>	<b>66,510</b>
<b>Subject to standardised approach</b>															
Residential mortgage	-	-	-	-	-	-	-	-	-	2,050	-	-	-	-	2,050
Corporate	2	85	458	25	51	8,190	-	324	23	230	805	165	6	2,482	12,846
Other	-	-	-	-	-	-	-	-	1,051	17	-	-	-	53	1,121
<b>Total standardised approach</b>	<b>2</b>	<b>85</b>	<b>458</b>	<b>25</b>	<b>51</b>	<b>8,190</b>	<b>-</b>	<b>324</b>	<b>1,074</b>	<b>2,297</b>	<b>805</b>	<b>165</b>	<b>6</b>	<b>2,535</b>	<b>16,017</b>
<b>Total exposure (EaD)</b>	<b>10,504</b>	<b>56,310</b>	<b>24,172</b>	<b>73,871</b>	<b>11,600</b>	<b>111,649</b>	<b>53,961</b>	<b>20,624</b>	<b>15,778</b>	<b>388,315</b>	<b>32,081</b>	<b>24,881</b>	<b>14,380</b>	<b>24,579</b>	<b>862,705</b>

## 4.1 General Disclosures (continued)

**Table 4.1E: Credit Risk Exposures by Maturity**

The following table provides a breakdown of credit risk exposures by residual contractual maturity.

The allocation of credit risk exposures to maturity buckets is undertaken on the following basis:

- Overdraft and other similar revolving facilities are allocated to the maturity bucket that most appropriately captures the maturity characteristics of the product.
- Residual contractual maturity for net derivatives credit exposure subject to an ISDA netting agreement are allocated to the maturity bucket of the longest dated derivative within the netting group.
- No specified maturity includes exposures related to credit cards, on demand facilities and guarantees with no fixed maturity date.

Exposure type	As at 31 Mar 20				Total exposure \$m
	<12 months \$m	1 – 5 years \$m	>5 years \$m	No specified maturity \$m	
<b>Subject to IRB approach</b>					
Corporate (including SME)	99,857	139,817	35,178	8,136	282,988
Sovereign	24,136	11,269	36,983	131	72,519
Bank	17,890	18,423	7,307	46	43,666
Residential mortgage	28,072	6,127	354,719	-	388,918
Qualifying revolving retail	-	-	-	10,182	10,182
Retail SME	6,836	7,070	2,640	669	17,215
Other retail	268	1,077	418	2,060	3,823
<b>Total IRB approach</b>	<b>177,059</b>	<b>183,783</b>	<b>437,245</b>	<b>21,224</b>	<b>819,311</b>
<b>Specialised lending</b>	<b>29,419</b>	<b>34,104</b>	<b>4,374</b>	<b>312</b>	<b>68,209</b>
<b>Subject to standardised approach</b>					
Residential mortgage	116	55	1,637	-	1,808
Corporate	3,425	3,294	4,150	205	11,074
Other	866	119	4	-	989
<b>Total standardised approach</b>	<b>4,407</b>	<b>3,468</b>	<b>5,791</b>	<b>205</b>	<b>13,871</b>
<b>Total exposure (EaD)</b>	<b>210,885</b>	<b>221,355</b>	<b>447,410</b>	<b>21,741</b>	<b>901,391</b>

Exposure type	As at 30 Sep 19				Total exposure \$m
	<12 months \$m	1 – 5 years \$m	>5 years \$m	No specified maturity \$m	
<b>Subject to IRB approach</b>					
Corporate (including SME)	86,353	132,608	34,965	8,062	261,988
Sovereign	14,116	11,032	35,441	76	60,665
Bank	15,683	15,808	7,566	276	39,333
Residential mortgage	29,427	6,180	350,411	-	386,018
Qualifying revolving retail	-	-	-	10,540	10,540
Retail SME	6,940	7,262	2,743	636	17,581
Other retail	275	1,152	540	2,086	4,053
<b>Total IRB approach</b>	<b>152,794</b>	<b>174,042</b>	<b>431,666</b>	<b>21,676</b>	<b>780,178</b>
<b>Specialised lending</b>	<b>29,085</b>	<b>32,977</b>	<b>4,159</b>	<b>289</b>	<b>66,510</b>
<b>Subject to standardised approach</b>					
Residential mortgage	154	64	1,832	-	2,050
Corporate	3,216	3,065	6,345	220	12,846
Other	959	159	3	-	1,121
<b>Total standardised approach</b>	<b>4,329</b>	<b>3,288</b>	<b>8,180</b>	<b>220</b>	<b>16,017</b>
<b>Total exposures (EaD)</b>	<b>186,208</b>	<b>210,307</b>	<b>444,005</b>	<b>22,185</b>	<b>862,705</b>

## 4.1 General Disclosures (continued)

## Credit Provisions and Losses

Table 4.1F: Provisions by Asset Class

The following table provides information on asset quality.

Exposure type	As at 31 Mar 20			6 months ended 31 Mar 20	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>					
Corporate (including SME)	1,384	316	574	97	94
Bank	-	-	-	(2)	(2)
Residential mortgage	371	3,155	120	41	35
Qualifying revolving retail	-	42	-	77	67
Retail SME	89	224	55	25	22
Other retail	4	57	2	49	47
<b>Total IRB approach</b>	<b>1,848</b>	<b>3,794</b>	<b>751</b>	<b>287</b>	<b>263</b>
<b>Specialised lending</b>	<b>176</b>	<b>69</b>	<b>64</b>	<b>12</b>	<b>2</b>
<b>Subject to standardised approach</b>					
Residential mortgage	11	27	4	1	-
Corporate	2	1	8	3	2
<b>Total standardised approach</b>	<b>13</b>	<b>28</b>	<b>12</b>	<b>4</b>	<b>2</b>
<b>Total</b>	<b>2,037</b>	<b>3,891</b>	<b>827</b>	<b>303</b>	<b>267</b>
Additional regulatory specific provisions			1,387		
<b>Total regulatory specific provisions</b>			<b>2,214</b>		
<b>General reserve for credit losses</b>			<b>3,014</b>		

Exposure type	As at 30 Sep 19			6 months ended 30 Sep 19	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
<b>Subject to IRB approach</b>					
Corporate (including SME)	1,389	247	562	140	87
Residential mortgage	333	2,981	99	40	30
Qualifying revolving retail	-	42	-	98	81
Retail SME	81	185	49	24	24
Other retail	5	58	3	50	55
<b>Total IRB approach</b>	<b>1,808</b>	<b>3,513</b>	<b>713</b>	<b>352</b>	<b>277</b>
<b>Specialised lending</b>	<b>156</b>	<b>59</b>	<b>59</b>	<b>4</b>	<b>7</b>
<b>Subject to standardised approach</b>					
Residential mortgage	7	29	4	-	-
Corporate	1	2	6	1	1
<b>Total standardised approach</b>	<b>8</b>	<b>31</b>	<b>10</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>1,972</b>	<b>3,603</b>	<b>782</b>	<b>357</b>	<b>285</b>
Additional regulatory specific provisions			1,256		
<b>Total regulatory specific provisions</b>			<b>2,038</b>		
<b>General reserve for credit losses</b>			<b>2,104</b>		

## 4.1 General Disclosures (continued)

Table 4.1G: Provisions by Industry

The following table provides asset quality information by industry. Industry classifications follow ANZSIC Level 1 classifications.

Industry sector	As at 31 Mar 20			6 months ended 31 Mar 20	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation and hospitality	97	44	65	28	7
Agriculture, forestry, fishing and mining	694	126	181	16	23
Business services and property services	127	55	60	5	9
Commercial property	208	79	74	17	3
Construction	54	57	30	8	25
Finance and insurance	46	15	35	(9)	(2)
Manufacturing	120	63	69	19	2
Personal	7	105	2	126	116
Residential mortgages	382	3,182	124	41	35
Retail and wholesale trade	214	101	120	38	44
Transport and storage	60	36	38	6	1
Utilities	-	1	-	-	1
Other <sup>(1)</sup>	28	27	29	8	3
<b>Total</b>	<b>2,037</b>	<b>3,891</b>	<b>827</b>	<b>303</b>	<b>267</b>
Additional regulatory specific provisions			1,387		

<sup>(1)</sup> Other includes health services, cultural recreational service and education.

Industry sector	As at 30 Sep 19			6 months ended 30 Sep 19	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation and hospitality	100	29	46	25	7
Agriculture, forestry, fishing and mining	694	93	184	57	6
Business services and property services	131	49	63	10	8
Commercial property	177	73	64	7	7
Construction	71	49	44	12	5
Finance and insurance	43	15	41	6	18
Manufacturing	61	36	47	(6)	21
Personal	8	104	3	148	137
Residential mortgages	340	3,011	103	41	31
Retail and wholesale trade	268	90	128	41	37
Transport and storage	58	23	34	6	3
Utilities	1	1	1	-	-
Other	20	30	24	10	5
<b>Total</b>	<b>1,972</b>	<b>3,603</b>	<b>782</b>	<b>357</b>	<b>285</b>
Additional regulatory specific provisions			1,256		



## 4.1 General Disclosures (continued)

Table 4.1H: Provisions by Geography

The following table provides asset quality information by major geographical area, derived from the booking office where the exposure was transacted.

Geographic region	As at 31 Mar 20			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
	\$m	\$m	\$m	\$m
Australia	1,299	3,705	622	3,774
New Zealand	699	177	191	595
Asia, Europe and Americas	39	9	14	32
<b>Total</b>	<b>2,037</b>	<b>3,891</b>	<b>827</b>	<b>4,401</b>
Additional regulatory specific provisions			1,387	(1,387)
Plus reserve created through retained profits				-
<b>General reserve for credit losses (GRCL)<sup>(1)</sup></b>				<b>3,014</b>

<sup>(1)</sup> The GRCL balance allocated across geographic regions of \$4,401 million (September 2019: \$3,360 million) includes \$4,008 million (September 2019: \$3,118 million) of provisions on loans at amortised cost and \$393 million (September 2019: \$242 million) of provisions on loans and derivatives at fair value.

Geographic region	As at 30 Sep 19			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
	\$m	\$m	\$m	\$m
Australia	1,330	3,457	624	2,840
New Zealand	608	136	146	482
Asia, Europe and Americas	34	10	12	38
<b>Total</b>	<b>1,972</b>	<b>3,603</b>	<b>782</b>	<b>3,360</b>
Regulatory specific provisions			1,256	(1,256)
Plus reserve created through retained profits				-
<b>General reserve for credit losses (GRCL)</b>				<b>2,104</b>

## 4.1 General Disclosures (continued)

**Table 4.1I: Movement in Provisions**

The following table provides the movements in the balance of provisions over the reporting period for both specific provisions and the GRCL.

	6 months ended 31 Mar 20	6 months ended 30 Sep 19
	\$m	\$m
<b>General reserve for credit losses</b>		
Collective provision balance at beginning of period	3,118	3,015
Net transfer to specific provision	(114)	(134)
New and increased provision (net of releases)	976	251
Foreign currency translation and other adjustments	28	(14)
Collective provision on loans and advances at amortised cost	4,008	3,118
Collective provisions on loans and derivatives at fair value	393	242
Less additional regulatory specific provisions	(1,387)	(1,256)
<b>General reserve for credit losses</b>	<b>3,014</b>	<b>2,104</b>
<b>Specific provisions</b>		
Balance at beginning of period	782	716
Net transfer from collective provision	114	134
New and increased provisions (net of releases)	301	337
Write-backs of specific provisions	(75)	(81)
Write-offs from specific provisions	(302)	(319)
Foreign currency translation and other adjustments	7	(5)
Specific provisions on loans and advances at amortised cost	827	782
Specific provisions on loans and derivatives at fair value	-	-
Additional regulatory specific provisions	1,387	1,256
<b>Total regulatory specific provisions</b>	<b>2,214</b>	<b>2,038</b>
<b>Total provisions</b>	<b>5,228</b>	<b>4,142</b>

### Factors Impacting Loss Experience in the Preceding Period

#### 90+ days past due facilities

90+ days past due facilities at 31 March 2020 increased compared to 30 September 2019 due to increased delinquencies across the Australian residential mortgage portfolio, combined with a small number of larger exposures in the business lending portfolio across Australia and New Zealand.

#### Impaired facilities

Impaired facilities as at 31 March 2020 increased compared to 30 September 2019 driven by the impairment of a small number of larger exposures in the business lending portfolio across Australia and New Zealand and new impaired loans in the Australian residential mortgage portfolio, partially offset by business turnarounds for a small number of larger exposures within the Australian business lending portfolio.

#### Specific provision for credit impairment

Specific provisions for credit impairment at 31 March 2020 increased compared to 30 September 2019 due to new and increased specific provisions raised in Australia and New Zealand combined with a low level of write-offs.

#### Specific credit impairment charge

The specific credit impairment charge for the six months ended 31 March 2020 was \$303 million, \$54 million lower than the six months ended 30 September 2019. This decrease was largely driven by the IRB corporate portfolio (including corporate SME) due to a lower level of new and increased charges for individually impaired exposures combined with lower charges for the qualifying revolving retail portfolio within Consumer Banking.

#### Net write-offs

Net write-offs decreased from \$285 million for the six months ended 30 September 2019 to \$267 million for the six months ended 31 March 2020, reflecting continued low levels of write-off activity.

## 4.1 General Disclosures (continued)

Table 4.1J (i): Loss Experience

The following table provides the regulatory expected loss (which are through the cycle loss estimates) compared to the realised actual losses calculated as an exposure weighted average (before credit risk mitigation).

Actual losses (net write-offs) measured over the short-term will differ from 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 using long-run probability of default (PD) and stressed loss given default (LGD). 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 Group's best estimate of expected loss.

Exposure type	As at 31 Mar 20	
	Exposure weighted average actual loss <sup>(1)</sup> (net write-offs)	Exposure weighted average regulatory expected loss <sup>(1)</sup>
	\$m	\$m
<b>Subject to IRB approach</b>		
Corporate (including SME)	406	2,228
Sovereign	-	2
Bank	2	42
Residential mortgage	87	930
Qualifying revolving retail	170	221
Retail SME	65	234
Other retail	98	151
<b>Total IRB approach</b>	<b>828</b>	<b>3,808</b>

<sup>(1)</sup> These values provide a comparison of actual losses (net write-offs) and regulatory expected loss averaged over a period of ten years to 31 March 2020.

Exposure type	As at 30 Sep 19	
	Exposure weighted average actual loss <sup>(1)</sup> (net write-offs)	Exposure weighted average regulatory expected loss <sup>(1)</sup>
	\$m	\$m
<b>Subject to IRB approach</b>		
Corporate (including SME)	444	2,141
Sovereign	-	5
Bank	5	42
Residential mortgage	89	888
Qualifying revolving retail	174	215
Retail SME	67	233
Other retail	99	145
<b>Total IRB approach</b>	<b>878</b>	<b>3,669</b>

<sup>(1)</sup> These values provide a comparison of actual losses (net write-offs) and regulatory expected loss averaged over a period of ten years to 30 September 2019.

Exposure type	As at 31 Mar 19	
	Exposure weighted average actual loss <sup>(1)</sup> (net write-offs)	Exposure weighted average regulatory expected loss <sup>(1)</sup>
	\$m	\$m
<b>Subject to IRB approach</b>		
Corporate (including SME)	442	2,316
Sovereign	-	2
Bank	2	45
Residential mortgage	91	914
Qualifying revolving retail	174	218
Retail SME	68	238
Other retail	98	151
<b>Total IRB approach</b>	<b>875</b>	<b>3,884</b>

<sup>(1)</sup> These values provide a comparison of actual losses (net write-offs) and regulatory expected loss averaged over a period of nine years to 31 March 2019.

## 4.1 General Disclosures (continued)

### Accuracy of Risk Estimates

The following tables have been provided to compare the estimates of credit risk factors used within the calculation of regulatory capital with actual outcomes across asset classes. 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 *Internal Ratings-Based Portfolios* of the September 2019 Pillar 3 Report.

#### Table 4.1J (ii): Accuracy of Risk Estimates for PD and EaD

The following table compares internal estimates of long-run PD with actual default rates. Averages of actual and estimated PD are calculated using the cohort that is not in default at the beginning of the financial year and averaged out over the observation period since 2010. 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 20		Ratio of estimated to actual EAD
	Average estimated PD <sup>(1)</sup> %	Average actual PD <sup>(1)</sup> %	
<b>Subject to IRB approach</b>			
Corporate (including SME)	1.69	1.64	1.1
Sovereign <sup>(2)</sup>	0.45	0.07	1.1
Bank <sup>(2)</sup>	0.39	0.15	1.0
Residential mortgage <sup>(3)</sup>	0.95	0.88	1.0
Qualifying revolving retail	1.57	1.48	1.1
Retail SME	2.24	2.09	1.1
Other retail	2.77	2.88	1.1

<sup>(1)</sup> These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of ten years to 31 March 2020.

<sup>(2)</sup> Average actual PDs for sovereign and bank exposures are based on a low number of observed defaults.

<sup>(3)</sup> Estimated PDs includes BNZ assets subject to RBNZ calibration overlay.

Exposure type	As at 30 Sep 19		Ratio of estimated to actual EAD
	Average estimated PD <sup>(1)</sup> %	Average actual PD <sup>(1)</sup> %	
<b>Subject to IRB approach</b>			
Corporate (including SME)	1.72	1.72	1.1
Sovereign	0.43	0.11	1.1
Bank	0.37	0.12	1.1
Residential mortgage	0.92	0.89	1.0
Qualifying revolving retail	1.51	1.51	1.1
Retail SME	2.19	2.12	1.1
Other retail	2.71	2.89	1.1

<sup>(1)</sup> These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of ten years to 30 September 2019.

Exposure type	As at 31 Mar 19		Ratio of estimated to actual EAD
	Average estimated PD <sup>(1)</sup> %	Average actual PD <sup>(1)</sup> %	
<b>Subject to IRB approach</b>			
Corporate (including SME)	1.70	1.67	1.1
Sovereign	0.45	0.08	1.1
Bank	0.39	0.17	1.0
Residential mortgage	0.95	0.88	1.0
Qualifying revolving retail	1.56	1.51	1.1
Retail SME	2.18	2.07	1.1
Other retail	2.74	2.89	1.1

<sup>(1)</sup> These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of nine years to 31 March 2019.

## 4.1 General Disclosures (continued)

**Table 4.1J (iii): Accuracy of Risk Estimates for LGD**

The following table compares internal estimates of downturn LGD at the beginning of the year with actual losses.

Actual LGD has been calculated using net write-offs from defaults during the ten years to the reporting date, excluding recent defaults to allow sufficient time to complete 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 this period is the most recent two years.

Exposure type	As at 31 Mar 20	
	Average estimated downturn LGD <sup>(1)</sup>	Average actual LGD <sup>(1)</sup>
	%	%
<b>Subject to IRB approach</b>		
Corporate (including SME) <sup>(2)</sup>	38.4	22.4
Sovereign	45.0	-
Bank	52.9	1.0
Residential mortgage <sup>(2)</sup>	20.5	4.5
Qualifying revolving retail	86.2	54.2
Retail SME	35.4	17.8
Other retail	76.4	46.2

<sup>(1)</sup> These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the ten years to 31 March 2020.

<sup>(2)</sup> Estimated downturn LGD subject to APRA and RBNZ imposed regulatory floors.

Exposure type	As at 30 Sep 19	
	Average estimated downturn LGD <sup>(1)</sup>	Average actual LGD <sup>(1)</sup>
	%	%
<b>Subject to IRB approach</b>		
Corporate (including SME)	38.5	23.2
Sovereign	45.0	-
Bank	51.1	1.3
Residential mortgage	20.5	4.9
Qualifying revolving retail	86.1	54.5
Retail SME	35.5	18.2
Other retail	76.3	45.2

<sup>(1)</sup> These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the ten years to 30 September 2019.

Exposure type	As at 31 Mar 19	
	Average estimated downturn LGD <sup>(1)</sup>	Average actual LGD <sup>(1)</sup>
	%	%
<b>Subject to IRB approach</b>		
Corporate (including SME)	38.6	23.0
Sovereign	45.0	-
Bank	52.9	1.0
Residential mortgage	20.5	4.7
Qualifying revolving retail	87.2	54.0
Retail SME	35.8	18.0
Other retail	76.8	45.7

<sup>(1)</sup> These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the nine years to 31 March 2019.



## 4.2 Standardised and Supervisory Slotting Portfolios

### Standardised Credit Risk Portfolios

There are several regulatory prescribed portfolios (such as qualifying central clearing counterparties, self-managed superannuation funds and margin lending), plus some other small portfolios where the standardised approach to credit risk is applied by the Group.

Fitch Ratings, Moody's Investor Services 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 APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

#### External rating grade classification

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

### Table 4.2A: Standardised Exposures by Risk-weight

The following table provides the credit risk exposures subject to the standardised approach by risk-weight.

Standardised approach risk-weights	As at	
	31 Mar 20	30 Sep 19
	Total exposure \$m	Total exposure \$m
2%	3,067	5,320
4%	2,391	1,981
20%	1,706	1,777
35%	142	160
50%	384	405
75%	660	733
100%	5,236	5,423
150%	26	29
Central counterparty default fund contribution guarantee <sup>(1)</sup>	259	189
<b>Total exposure subject to the standardised approach</b>	<b>13,871</b>	<b>16,017</b>

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

### Table 4.2B: Standardised Exposures by Risk Grade

Asset class by rating grade	As at	
	31 Mar 20	30 Sep 19
	Total exposure \$m	Total exposure \$m
Residential mortgage		
Unrated	1,808	2,050
Corporate		
External rating grade 1	5,496	7,310
Unrated	5,578	5,536
Sub-total	11,074	12,846
Other		
Unrated	989	1,121
<b>Total exposure subject to the standardised approach</b>	<b>13,871</b>	<b>16,017</b>

## 4.2 Standardised and Supervisory Slotting Portfolios (continued)

## Portfolios Subject to Supervisory Risk-weights in the IRB Approach

Table 4.2C: Supervisory Slotting by Risk-weight

The following table provides the credit exposures for specialised lending products subject to supervisory slotting by risk-weight.

	As at	
	31 Mar 20	30 Sep 19
	Total exposure	Total exposure
Unexpected loss risk-weights	\$m	\$m
70%	23,603	22,964
90%	35,434	34,311
115%	8,016	8,001
250%	627	696
Default	529	538
<b>Total specialised lending exposure subject to supervisory slotting</b>	<b>68,209</b>	<b>66,510</b>

## 4.3 Internal Ratings-Based Portfolios

Table 4.3A: Non-Retail Exposures by Risk Grade

The following table provides a breakdown of non-retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades. Moody's Investor Services risk grades have been included as a reference point. Exposures have been categorised into PD grades as assessed by the Group's own internal ratings system.

External credit rating equivalent	As at 31 Mar 20						
	PD risk grade mapping						
	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
<b>Subject to IRB approach</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Total exposure</b>							
Corporate (including SME)	-	73,236	103,151	79,330	20,016	4,404	2,851
Sovereign	66,527	5,682	307	2	1	-	-
Bank	-	39,508	4,066	79	13	-	-
<b>Total exposure (EaD)</b>	<b>66,527</b>	<b>118,426</b>	<b>107,524</b>	<b>79,411</b>	<b>20,030</b>	<b>4,404</b>	<b>2,851</b>
<b>Undrawn commitments<sup>(1)</sup></b>							
Corporate (including SME)	-	25,474	25,500	12,402	2,166	307	108
Sovereign	343	309	4	-	1	-	-
Bank	-	825	271	12	-	-	-
<b>Total undrawn commitments</b>	<b>343</b>	<b>26,608</b>	<b>25,775</b>	<b>12,414</b>	<b>2,167</b>	<b>307</b>	<b>108</b>
<b>Subject to IRB approach</b>							
<b>Average EaD (\$m)<sup>(2)</sup></b>							
Corporate (including SME)	-	1.72	0.62	0.33	0.21	0.15	0.36
Sovereign	19.05	2.62	1.02	0.01	0.02	0.01	-
Bank	-	2.98	0.92	0.80	0.27	0.06	-
<b>Exposure-weighted average LGD (%)</b>							
Corporate (including SME)	-	51.5%	36.7%	31.7%	30.4%	33.9%	40.8%
Sovereign	4.2%	37.2%	45.9%	42.8%	45.0%	45.0%	-
Bank	-	50.1%	56.5%	59.6%	57.3%	59.6%	-
<b>Exposure-weighted average risk-weight (%)</b>							
Corporate (including SME)	-	26.4%	41.5%	58.6%	73.9%	122.3%	228.4%
Sovereign	1.1%	11.8%	36.4%	80.0%	132.3%	151.7%	-
Bank	-	19.4%	58.0%	95.6%	174.1%	201.1%	-

<sup>(1)</sup> Undrawn commitments are included in total exposure shown above.

<sup>(2)</sup> Simple average of exposure by number of arrangements.

## 4.3 Internal Ratings-Based Portfolios (continued)

External credit rating equivalent	As at 30 Sep 19						
	PD risk grade mapping						Default
	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	
Subject to IRB approach	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total exposure</b>							
Corporate (including SME)	39	61,480	98,157	76,072	19,396	4,230	2,614
Sovereign	55,120	5,218	322	3	2	-	-
Bank	-	34,854	4,404	69	5	1	-
<b>Total exposure (EaD)</b>	<b>55,159</b>	<b>101,552</b>	<b>102,883</b>	<b>76,144</b>	<b>19,403</b>	<b>4,231</b>	<b>2,614</b>
<b>Undrawn commitments</b>							
Corporate (including SME)	-	22,289	26,164	12,123	2,193	306	80
Sovereign	109	246	7	1	2	-	-
Bank	-	852	114	11	-	-	-
<b>Total undrawn commitments</b>	<b>109</b>	<b>23,387</b>	<b>26,285</b>	<b>12,135</b>	<b>2,195</b>	<b>306</b>	<b>80</b>
<b>Subject to IRB approach</b>							
<b>Average EaD (\$m)</b>							
Corporate (including SME)	9.56	1.63	0.58	0.31	0.20	0.14	0.38
Sovereign	16.61	2.44	1.08	0.01	0.03	0.01	-
Bank	-	2.67	0.95	0.51	0.11	0.05	-
<b>Exposure-weighted average LGD (%)</b>							
Corporate (including SME)	59.0%	50.1%	36.6%	31.5%	30.8%	34.0%	39.9%
Sovereign	4.4%	36.9%	40.3%	43.2%	45.0%	45.0%	-
Bank	-	50.9%	55.4%	59.6%	59.6%	59.6%	-
<b>Exposure-weighted average risk-weight (%)</b>							
Corporate (including SME)	21.8%	26.7%	41.6%	58.9%	74.9%	123.8%	199.6%
Sovereign	1.2%	12.1%	34.7%	71.3%	120.2%	151.1%	-
Bank	-	21.9%	61.8%	112.9%	184.1%	199.1%	-

## 4.3 Internal Ratings-Based Portfolios (continued)

Table 4.3B: Retail Exposures by Risk Grade

The following table provides a breakdown of the 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.

	As at 31 Mar 20					
	PD risk grade					
Subject to IRB approach	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
<b>Total exposure</b>						
Residential mortgage	79,495	157,952	118,539	16,262	12,764	3,906
Qualifying revolving retail	2,577	3,302	2,305	1,297	654	47
Retail SME	1,647	5,364	6,312	2,466	893	533
Other retail	882	583	950	844	497	67
<b>Total exposure (EaD)</b>	<b>84,601</b>	<b>167,201</b>	<b>128,106</b>	<b>20,869</b>	<b>14,808</b>	<b>4,553</b>
<b>Undrawn commitments<sup>(1)</sup></b>						
Residential mortgage	28,547	13,749	5,347	470	76	31
Qualifying revolving retail	2,285	2,174	640	122	42	3
Retail SME	971	1,487	941	269	66	28
Other retail	619	246	190	61	20	1
<b>Total undrawn commitments</b>	<b>32,422</b>	<b>17,656</b>	<b>7,118</b>	<b>922</b>	<b>204</b>	<b>63</b>
<b>Subject to IRB approach</b>						
<b>Average EaD (\$m)<sup>(2)</sup></b>						
Residential mortgage	0.06	0.28	0.23	0.28	0.34	0.26
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	0.02
Other retail	small	small	0.01	0.01	small	small
<b>Exposure-weighted average LGD (%)</b>						
Residential mortgage	20.0%	20.0%	20.2%	19.9%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.1%	74.7%	75.6%	75.7%	77.3%
Retail SME	24.8%	25.5%	28.3%	29.6%	30.4%	34.5%
Other retail	85.0%	82.4%	78.0%	75.2%	76.7%	81.4%
<b>Exposure-weighted average risk-weight (%)</b>						
Residential mortgage	5.7%	17.3%	33.9%	77.3%	123.9%	197.3%
Qualifying revolving retail	3.4%	10.0%	32.7%	69.8%	168.7%	166.0%
Retail SME	6.1%	14.7%	33.3%	53.9%	87.3%	230.9%
Other retail	13.8%	44.0%	87.4%	111.1%	150.1%	165.3%

<sup>(1)</sup> Undrawn commitments are included in total exposures shown above.

<sup>(2)</sup> Simple average of exposure by number of arrangements.

## 4.3 Internal Ratings-Based Portfolios (continued)

	As at 30 Sep 19					
	PD risk grade					
Subject to IRB approach	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
<b>Total exposure</b>						
Residential mortgage	80,902	157,837	114,460	17,271	11,851	3,697
Qualifying revolving retail	2,551	3,421	2,424	1,407	691	46
Retail SME	1,474	5,382	6,632	2,657	984	452
Other retail	876	605	1,039	938	526	69
<b>Total exposure (EaD)</b>	<b>85,803</b>	<b>167,245</b>	<b>124,555</b>	<b>22,273</b>	<b>14,052</b>	<b>4,264</b>
<b>Undrawn commitments</b>						
Residential mortgage	28,288	13,500	5,363	478	88	23
Qualifying revolving retail	2,246	2,240	691	139	50	3
Retail SME	845	1,479	930	281	71	23
Other retail	586	252	200	69	22	1
<b>Total undrawn commitments</b>	<b>31,965</b>	<b>17,471</b>	<b>7,184</b>	<b>967</b>	<b>231</b>	<b>50</b>
<b>Subject to IRB approach</b>						
<b>Average EaD (\$m)</b>						
Residential mortgage	0.06	0.27	0.23	0.29	0.33	0.25
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.02	0.03	0.03	0.03	0.01	0.02
Other retail	small	small	small	0.01	small	small
<b>Exposure-weighted average LGD (%)</b>						
Residential mortgage	20.0%	20.0%	20.1%	19.9%	20.0%	20.1%
Qualifying revolving retail	73.3%	74.4%	76.5%	77.5%	77.2%	76.3%
Retail SME	24.6%	25.4%	28.3%	29.3%	30.4%	34.6%
Other retail	84.0%	80.8%	76.1%	72.9%	71.7%	68.6%
<b>Exposure-weighted average risk-weight (%)</b>						
Residential mortgage	5.7%	17.2%	34.2%	77.4%	123.2%	198.0%
Qualifying revolving retail	3.4%	10.1%	33.6%	71.8%	169.3%	150.8%
Retail SME	6.1%	14.7%	33.4%	53.5%	90.0%	235.3%
Other retail	13.8%	43.3%	85.5%	107.6%	137.9%	141.3%

## 4.4 Credit Risk Mitigation

**Table 4.4A: Mitigation by Eligible Financial Collateral**

The following table provides details of eligible financial collateral applied in determining the credit risk exposures. Eligible financial collateral, when used to reduce levels of exposure, refers to cash and cash equivalents as defined in APS 112. Exposures covered by eligible financial collateral are measured after the application of regulatory haircuts.

Exposure type	As at 31 Mar 20	
	Total exposure	Eligible financial collateral applied
	\$m	\$m
<b>Subject to IRB approach</b>		
Corporate (including SME)	282,988	77,189
Sovereign	72,519	17,664
Bank	43,666	41,361
Residential mortgage	388,918	-
Qualifying revolving retail	10,182	-
Retail SME	17,215	6
Other retail	3,823	-
<b>Total IRB approach</b>	<b>819,311</b>	<b>136,220</b>
<b>Specialised lending</b>	<b>68,209</b>	<b>355</b>
<b>Subject to standardised approach</b>		
Residential mortgage	1,808	-
Corporate	11,074	69,670
Other	989	34
<b>Total standardised approach</b>	<b>13,871</b>	<b>69,704</b>
<b>Total</b>	<b>901,391</b>	<b>206,279</b>

Exposure type	As at 30 Sep 19	
	Total exposure	Eligible financial collateral applied
	\$m	\$m
<b>Subject to IRB approach</b>		
Corporate (including SME)	261,988	64,110
Sovereign	60,665	8,653
Bank	39,333	28,373
Residential mortgage	386,018	-
Qualifying revolving retail	10,540	-
Retail SME	17,581	5
Other retail	4,053	-
<b>Total IRB approach</b>	<b>780,178</b>	<b>101,141</b>
<b>Specialised lending</b>	<b>66,510</b>	<b>454</b>
<b>Subject to standardised approach</b>		
Residential mortgage	2,050	1
Corporate	12,846	50,786
Other	1,121	29
<b>Total standardised approach</b>	<b>16,017</b>	<b>50,816</b>
<b>Total</b>	<b>862,705</b>	<b>152,411</b>



## 4.4 Credit Risk Mitigation (continued)

**Table 4.4B: Mitigation by Guarantees and Credit Derivatives**

The following table provides details of guarantees and credit derivatives.

Exposure type	As at 31 Mar 20		
	Total exposure	Covered by guarantees	Covered by credit derivatives
	\$m	\$m	\$m
<b>Subject to IRB approach</b>			
Corporate (including SME)	282,988	29,492	-
Sovereign	72,519	-	-
Bank	43,666	274	-
Residential mortgage	388,918	-	-
Qualifying revolving retail	10,182	-	-
Retail SME	17,215	-	-
Other retail	3,823	-	-
<b>Total IRB approach</b>	<b>819,311</b>	<b>29,766</b>	<b>-</b>
<b>Specialised lending</b>	<b>68,209</b>	<b>-</b>	<b>-</b>
<b>Subject to standardised approach</b>			
Residential mortgage	1,808	-	-
Corporate	11,074	-	-
Other	989	-	-
<b>Total standardised approach</b>	<b>13,871</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>901,391</b>	<b>29,766</b>	<b>-</b>

Exposure type	As at 30 Sep 19		
	Total exposure	Covered by guarantees	Covered by credit derivatives
	\$m	\$m	\$m
<b>Subject to IRB approach</b>			
Corporate (including SME)	261,988	27,706	-
Sovereign	60,665	-	-
Bank	39,333	214	-
Residential mortgage	386,018	-	-
Qualifying revolving retail	10,540	-	-
Retail SME	17,581	-	-
Other retail	4,053	-	-
<b>Total IRB approach</b>	<b>780,178</b>	<b>27,920</b>	<b>-</b>
<b>Specialised lending</b>	<b>66,510</b>	<b>-</b>	<b>-</b>
<b>Subject to standardised approach</b>			
Residential mortgage	2,050	-	-
Corporate	12,846	-	-
Other	1,121	-	-
<b>Total standardised approach</b>	<b>16,017</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>862,705</b>	<b>27,920</b>	<b>-</b>

## 4.5 Counterparty Credit Risk

### Table 4.5A (i): Net Derivatives Credit Exposure

The following tables provide the calculation of net derivatives credit exposure. The exposure represents the EaD under SA-CCR, which was introduced from 1 July 2019.

	31 Mar 20	30 Sep 19
	\$m	\$m
Gross positive fair value of derivative contracts	156,283	109,607
Netting and collateral benefits	(134,218)	(93,787)
<b>Replacement cost (RC)</b>	<b>22,065</b>	<b>15,820</b>
Potential future credit exposure	14,714	15,180
<b>Effective expected positive exposure</b>	<b>36,779</b>	<b>31,000</b>
Impact of scaling factor of 1.4 and credit valuation adjustment <sup>(1)</sup>	14,454	12,278
<b>Total net derivatives credit exposure</b>	<b>51,233</b>	<b>43,278</b>

<sup>(1)</sup> Credit valuation adjustment that has been recognised as an incurred write-down (i.e. expensed for accounting purposes).

### Table 4.5A (ii): Distribution of Current Credit Exposure

The following table provides details of the net derivative credit exposure by type of derivative.

	31 Mar 20	30 Sep 19
	Exposure at default \$m	Exposure at default \$m
<b>Exposure type</b>		
Interest rate contracts	15,114	14,875
Foreign exchange and gold contracts	27,886	19,563
Equity contracts	430	178
Commodity contracts other than precious metals	2,475	1,484
Other market related contracts	4	3
Central counterparty <sup>(1)</sup>	5,324	7,175
<b>Total</b>	<b>51,233</b>	<b>43,278</b>

<sup>(1)</sup> Derivative contracts with qualifying central clearing counterparties have not been broken down by type of derivative.

### Table 4.5B: Credit Derivative Transactions

The following table provides the notional value of credit derivative transactions, segregated between use for the Group's own credit portfolio, as well as in its intermediation activities. This is broken down further by protection bought and sold within each product group.

	As at 31 Mar 20			As at 30 Sep 19		
	Protection bought notional \$m	Protection sold notional \$m	Total notional \$m	Protection bought notional \$m	Protection sold notional \$m	Total notional \$m
<b>Credit derivatives products used for own credit portfolio</b>						
Credit default swaps	4,740	2,173	6,913	3,959	1,968	5,927
<b>Credit derivatives products used for intermediation</b>						
Credit default swaps	1,361	1,946	3,307	1,005	1,413	2,418
<b>Total credit derivative notional value</b>	<b>6,101</b>	<b>4,119</b>	<b>10,220</b>	<b>4,964</b>	<b>3,381</b>	<b>8,345</b>

## Section 5

## Securitisation

Table 5.1A: Exposures Securitised

The following table provides banking book exposures securitised by the Group and third party securitised assets where the Group is classified as a sponsor. The Group originated exposures can be broken down as follows:

- capital relief - significant risk transfer of the underlying exposure is achieved for regulatory capital purposes
- funding only - significant risk transfer is not achieved
- internal residential mortgage-backed securities (RMBS) - securities are issued and held internally for contingent liquidity purposes (also known as self-securitisation).

Underlying asset	As at 31 Mar 20			Third party originated assets
	Group originated capital relief	Group originated funding only	Group <sup>(1)</sup> originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgage	2,398	1,663	83,220	-

<sup>(1)</sup> Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Group's liquid asset holdings. The amount of these securitised assets is \$71,491 million (September 2019: \$73,868 million).

Underlying asset	As at 30 Sep 19			Third party originated assets
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgage	2,721	1,885	85,584	-

There were no exposures securitised either in the trading book or synthetically by the Group as at 31 March 2020 or 30 September 2019.

Table 5.1B: Past Due and Impaired Banking Book Exposures Securitised

The following table provides past due and impaired assets that have been originated and securitised by the Group in the banking book and any losses that have been recognised on these securitised exposures.

Underlying asset	As at 31 Mar 20			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
	\$m	\$m	\$m	\$m
Residential mortgage	87,281	120	703	-

Underlying asset	As at 30 Sep 19			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
	\$m	\$m	\$m	\$m
Residential mortgage	90,190	91	643	-

## Securitisation (continued)

**Table 5.1C: Recent Securitisation Activity**

The following table provides the amount of assets sold by the Group to securitisation special purpose vehicles and any gain or loss on sale. There was no such activity in the six months ended 31 March 2020.

Underlying asset	6 months ended 30 Sep 19			Recognised gain or loss on sale
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgage	-	-	10,224	-

There were \$20,413m of banking book exposures that the Group intended to be securitised into internal RMBS as at 31 March 2020 (30 September 2019: \$nil). There were no outstanding trading book exposures intended to be securitised as at 31 March 2020 or 30 September 2019.

**Table 5.1D: Securitisation Exposures Retained or Purchased**

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

Securitisation exposure type	As at 31 Mar 20			As at 30 Sep 19		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Liquidity facilities	120	1,768	1,888	113	2,183	2,296
Warehouse facilities	11,960	4,344	16,304	10,196	3,411	13,607
Securities	8,766	-	8,766	9,355	-	9,355
Derivatives	-	120	120	-	114	114
<b>Total</b>	<b>20,846</b>	<b>6,232</b>	<b>27,078</b>	<b>19,664</b>	<b>5,708</b>	<b>25,372</b>

The Group had \$650 million of derivative exposures held in the trading book subject to IMA under APS 116 as at 31 March 2020 (30 September 2019: \$485 million). The Group had no trading book exposures subject to APS 120 which were either risk-weighted or deducted from capital at 31 March 2020 or 30 September 2019.

The Group had no exposures subject to early amortisation in either the banking or trading book at 31 March 2020 or 30 September 2019.

**Table 5.1E: Securitisation Exposures by Risk-weight**

The following table provides banking book securitisation exposures and associated RWA by risk-weight bands.

Risk-weight bands	As at 31 Mar 20		As at 30 Sep 19	
	Exposure	RWA	Exposure	RWA
	\$m	\$m	\$m	\$m
15% ≤ 25%	25,207	4,310	23,699	4,120
> 25% ≤ 35%	1,070	298	938	245
> 35% ≤ 50%	437	162	458	172
> 50% ≤ 75%	309	180	231	137
> 75% ≤ 100%	1	1	1	1
> 100% ≤ 650%	29	57	25	47
> 650% ≤ 850%	15	108	11	81
> 850% < 1250%	7	81	6	62
Deductions from CET1 capital <sup>(1)</sup>	3	-	3	-
<b>Total</b>	<b>27,078</b>	<b>5,197</b>	<b>25,372</b>	<b>4,865</b>

<sup>(1)</sup> Deductions relate to subordinated exposure to residential mortgages of \$3 million at 31 March 2020 (September 2019: \$3 million).

## Section 6

## Market Risk

Table 6.1A: Market Risk Risk-weighted Assets

	As at	
	31 Mar 20	30 Sep 19
	\$m	\$m
Standard method	561	576
Internal model approach	9,474	9,447
<b>Market risk RWA</b>	<b>10,035</b>	<b>10,023</b>

Table 6.1B: Standard Method Risk-weighted Assets

	As at	
	31 Mar 20	30 Sep 19
	\$m	\$m
Interest rate risk	556	570
Equity position risk	5	6
Foreign exchange risk	-	-
Commodity risk	-	-
<b>Standard method RWA</b>	<b>561</b>	<b>576</b>

Table 6.1C: Internal Model Approach VaR

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

	6 months ended 31 Mar 20			As at
	Mean value	Minimum value	Maximum value	31 Mar 20
	\$m	\$m	\$m	\$m
<b>VaR at a 99% confidence level<sup>(1)</sup></b>				
Foreign exchange risk	2.6	0.8	5.5	3.4
Interest rate risk	8.5	5.4	24.8	7.9
Volatility risk	3.9	2.8	6.2	5.1
Commodities risk	0.5	0.3	1.6	0.9
Credit risk	1.5	0.9	4.4	2.9
Inflation risk	1.5	1.0	3.4	3.0
Diversification benefit	(8.5)	n/a	n/a	(11.1)
<b>Total diversified VaR at a 99% confidence level</b>	<b>10.0</b>	<b>7.5</b>	<b>23.9</b>	<b>12.1</b>
Other market risks <sup>(2)</sup>	4.0	2.3	8.9	8.9
<b>Total VaR for physical and derivative positions<sup>(3)</sup></b>	<b>14.0</b>	<b>9.8</b>	<b>32.8</b>	<b>21.0</b>

<sup>(1)</sup> The maxima / minima by risk type is likely to occur during different days in the period. As such, the sum of these figures will not equal the total maxima / minima VaR which is the maxima / minima aggregate VaR position during the period.

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

<sup>(3)</sup> 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.

## Market Risk

### Market Risk (continued)

	6 months ended 30 Sep 19			As at
	Mean value	Minimum value	Maximum value	30 Sep 19
	\$m	\$m	\$m	\$m
<b>VaR at a 99% confidence level</b>				
Foreign exchange risk	2.0	0.2	8.9	0.9
Interest rate risk	7.3	5.8	10.7	7.7
Volatility risk	2.4	1.9	4.3	4.3
Commodities risk	0.6	0.2	2.1	0.5
Credit risk	1.5	1.2	2.0	1.8
Inflation risk	1.8	1.0	4.0	1.0
Diversification benefit	(7.6)	n/a	n/a	(6.9)
<b>Total diversified VaR at a 99% confidence level</b>	<b>8.0</b>	<b>6.3</b>	<b>14.6</b>	<b>9.3</b>
Other market risks	3.0	0.4	4.2	2.7
<b>Total VaR for physical and derivative positions</b>	<b>11.0</b>	<b>6.7</b>	<b>18.8</b>	<b>12.0</b>

### Table 6.1D: 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 20			As at
	Mean value	Minimum value	Maximum value	31 Mar 20
	\$m	\$m	\$m	\$m
<b>Stressed VaR at risk at a 99% confidence level<sup>(1)</sup></b>				
Foreign exchange risk	7.3	1.8	21.4	9.2
Interest rate risk	28.5	21.3	35.4	32.6
Volatility risk	12.2	8.7	17.6	10.7
Commodities risk	1.9	0.5	5.6	2.6
Credit risk	11.3	10.0	16.0	11.4
Inflation risk	2.9	1.4	4.2	3.7
Diversification benefit	(30.2)	n/a	n/a	(36.7)
<b>Total diversified stressed VaR at a 99% confidence level</b>	<b>33.9</b>	<b>28.0</b>	<b>40.6</b>	<b>33.5</b>
Other market risks <sup>(2)</sup>	16.0	11.3	31.4	31.2
<b>Total stressed VaR for physical and derivative positions<sup>(3)</sup></b>	<b>49.9</b>	<b>39.3</b>	<b>72.0</b>	<b>64.7</b>

<sup>(1)</sup> The maxima / minima by risk type is likely to occur during different days in the period. As such, the sum of these figures will not equal the total maxima / minima stressed VaR which is the maxima / minima aggregate stressed VaR position during the period.

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

<sup>(3)</sup> 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 19			As at
	Mean value	Minimum value	Maximum value	30 Sep 19
	\$m	\$m	\$m	\$m
<b>Stressed VaR at a 99% confidence level</b>				
Foreign exchange risk	4.5	0.8	27.8	1.6
Interest rate risk	30.9	25.2	44.1	30.7
Volatility risk	10.3	7.8	15.6	14.4
Commodities risk	1.7	0.6	7.1	1.3
Credit risk	11.9	9.8	14.5	12.3
Inflation risk	4.0	2.7	8.8	2.7
Diversification benefit	(24.4)	n/a	n/a	(26.8)
<b>Total diversified stressed VaR at a 99% confidence level</b>	<b>38.9</b>	<b>31.6</b>	<b>50.8</b>	<b>36.2</b>
Other market risks	15.2	1.8	19.0	14.3
<b>Total stressed VaR for physical and derivative positions</b>	<b>54.1</b>	<b>33.4</b>	<b>69.8</b>	<b>50.5</b>

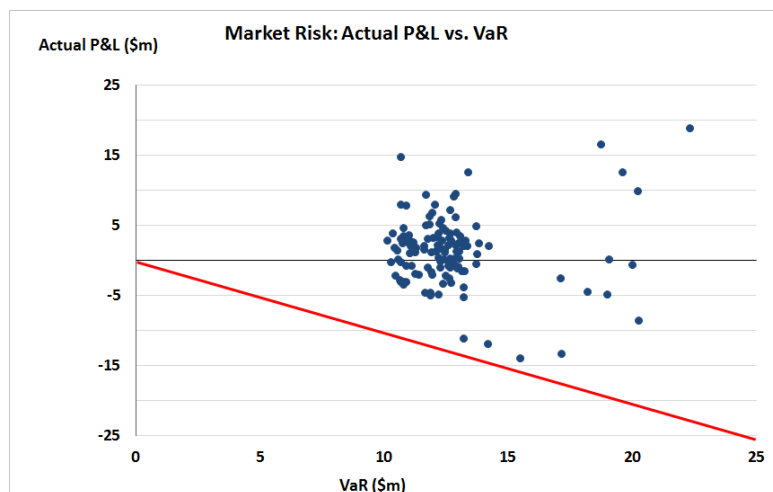


## Market Risk (continued)

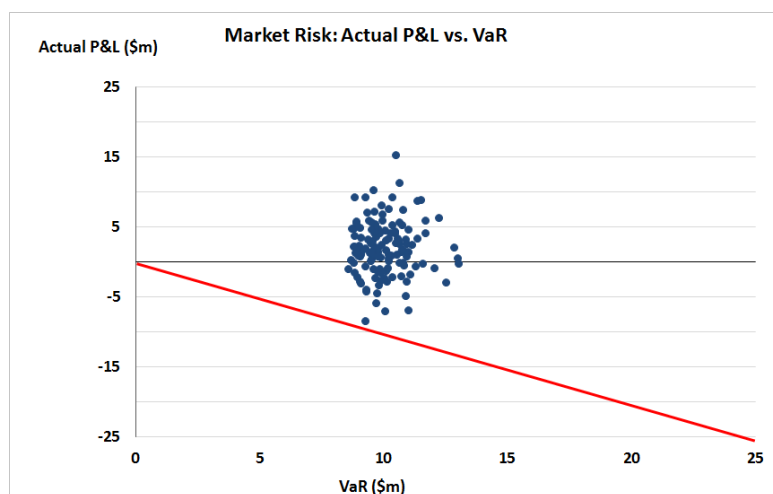
### Back-testing Results

The following graphs compare the Group's daily VaR estimates against actual profit and loss (P&L). The red line represents a one-to-one relationship between negative actual P&L and VaR, which is an indicator of the VaR model's performance.

#### Results for the six months ended 31 March 2020



#### Results for the six months ended 30 September 2019



Back-testing, carried out by comparing the Group's daily VaR estimate against actual P&L, identified no exceptions during the six months ended 31 March 2020 or the six months ended 30 September 2019. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

## Section 7

## Balance Sheet and Liquidity Risk

## 7.1 Interest Rate Risk in the Banking Book

Table 7.1A: Impact on Economic Value from Rate Shocks

The following table provides the increase or decrease in economic value for upward and downward rate shocks broken down by currency. The Level 2 Group's major currencies are modelled on an individual basis. The remaining minor currencies are aggregated and modelled using a single yield curve. The 200 basis point (bp) interest rate shock results include earnings offset.

	As at 31 Mar 20		As at 30 Sep 19	
	200 bp parallel increase	200 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease
	\$m	\$m	\$m	\$m
<b>Change in economic value</b>				
AUD	(76)	144	(65)	186
CAD	-	-	-	-
CHF	-	-	-	-
EUR	(12)	13	(17)	18
GBP	(10)	10	(18)	18
HKD	-	-	1	(1)
JPY	1	(1)	3	(3)
NZD	(156)	161	(182)	187
USD	(76)	84	(49)	55
Other	1	(1)	-	-
<b>Total change in economic value</b>	<b>(328)</b>	<b>410</b>	<b>(327)</b>	<b>460</b>

## 7.2 Equity Holdings in the Banking Book

Table 7.2A: Equity Holdings in the Banking Book

The following table provides the carrying value of equity investments as reported on the Level 2 Group's balance sheet, as well as the estimated fair value of those investments.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Whilst there is no reason to believe that the fair value of equity investments does not approximate their carrying value as at 31 March 2020, it is noted that the equities market is very volatile at this time, and the fair value of equity investments is difficult to determine in the absence of any sale negotiations.

	As at 31 Mar 20		As at 30 Sep 19	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
<b>Unlisted equities</b>	503	503	670	670

Table 7.2B: Gains and Losses from Equity Holdings

The following table provides realised and unrealised gains or losses gross of any tax effect from equity instruments, where:

- realised gains or losses represent the difference between the cost of equity instruments and proceeds where there has been a sale and/or liquidation in the six months to the end of the reporting period
- cumulative unrealised gains or losses represent the difference between the cost of equity instruments and their carrying value.

	31 Mar 20	30 Sep 19
	\$m	\$m
<b>Gains/(losses) on equity investments</b>		
Realised losses	(13)	(47)
Cumulative unrealised losses <sup>(1)</sup>	(238)	(22)

<sup>(1)</sup> As investments in equity instruments are a deduction for capital purposes, cumulative unrealised gains are not included in CET1 capital, Tier 1 capital or Tier 2 capital.

## 7.3 Liquidity Disclosures

### Liquidity Coverage Ratio

The Group Liquidity Risk Policy requires that the Group maintain a liquid asset portfolio, comprising high-quality liquid assets (HQLA) that can be readily converted to cash and used to support intraday payments. The Group's liquid asset portfolio is maintained by geography, currency and legal entity across NAB, BNZ and the London, New York and Asian branches. The liquidity portfolio comprises a mix of:

- cash
- Australian government and semi-government securities
- offshore central bank reserves and foreign sovereign securities
- a mix of negotiable certificates of deposit, bank bills, supranational bonds, covered bonds, RMBS and internal RMBS (all available as collateral for a Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) with the Reserve Bank of Australia (RBA)).

The Liquidity Coverage Ratio (LCR) measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

The Group manages its LCR position daily within a target range that reflects management's risk appetite across the legal entity structure, major currencies and jurisdictions in which business activities are undertaken. The APRA minimum LCR is 100%.

The LCR for the three months ended 31 March 2020 and 31 December 2019 is presented in Table 7.3A *Liquidity Coverage Ratio Disclosure Template*, and is based on a simple average of daily LCR outcomes excluding non-business days.

The Group maintains a diversified liquid asset portfolio to support regulatory and internal requirements in the various countries in which it operates. Average liquid assets for the three months ended 31 March 2020 and 31 December 2019 were \$152 billion and \$146 billion respectively, of which HQLA were \$98 billion and \$91 billion respectively. Average LCR for the three months ended 31 March 2020 increased to 136% as a result of higher liquid assets and lower net cash outflows. Higher liquid assets were driven primarily by increased wholesale funding, deposit inflows and FX-related movements. Lower net cash outflows were driven by increased inflows from performing loans and lower outflows from other collateral requirements, partially offset by larger deposit and wholesale funding outflows.

Alternative Liquid Assets (ALA) relate to the CLF and TFF provided by the RBA, noting that the TFF is included for only one observation in the 31 March 2020 period. The ALA value used in the LCR calculation is the lesser of the undrawn portion of these facilities and the value of the collateral held at any given time to support these facilities. This collateral is a combination of internal RMBS and other marketable securities eligible for repurchase by the RBA. The drawn portion of the CLF relates to accounts held with the RBA for the settlement of daily payment obligations. Available ALA during the three months to 31 March 2020 and 31 December 2019 was on average \$51 billion and \$52 billion respectively.

New Zealand dollar (NZD) liquid asset holdings in excess of meeting an NZD LCR of 100%, are excluded reflecting liquidity transferability considerations. The amount excluded during the three months ended 31 March 2020 and 31 December 2019 was on average \$4 billion and \$3 billion respectively.

## 7.3 Liquidity Disclosures (continued)

Table 7.3A: Liquidity Coverage Ratio Disclosure Template

		3 months ended			
		31 Mar 20		31 Dec 19	
		60 data points		63 data points	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
		\$m <sup>(1)</sup>	\$m	\$m <sup>(1)</sup>	\$m
<b>Liquid assets, of which:</b>			<b>152,412</b>		<b>146,050</b>
1	High-quality liquid assets (HQLA) <sup>(2)</sup>	n/a	97,770	n/a	90,726
2	Alternative liquid assets (ALA)	n/a	51,192	n/a	52,055
3	Reserve Bank of New Zealand (RBNZ) securities <sup>(2)</sup>	n/a	3,450	n/a	3,269
<b>Cash outflows</b>					
4	Retail deposits and deposits from small business customers	205,171	24,417	201,966	24,065
5	of which: stable deposits	61,189	3,059	61,274	3,064
6	of which: less stable deposits	143,982	21,358	140,692	21,001
7	Unsecured wholesale funding	136,776	69,657	131,055	66,280
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	56,797	15,780	56,047	15,579
9	of which: non-operational deposits (all counterparties)	65,399	39,297	62,575	38,268
10	of which: unsecured debt	14,580	14,580	12,433	12,433
11	Secured wholesale funding	n/a	549	n/a	1,589
12	Additional requirements	167,534	28,116	167,579	30,122
13	of which: outflows related to derivatives exposures and other collateral requirements	11,849	11,849	14,564	14,564
14	of which: outflows related to loss of funding on debt products	-	-	-	-
15	of which: credit and liquidity facilities	155,685	16,267	153,015	15,558
16	Other contractual funding obligations	1,154	601	1,157	638
17	Other contingent funding obligations	73,961	5,063	71,377	4,879
18	<b>Total cash outflows</b>	<b>n/a</b>	<b>128,403</b>	<b>n/a</b>	<b>127,573</b>
<b>Cash inflows</b>					
19	Secured lending	74,301	2,608	70,782	2,126
20	Inflows from fully performing exposures	21,238	12,726	19,624	11,433
21	Other cash inflows	1,221	1,221	1,008	1,008
22	<b>Total cash inflows</b>	<b>96,760</b>	<b>16,555</b>	<b>91,414</b>	<b>14,567</b>
23	<b>Total liquid assets</b>		<b>152,412</b>		<b>146,050</b>
24	<b>Total net cash outflows</b>		<b>111,848</b>		<b>113,006</b>
25	<b>Liquidity Coverage Ratio (%)</b>		<b>136%</b>		<b>129%</b>

<sup>(1)</sup> Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.<sup>(2)</sup> Weighted values are calculated after applying caps to the NZD liquid asset holdings in excess of NZD LCR of 100%.

## 7.3 Liquidity Disclosures (continued)

### Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) measures the extent to which assets are funded with stable sources of funding in order to mitigate the risk of future funding stress. The APRA minimum NSFR is 100%.

The NSFR as at 31 March 2020 and 31 December 2019 is presented in Table 7.3B *Net Stable Funding Ratio Disclosure Template*, and is based on spot balances. The NSFR increased to 116% as at 31 March 2020 with \$547 billion of Available Stable Funding (ASF) available to meet \$471 billion of Required Stable Funding (RSF). The increase was primarily due to increased ASF from wholesale funding and deposits, partly offset by a higher RSF, mainly driven by growth in lending and derivative balances.

ASF is calculated by applying weightings to capital and liabilities to reflect the portion that is expected to be available over a one-year time horizon. The maturity of funding is taken as being the earliest date at which the funding can be withdrawn. RSF reflects the liquidity characteristics of the assets and the expectation that these assets and off-balance sheet exposures will require funding over the next year. The maturity of assets is taken as being the latest possible date at which the asset may mature.

### 7.3 Liquidity Disclosures (continued)

**Table 7.3B: Net Stable Funding Ratio Disclosure Template**

		As at 31 Mar 2020				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	56,240	-	1,717	16,626	74,583
2	of which: regulatory capital	56,240	-	1,717	16,626	74,583
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	186,557	77,809	289	95	241,917
5	of which: stable deposits	66,157	6,489	-	-	69,014
6	of which: less stable deposits	120,400	71,320	289	95	172,903
7	Wholesale funding	101,552	228,601	33,681	132,555	229,222
8	of which: operational deposits	62,014	-	-	-	31,006
9	of which: other wholesale funding	39,538	228,601	33,681	132,555	198,216
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	35,776	-	1,346	1,346
12	of which: NSFR derivative liabilities <sup>(1)</sup>			8,043		
13	of which: all other liabilities and equity not included in the above categories	-	27,733	-	1,346	1,346
14	Total ASF					547,068
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					4,306
15b	Alternative liquid assets (ALA)					6,937
15c	RBNZ securities					372
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	13,166	149,229	41,739	439,116	408,498
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	57,140	2,264	-	6,846
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	16	31,056	7,130	25,192	33,431
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	12,349	48,200	25,724	131,671	155,695
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	12,467	8,103
22	of which: performing residential mortgages:	-	7,508	6,621	281,786	208,045
23	of which: with a risk-weight equal to 35% under APS 112	-	7,508	6,621	242,388	174,557
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	801	5,325	-	467	4,481
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	21,023	2,890	61	47,034	42,502
27	of which: physical traded commodities, including gold	134				114
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) <sup>(1)</sup>			2,640	2,244	
29	of which: NSFR derivative assets <sup>(1)</sup>			15,857	7,814	
30	of which: NSFR derivative liabilities before deduction of variation margin posted <sup>(1)</sup>			23,425	4,685	
31	of which: all other assets not included in the above categories	20,889	2,890	61	5,112	27,645
32	Off-balance sheet items <sup>(1)</sup>			158,512	8,370	
33	Total RSF					470,985
34	Net Stable Funding Ratio (%)					116%

<sup>(1)</sup> These amounts are not required by APS 330 to be allocated to a maturity bucket.

## 7.3 Liquidity Disclosures (continued)

		As at 31 Dec 2019				Weighted value
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	54,290	1,343	1,717	15,256	72,606
2	of which: regulatory capital	54,290	1,343	1,717	15,256	72,606
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	180,431	78,965	392	113	237,571
5	of which: stable deposits	66,158	6,773	1	-	69,286
6	of which: less stable deposits	114,273	72,192	391	113	168,285
7	Wholesale funding	79,371	227,941	37,241	118,886	207,487
8	of which: operational deposits	53,566	-	-	-	26,782
9	of which: other wholesale funding	25,805	227,941	37,241	118,886	180,705
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	26,620	-	1,398	1,398
12	of which: NSFR derivative liabilities <sup>(7)</sup>			5,071		
13	of which: all other liabilities and equity not included in the above categories	-	21,549	-	1,398	1,398
14	Total ASF					519,062
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					3,962
15b	Alternative liquid assets (ALA)					5,590
15c	RBNZ securities					303
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	17,161	132,022	51,643	439,463	409,610
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	48,763	4,754	78	7,331
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	15	25,898	7,374	22,534	30,121
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	13,367	45,530	29,915	125,475	150,846
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	13,898	9,033
22	of which: performing residential mortgages:	-	6,921	6,751	291,062	214,209
23	of which: with a risk-weight equal to 35% under APS 112	-	6,921	6,751	250,584	179,803
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,779	4,910	2,849	314	7,103
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	21,014	2,282	49	29,340	33,564
27	of which: physical traded commodities, including gold	2				2
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) <sup>(7)</sup>				1,999	1,699
29	of which: NSFR derivative assets <sup>(7)</sup>				8,130	3,059
30	of which: NSFR derivative liabilities before deduction of variation margin posted <sup>(7)</sup>				16,347	3,269
31	of which: all other assets not included in the above categories	21,012	2,282	49	2,864	25,535
32	Off-balance sheet items <sup>(7)</sup>				158,975	8,412
33	Total RSF					461,441
34	Net Stable Funding Ratio (%)					112%

<sup>(1)</sup> These amounts are not required by APS 330 to be allocated to a maturity bucket.



## Section 8

## Glossary

Term	Description
Additional regulatory specific provisions	In line with APRA's July 2017 guidance "Provisions for regulatory purposes and AASB 9 Financial Instruments", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as general reserve for credit losses.
Additional Tier 1 capital	Additional Tier 1 capital comprises high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> <li>- provide a permanent and unrestricted commitment of funds</li> <li>- are freely available to absorb losses</li> <li>- rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer</li> <li>- provide for fully discretionary capital distributions.</li> </ul>
ADI	Authorised Deposit-taking Institution.
Advanced Internal Ratings-Based approach (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	The risk estimation process used for operational risk, combining internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency in the Liquidity Coverage Ratio framework. The Committed Liquidity Facility and Term Funding Facility provided by the Reserve Bank of Australia to ADIs are treated as an ALA in the Liquidity Coverage Ratio.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Available Stable Funding (ASF)	The portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one-year time horizon.
Banking book	Exposures not contained in the trading book.
BCBS	Basel Committee on Banking Supervision.
BNZ	Bank of New Zealand.
Central Counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.
CET1 capital ratio	CET1 capital divided by risk-weighted assets.
Committed Liquidity Facility (CLF)	A facility provided by the Reserve Bank of Australia to certain ADIs to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1 (CET1) capital	The highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 <i>Capital Adequacy: Measurement of Capital</i> .
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 return swaps, cash funded credit linked notes and first-to-default and second-to-default credit derivative basket products. ADIs may also recognise other complex credit derivatives that have been approved by APRA.
Credit Value Adjustment (CVA)	A capital charge to reflect potential mark-to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.
Default fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a central counterparty's mutualised loss sharing arrangements.
D-SIB	Domestic Systemically Important Bank.
Eligible Financial Collateral (EFC)	Under the standardised approach, EFC is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based approach, EFC is limited to the collateral items detailed in APS 112 <i>Capital Adequacy: Standardised Approach to Credit Risk</i> . Recognition of EFC is subject to the minimum conditions detailed in APS 112.
Exposure at Default (EaD)	An estimate of the credit exposure amount outstanding if an obligor defaults. EaD is presented net of eligible financial collateral.
Extended Licensed Entity	The ADI and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 <i>Associations with Related Entities</i> .
General Reserve for Credit Losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 <i>Credit Quality</i> . The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provision on default no loss assets. Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
Group	NAB and its controlled entities.
High-quality Liquid Assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 <i>Liquidity</i> .
ICAAP	Internal Capital Adequacy Assessment Process.
Impaired facilities	Impaired facilities consist of: <ul style="list-style-type: none"> <li>- retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with insufficient security to cover principal and interest</li> <li>- unsecured portfolio managed facilities that are 180 days past due (if not written off)</li> <li>- non-retail loans which are contractually past due and / or sufficient doubt exists about the ability to collect principal and interest in a timely manner</li> <li>- off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.</li> </ul>
Internal Model Approach (IMA) - Non-traded Market Risk	The approach used in the assessment of non-traded market risk. The Group uses, under approval from APRA, the IMA to calculate interest rate risk in the banking book for all transactions in the banking book.
Internal Model Approach (IMA) - Traded Market Risk	The approach used in the assessment of traded market risk. The 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 standardised approach.
IRRBB	Interest rate risk in the banking book.

Term	Description
Level 2 Group	NAB and the entities it controls excluding superannuation and funds management entities, insurance subsidiaries and securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 <i>Securitisation</i> .
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 <i>Capital Adequacy</i> . It is a simple, non-risk based measure to supplement the RWA based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Loss Given Default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.
NAB	National Australia Bank Limited ABN 12 004 044 937.
Net Stable Funding Ratio (NSFR)	A ratio of the amount of available stable funding to the amount of required stable funding.
Net write-offs	Write-offs, net of recoveries.
Past due facilities ≥ 90 days	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.
Probability of Default (PD)	An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.
Qualifying revolving retail	Revolving exposures to individuals less than \$100,000, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory expected loss (EL)	A calculation of the estimated loss that may be experienced over the next 12 months. Regulatory expected loss calculations are based on the probability of default, loss given default and exposure at default values of the portfolio at the time of the estimate which includes stressed loss given default for economic conditions. As such, regulatory expected loss is not an estimate of long-run average expected loss.
Required Stable Funding (RSF)	A function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Risk-weighted Assets (RWA)	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
RMBS	Residential mortgage-backed securities.
SA-CCR	Standardised approach for measuring counterparty credit risk exposures.
Securitisation exposures	Securitisation exposures include the following exposure types: - liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the vehicle or to cover the inability of the vehicle to roll-over securities due to market disruption - warehouse facilities: lending facilities provided to securitisation vehicles for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis - credit enhancements: protection provided against credit losses to parties holding a securitisation exposure - securities: holding of debt securities issued by securitisation vehicles - derivatives: derivatives provided to securitisation vehicles, other than credit derivatives.
SME	Small and medium sized enterprises.
Specific provision for credit impairment	The provision assessed on an individual basis in accordance with Australian Accounting Standard AASB 9 <i>Financial Instruments</i> .
Standardised approach	An alternative approach to the assessment of credit, operational and traded market risk whereby an ADI uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine risk-weighted assets.
Stressed VaR	Value at Risk with an observation period based on a one-year period of significant market volatility.
Term Funding Facility (TFF)	A facility provided by the Reserve Bank of Australia to certain ADIs to support lending to Australian businesses.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 <i>Capital Adequacy: Measurement of Capital</i> .
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Total capital	The sum of Tier 1 capital and Tier 2 capital.
Total capital ratio	Total capital divided by risk-weighted assets.
Trading book	Positions in financial instruments, including derivative products and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.
Value at Risk (VaR)	A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.
Write-offs	A reduction in the carrying amount of loans and advances at amortised cost and fair value where there is no reasonable expectation of recovery of a portion or the entire exposure.

## Section 9

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