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ASX ANNOUNCEMENT

Wednesday, 15 May 2013

National Australia Bank Limited – 2013 Half Year Risk and Capital Report

National Australia Bank Limited (NAB) today released its half year Risk and Capital Report (RCR), as required under the Australian Prudential Regulation Authority Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information.

The RCR should be read in conjunction with the NAB 2013 Half Year Results.

The report is attached to this announcement and available at: http://www.nabgroup.com/rcr

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National Australia Bank

2013
Risk & Capital Report

Incorporating the requirements of APS 330
Half Year Update
as at 31 March 2013

National Australia Bank

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Contents

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1. Introduction

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

The Basel Committee has released its reform package for both capital and liquidity (Basel III). The Australian Prudential Regulation Authority (APRA) has also released its final capital standards relating to the implementation of Basel III, which are effective from 1 January 2013.

In Australia, APRA has regulatory responsibility for the implementation of the Basel Accord through the release of prudential standards.

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

All figures in this report are in Australian dollars (AUD) unless otherwise noted. Disclosures in this Report are based on the APRA Basel III standards that apply from 1 January 2013, except for market risk Risk-Weighted Assets (RWA) that are calculated on a Basel 2.5 basis for each period presented. Comparative data has not been restated to accord with the Basel III changes, except for the Capital Ratio and Structure disclosures in sections 1, 4.1B and 4.2 where proforma data has been provided as if the APRA Basel III standards had applied in the previous period.

Capital Ratio Summary

The NAB Group's Common Equity Tier 1 capital ratio of 8.22% at 31 March 2013 is consistent with the NAB Group's objective of maintaining a strong capital position.

Capital ratios	As at 31 Mar 13	30 Sep 12 Basel III Pro forma
Level 2 Common Equity Tier 1 capital ratio	8.22%	7.90%
Level 2 total capital ratio	11.71%	11.58%

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

1.1 The NAB Group's Capital Adequacy Methodologies

The NAB Group operates in Australia, Asia, New Zealand, the United Kingdom and North America. The following table sets out the approach to the Basel Accord, which is applied across the NAB Group as at 31 March 2013.

The Group's Basel Methodologies

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

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

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

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

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

1.2 APS 330 Disclosure Governance

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

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

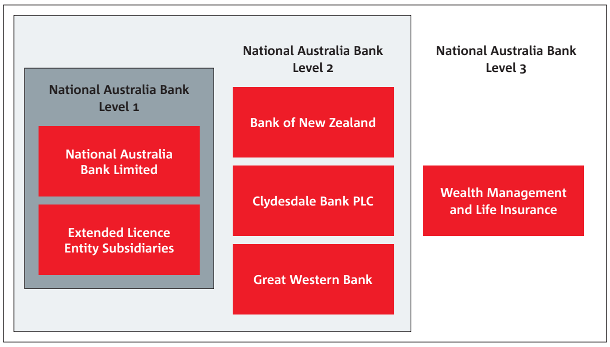
2. Scope of Application

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

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

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

NAB Group Consolidation for Regulatory Purposes



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

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

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

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

For financial reporting, the NAB Group applies the International Financial Reporting Standards (IFRS) and consolidates all entities in which it has the power to govern the financial and operating policies so as to obtain benefit from their activities. This includes life insurance, funds management and securitisation SPVs used to house securitised assets. As noted above, these entities receive a different treatment for Level 2 regulatory consolidation purposes. A list of material controlled entities included in the consolidated NAB Group for financial reporting purposes can be found in the Company's 30 September 2012 Annual Financial Report.

Restrictions on the Transfer of Funds and Regulatory Capital within the NAB Group

Limits are placed on the level of capital and funding transfers and on the level of exposure (debt and equity) that the NAB Group may have to a related entity. These limits are subject to the NAB Group Capital Policy which requires that contagion risk be managed under regulatory requirements *(Prudential Standard APS 222 Associations with Related Entities*) and the Board's risk appetite for intra-group exposures.

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

Disclosure 2A: Scope of Application

There were no capital deficiencies in non-consolidated subsidiaries of the NAB Group as at 31 March 2013 or 30 September 2012.

Clydesdale Bank PLC

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

Bank of New Zealand

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

BNZ is subject to the Basel Accord capital adequacy requirements applicable in New Zealand, mandated by the RBNZ. The capital ratios for BNZ presented in this report have been derived under the RBNZ's Capital Adequacy Framework (Internal Models Based Approach), which incorporates new Basel III capital adequacy standards that apply from 1 January 2013. Full Basel disclosures for BNZ are published separately under the Disclosure Statement regime applicable to banks incorporated in New Zealand.

Great Western Bank

GWB credit risk and operational risk RWA are subject to APRA Basel standardised methodology. IRRBB for GWB is calculated using the IRRBB internal model.

3. Regulatory Environment

Basel Regulatory Reforms

APRA's Basel III capital reforms took effect on 1 January 2013.

In terms of Basel III liquidity requirements, the NAB Group's transition strategy is focused on the quality of liquid assets and the stability of the funding that underpins these measures.

In May 2013, APRA released an updated draft of the prudential standard *APS210: Liquidity* on the implementation of the Basel III liquidity reforms in Australia. As part of the consultation process, industry submissions are due to APRA by 17 June 2013, and this standard is expected to be finalised in mid-2013.

The qualitative aspects of this standard are due to come into force from January 2014, while Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) compliance is expected to commence from January 2015 and January 2018 respectively.

APRA's update adopted a number of the inflow and outflow assumption changes announced by the Basel Committee on Banking Supervision (BCBS) in their final Basel III liquidity standard released in January 2013, including a reduced run-off assumption for Non-Financial Corporate deposits.

In contrast to the BCBS, APRA will not adopt a phased implementation to LCR compliance and no widening of the definition of High Quality Liquid Assets (HQLAs) is proposed for the purposes of LCR. APRA has previously released details regarding the use of the Committed Liquidity Facility (CLF), which is designed to address the shortfall of Level 1 liquid assets in Australia. The availability of the RBA's CLF remains central to APRA's proposed standard and engagement with APRA around the practical requirements concerning access to this facility continues.

Other Reform Proposals

In addition to the Basel Committee reforms, the NAB Group remains focused on other areas of regulatory change.

Key reform proposals that may affect its capital and funding include:

- APRA's Level 3 conglomerate supervision proposals that have an implementation date of 1 January 2014. Draft proposals for industry consultation were released in late 2012 covering risk exposures and group governance. A second consultation package covering capital adequacy, risk management and governance released in May 2013
- The US Dodd-Frank Act, where requirements impacting the NAB Group under Title I have been released for consultation and are expected to take effect in 2015
- The UK Government's Financial Services (Bank Reform) Bill which is currently under consideration in Parliament. In general terms, the Bill seeks to enact the recommendations of the Independent Commission on Banking. Once enacted, the reforms may affect the structure of banks and the amount of capital held in the UK business. However, the shape and content of the final legislation is still unclear.

4. Capital

Table 4.1A: Risk-Weighted Assets

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

	As at 31 Mar 13 Basel III RWA $m	As at 30 Sep 12 Basel II RWA $m
Credit risk [1] [2]		
IRB approach [3]		
Corporate (including SME)	105,166	105,672
Sovereign	1,127	1,122
Bank	10,755	7,852
Residential mortgage	58,062	56,403
Qualifying revolving retail	4,022	4,036
Retail SME	6,873	7,240
Other retail	3,446	3,447
Total IRB approach	**189,451**	**185,772**
Specialised lending (SL) [4]	**54,192**	**50,227**
Standardised approach		
Australian and foreign governments	55	65
Bank	235	129
Residential mortgage [4]	14,945	19,155
Corporate [4]	21,771	29,011
Other	2,803	3,052
Total standardised approach	**39,809**	**51,412**
Other		
Securitisation [5]	7,633	4,189
Equity [6]	-	1,818
Credit value adjustment [7]	10,343	-
Central counterparty default fund contribution guarantee [8]	197	-
Other [9]	5,892	6,453
Total other	**24,065**	**12,460**
Total credit risk	**307,517**	**299,871**
Market risk	5,899	4,436
Operational risk [10]	33,332	23,008
Interest rate risk in the banking book	4,643	4,021
Total risk-weighted assets	**351,391**	**331,336**

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

(2) *Subject to Basel III capital reforms, exposures to Central Counterparties (CCP) arising from over-the-counter (OTC) derivatives, exchange-traded derivatives and securities financing transactions are subject to refined capital requirements. The capital requirement applicable to trade exposures to qualifying CCPs is lower than for corresponding exposures arising from bilateral OTC derivative transactions and to non qualifying CCPs. As at 31 March 2013, RWA of $43 million was held for CCP exposures.*

(3) *Subject to Basel III capital reforms, exposures to Regulated Financial Institutions with consolidated firmsize >$100bn and Unregulated Financial Institutions, are subject to refined capital requirements, resulting in higher RWA. As at 31 March 2013, this increase in RWA was $4,571 million.*

(4) *As at 31 December 2012, UK commercial property exposures have been transferred from the Standardised asset classes of Corporate and Residential Mortgage to Specialised Lending. While this represented a transfer of RWA of $7,750 million, variation in methodology resulted in minor net movements.*

(5) *Under Basel III, a new risk banding of 1250% has been introduced for higher risk securitisation exposures that were previously treated as a capital deduction.*

(6) *Subject to Basel III capital reforms, all equity investments held by the Level 2 Group are treated as a deduction from capital and no longer attract RWA.*

(7) *Basel III capital reforms have introduced a Credit Value Adjustment (CVA) risk capital charge to recognise the risk of mark-to-market losses on the counterparty risk associated with OTC derivatives.*

(8) *Subject to Basel III capital reforms, the Level 2 Group is required to capitalise default fund contributions to a qualifying CCP.*

(9) *'Other' includes non-lending asset exposures that are not covered in the above categories. Non-lending assets are specifically excluded from credit risk exposures shown on pages 10 to 34 of this report.*

(10) *The Level 2 Group's capital position has been affected by higher Operational Risk RWA in the December 2012 quarter due to increased regulatory requirements.*

Table 4.1B: Capital Ratios

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

	As at	
	31 Mar 13	**30 Sep 12**
Capital ratios [(1)]	**%**	**%**
Level 2 Common Equity Tier 1 capital ratio [(2)]	8.22%	7.90%
Level 2 total capital ratio	11.71%	11.58%
Level 1 National Australia Bank Common Equity Tier 1 capital ratio	9.33%	n/a
Level 1 National Australia Bank total capital ratio	12.99%	n/a
Significant subsidiaries		
BNZ Common Equity Tier 1 capital ratio	8.73%	n/a
BNZ total capital ratio	12.76%	n/a
Clydesdale Tier 1 capital ratio	11.78%	9.59%
Clydesdale total capital ratio	17.76%	14.92%
GWB Tier 1 capital ratio	12.40%	12.45%
GWB total capital ratio	13.58%	13.69%

(1) *Level 1 Group represents the extended licence entity. The Level 2 Group represents the consolidation of the NAB Group and all its subsidiary entities, other than non-consolidated subsidiaries as outlined in Section 2 Scope of Application of this report. Capital ratios for offshore banking subsidiaries reflect host regulator discretions. The BNZ capital ratios are calculated in accordance with the Basel III capital adequacy standards, which apply from 1 January 2013, whereas the capital ratios for Clydesdale and GWB have been calculated in line with their local regulatory framework that do not reflect the new capital requirements of Basel III.*

(2) *Basel III pro forma comparisons as at 30 September 2012 have only been calculated for the Level 2 capital ratios.*

4.2 Capital Structure

Table 4.2A: Capital Structure [(1)]

	As at 31 Mar 13 $m Basel III	As at 30 Sep 12 $m Basel III Pro forma
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	24,797	23,732
Reserves	(3,394)	(2,911)
Retained earnings including current year earnings	19,217	18,223
Gross Common Equity Tier 1 Capital	**40,620**	**39,044**
Regulatory Adjustments to Common Equity Tier 1 Capital		
Banking goodwill	(1,264)	(1,306)
Wealth management goodwill and other intangibles	(4,150)	(4,209)
Investment in non-consolidated controlled entities (net of intangible component)	(1,795)	(1,660)
Deferred tax assets in excess of Deferred tax liabilities	(1,464)	(1,563)
Expected loss in excess of eligible provisions	(604)	(319)
Other regulatory adjustments	(2,476)	(2,619)
Total Regulatory Adjustments to Common Equity Tier 1 Capital	**(11,753)**	**(11,676)**
Net Common Equity Tier 1 Capital	**28,867**	**27,368**
Additional Tier 1 Capital		
Transitional Additional Tier 1 Capital instruments	5,450	6,538
Basel III eligible Additional Tier 1 Capital instruments	1,497	-
Other Additional Tier 1 Capital	3	2
Regulatory Adjustments to Additional Tier 1 Capital	-	-
Additional Tier 1 Capital	**6,950**	**6,540**
Tier 1 Capital	**35,817**	**33,908**
Tier 2 Capital		
Transitional Tier 2 Capital instruments	4,872	5,368
Basel III eligible Tier 2 Capital instruments	-	-
Other Tier 2 Capital	657	914
Regulatory Adjustments to Tier 2 Capital	(185)	(75)
Tier 2 Capital	**5,344**	**6,207**
Total Capital	**41,161**	**40,115**

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

5. Credit Risk

Table 5.1A: Credit Risk Exposures Summary

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

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

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

	As at 31 Mar 13					6 months ended 31 Mar 13
	Total exposure (EaD) [(2)]	Risk-weighted Assets	Regulatory expected loss	Impaired facilities [(3)]	Specific provisions [(4)]	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	201,813	105,166	3,564	1,732	702	317
Sovereign	34,561	1,127	2	-	-	-
Bank	61,091	10,755	67	28	-	-
Residential mortgage	287,324	58,062	998	691	160	43
Qualifying revolving retail	11,199	4,022	231	-	-	87
Retail SME	17,083	6,873	300	171	87	28
Other retail	4,463	3,446	134	10	5	43
Total IRB approach	**617,534**	**189,451**	**5,296**	**2,632**	**954**	**518**
Specialised lending (SL)	**66,309**	**54,192**	**3,006**	**2,676**	**797**	**308**
Standardised approach						
Australian and foreign governments	3,585	55	-	30	-	-
Bank [(5)]	9,359	235	-	-	-	-
Residential mortgage	31,170	14,945	-	117	25	8
Corporate [(5)]	49,023	21,771	-	640	231	104
Other	3,279	2,803	-	6	2	38
Total standardised approach	**96,416**	**39,809**	**-**	**793**	**258**	**150**
Total	**780,259**	**283,452**	**8,302**	**6,101**	**2,009**	**976**

(1) *The General Reserve for Credit Losses (GRCL) at 31 March 2013 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,049*
Less collective provisions reported as additional regulatory specific provisions	*(481)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,568*
Plus reserve created through a deduction from retained earnings	*544*
General reserve for credit losses (after-tax basis)	*3,112*

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

(3) *Impaired facilities includes $114 million of restructured loans (September 2012: $214 million) which includes $nil million of restructured fair value assets (September 2012: $1 million).*

Impaired facilities includes $341 million of gross impaired loans at fair value (September 2012: $256 million).

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

(4) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, have been reported as additional regulatory specific provisions and shown in this report as a separate item.*

Specific provisions includes $126 million (September 2012: $108 million) of specific provisions on gross impaired loans at fair value.

(5) *Subject to Basel III capital reforms, exposures to qualifying CCPs arising from OTC derivatives, exchange-traded derivatives and securities financing transactions attract a standardised risk weight of between 0% and 4%. The new capital reforms have introduced assets that were previously excluded from risk weighting.*

Exposure type	Total exposure (EaD) $m	Risk-weighted Assets $m	Regulatory expected loss $m	Impaired facilities $m	Specific provisions $m	Net write-offs $m
	As at 30 Sep 12					6 months ended 30 Sep 12
IRB approach						
Corporate (including SME)	189,318	105,672	3,469	2,082	707	352
Sovereign	39,037	1,122	2	-	-	-
Bank	59,184	7,852	63	-	-	13
Residential mortgage	279,330	56,403	977	723	167	83
Qualifying revolving retail	11,148	4,036	206	-	-	101
Retail SME	17,367	7,240	308	177	89	52
Other retail	4,490	3,447	126	10	4	52
Total IRB approach	**599,874**	**185,772**	**5,151**	**2,992**	**967**	**653**
Specialised lending (SL)	**60,391**	**50,227**	**1,986**	**1,398**	**273**	**185**
Standardised approach						
Australian and foreign governments	3,835	65	-	24	-	-
Bank	11,129	129	-	-	-	-
Residential mortgage	36,159	19,155	-	119	24	8
Corporate	29,397	29,011	-	1,995	710	222
Other	3,521	3,052	-	14	7	30
Total standardised approach	**84,041**	**51,412**	**-**	**2,152**	**741**	**260**
Total	**744,306**	**287,411**	**7,137**	**6,542**	**1,981**	**1,098**

(1) *The General Reserve for Credit Losses (GRCL) at 30 September 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,142*
Less collective provisions reported as additional regulatory specific provisions	*(493)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,649*
Less tax effect	*(554)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,095*
Plus reserve created through a deduction from retained earnings	*592*
General reserve for credit losses (after-tax basis)	*2,687*

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

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

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

	As at 31 Mar 13				6 months ended 31 Mar 13
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	116,461	46,676	38,676	**201,813**	**195,566**
Sovereign	27,534	744	6,283	**34,561**	**36,799**
Bank	27,031	855	33,205	**61,091**	**60,138**
Residential mortgage	247,946	39,378	-	**287,324**	**283,327**
Qualifying revolving retail	5,641	5,558	-	**11,199**	**11,173**
Retail SME	13,365	3,718	-	**17,083**	**17,225**
Other retail	3,265	1,198	-	**4,463**	**4,476**
Total IRB approach	**441,243**	**98,127**	**78,164**	**617,534**	**608,704**
Specialised lending (SL) *[1]*	**56,825**	**7,661**	**1,823**	**66,309**	**63,350**
Standardised approach					
Australian and foreign governments	3,439	146	-	**3,585**	**3,710**
Bank	9,310	25	24	**9,359**	**10,244**
Residential mortgage [1]	29,305	1,865	-	**31,170**	**33,665**
Corporate [1]	19,337	2,701	26,985	**49,023**	**39,210**
Other	3,130	149	-	**3,279**	**3,400**
Total standardised approach	**64,521**	**4,886**	**27,009**	**96,416**	**90,229**
Total	**562,589**	**110,674**	**106,996**	**780,259**	**762,283**

(1) *As at 31 December 2012, UK commercial property exposures have been transferred from the Standardised asset classes of Corporate and Residential Mortgage to Specialised Lending. While this represented an increase in Specialised lending EaD of $8,660 million, variation in methodology resulted in a minor net increase in total EaD.*

	As at 30 Sep 12				6 months ended 30 Sep 12
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	116,138	46,753	26,427	**189,318**	**191,521**
Sovereign	28,112	530	10,395	**39,037**	**41,459**
Bank	23,809	841	34,534	**59,184**	**68,896**
Residential mortgage	241,538	37,792	-	**279,330**	**274,927**
Qualifying revolving retail	5,571	5,577	-	**11,148**	**11,124**
Retail SME	13,690	3,677	-	**17,367**	**18,290**
Other retail	3,277	1,213	-	**4,490**	**4,540**
Total IRB approach	**432,135**	**96,383**	**71,356**	**599,874**	**610,757**
Specialised lending (SL)	**50,792**	**7,473**	**2,126**	**60,391**	**57,361**
Standardised approach					
Australian and foreign governments	3,667	168	-	**3,835**	**4,041**
Bank	11,077	40	12	**11,129**	**10,395**
Residential mortgage	34,038	2,121	-	**36,159**	**35,561**
Corporate	25,687	3,252	458	**29,397**	**29,910**
Other	3,360	161	-	**3,521**	**3,585**
Total standardised approach	**77,829**	**5,742**	**470**	**84,041**	**83,492**
Total	**560,756**	**109,598**	**73,952**	**744,306**	**751,610**

Table 5.1C: Exposures by Geography

This table provides the total gross credit risk exposures, by major geographical areas, derived from the booking office where the exposure was transacted. Exposures exclude non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 13				
Exposure type	**Australia $m**	**United Kingdom $m**	**New Zealand $m**	**Other [(1)] $m**	**Total exposure $m**
IRB approach					
Corporate (including SME)	141,452	24,837	24,950	10,574	201,813
Sovereign	24,839	2,961	2,997	3,764	34,561
Bank	31,196	17,222	2,835	9,838	61,091
Residential mortgage	261,692	-	25,632	-	287,324
Qualifying revolving retail	11,199	-	-	-	11,199
Retail SME	15,356	-	1,727	-	17,083
Other retail	2,359	-	2,104	-	4,463
Total IRB approach	**488,093**	**45,020**	**60,245**	**24,176**	**617,534**
Specialised lending (SL)	**50,789**	**9,224**	**5,158**	**1,138**	**66,309**
Standardised approach					
Australian and foreign governments	-	1,663	-	1,922	3,585
Bank	-	9,206	-	153	9,359
Residential mortgage	1,527	27,083	4	2,556	31,170
Corporate	4,050	26,400	13	18,560	49,023
Other	1,032	2,041	-	206	3,279
Total standardised approach	**6,609**	**66,393**	**17**	**23,397**	**96,416**
Total exposure (EaD)	**545,491**	**120,637**	**65,420**	**48,711**	**780,259**

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

	As at 30 Sep 12				
Exposure type	**Australia $m**	**United Kingdom $m**	**New Zealand $m**	**Other $m**	**Total exposure $m**
IRB approach					
Corporate (including SME)	142,943	14,588	23,597	8,190	189,318
Sovereign	29,507	1,485	3,916	4,129	39,037
Bank	32,847	13,741	2,919	9,677	59,184
Residential mortgage	254,585	-	24,745	-	279,330
Qualifying revolving retail	11,148	-	-	-	11,148
Retail SME	15,667	-	1,700	-	17,367
Other retail	2,430	-	2,060	-	4,490
Total IRB approach	**489,127**	**29,814**	**58,937**	**21,996**	**599,874**
Specialised lending (SL)	**52,245**	**1,698**	**5,058**	**1,390**	**60,391**
Standardised approach					
Australian and foreign governments	-	1,779	-	2,056	3,835
Bank	-	10,958	-	171	11,129
Residential mortgage	1,111	32,766	5	2,277	36,159
Corporate	3,887	20,555	15	4,940	29,397
Other	1,055	2,247	-	219	3,521
Total standardised approach	**6,053**	**68,305**	**20**	**9,663**	**84,041**
Total exposure (EaD)	**547,425**	**99,817**	**64,015**	**33,049**	**744,306**

Table 5.1D: Exposures by Industry

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

	As at 31 Mar 13												
	Accommodation, cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other [(2)]**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	7,969	36,403	11,357	10,289	7,250	48,894	18,756	341	-	24,555	11,984	24,015	201,813
Sovereign	-	-	-	-	-	10,410	-	-	-	-	-	24,151	34,561
Bank	-	-	-	-	-	59,858	-	-	-	-	-	1,233	61,091
Residential mortgage	-	-	-	-	-	-	-	-	287,324	-	-	-	287,324
Qualifying revolving retail	-	-	-	-	-	-	-	11,199	-	-	-	-	11,199
Retail SME	1,009	3,974	2,147	560	1,873	765	1,098	96	-	3,091	825	1,645	17,083
Other retail	-	-	-	-	-	-	-	4,463	-	-	-	-	4,463
Total IRB approach	**8,978**	**40,377**	**13,504**	**10,849**	**9,123**	**119,927**	**19,854**	**16,099**	**287,324**	**27,646**	**12,809**	**51,044**	**617,534**
Specialised lending (SL)	**30**	**227**	**216**	**58,240**	**721**	**399**	**117**	**6**	**-**	**16**	**1,811**	**4,526**	**66,309**
Standardised approach													
Australian and foreign governments	-	-	-	18	-	1,450	-	-	-	-	-	2,117	3,585
Bank	-	-	-	-	-	9,359	-	-	-	-	-	-	9,359
Residential mortgage	-	-	-	-	-	-	-	-	31,170	-	-	-	31,170
Corporate	1,769	3,717	2,297	1,186	620	27,580	2,362	23	-	2,908	830	5,731	49,023
Other	3	4	15	3	7	1	5	3,170	-	11	2	58	3,279
Total standardised approach	**1,772**	**3,721**	**2,312**	**1,207**	**627**	**38,390**	**2,367**	**3,193**	**31,170**	**2,919**	**832**	**7,906**	**96,416**
Total exposure (EaD)	**10,780**	**44,325**	**16,032**	**70,296**	**10,471**	**158,716**	**22,338**	**19,298**	**318,494**	**30,581**	**15,452**	**63,476**	**780,259**

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

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

	As at 30 Sep 12												
	Accommodation, cafes, pubs and restaurants	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Other	Total
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	8,085	35,401	11,425	10,276	7,310	37,791	19,141	352	-	23,861	11,766	23,910	189,318
Sovereign	-	-	-	-	-	12,422	-	-	-	-	-	26,615	39,037
Bank	-	-	-	-	-	58,063	-	-	-	-	-	1,121	59,184
Residential mortgage	-	-	-	-	-	-	-	-	279,330	-	-	-	279,330
Qualifying revolving retail	-	-	-	-	-	-	-	11,148	-	-	-	-	11,148
Retail SME	1,011	3,995	2,170	565	1,933	742	1,115	106	-	3,209	842	1,679	17,367
Other retail	-	-	-	-	-	-	-	4,490	-	-	-	-	4,490
Total IRB approach	**9,096**	**39,396**	**13,595**	**10,841**	**9,243**	**109,018**	**20,256**	**16,096**	**279,330**	**27,070**	**12,608**	**53,325**	**599,874**
Specialised lending (SL)	**-**	**230**	**144**	**52,441**	**587**	**408**	**166**	**-**	**-**	**2**	**1,807**	**4,606**	**60,391**
Standardised approach													
Australian and foreign governments	-	-	-	19	-	1,503	-	-	-	-	-	2,313	3,835
Bank	-	-	-	-	-	11,129	-	-	-	-	-	-	11,129
Residential mortgage	-	-	-	-	-	-	-	-	36,159	-	-	-	36,159
Corporate	1,945	4,159	2,703	5,482	821	920	2,767	34	-	3,220	1,004	6,342	29,397
Other	3	5	17	3	8	1	5	3,420	-	12	2	45	3,521
Total standardised approach	**1,948**	**4,164**	**2,720**	**5,504**	**829**	**13,553**	**2,772**	**3,454**	**36,159**	**3,232**	**1,006**	**8,700**	**84,041**
Total exposure (EaD)	**11,044**	**43,790**	**16,459**	**68,786**	**10,659**	**122,979**	**23,194**	**19,550**	**315,489**	**30,304**	**15,421**	**66,631**	**744,306**

Table 5.1E: Exposures by Maturity

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

	As at 31 Mar 13			
	<12 months	1 – 5 years	>5 years	No specified maturity [(1)]
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	83,592	90,287	21,876	6,058
Sovereign	12,135	5,133	17,222	71
Bank	42,741	11,035	7,197	118
Residential mortgage	47,010	7,500	232,321	493
Qualifying revolving retail	-	-	-	11,199
Retail SME	5,711	7,057	3,687	628
Other retail	205	1,165	899	2,194
Total IRB approach	**191,394**	**122,177**	**283,202**	**20,761**
Specialised lending (SL)	**24,575**	**32,854**	**6,308**	**2,572**
Standardised approach				
Australian and foreign governments	391	154	3,013	27
Bank	7,581	166	152	1,460
Residential mortgage	2,059	3,312	25,751	48
Corporate	35,573	7,928	5,245	277
Other	1,099	1,230	192	758
Total standardised approach	**46,703**	**12,790**	**34,353**	**2,570**
Total exposure (EaD)	**262,672**	**167,821**	**323,863**	**25,903**

(1) *No specified maturity includes exposures related to credit cards, on demand facilities and guarantees given by the Level 2 Group with no fixed maturity date.*

	As at 30 Sep 12			
	<12 months	1 – 5 years	>5 years	No specified maturity
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	70,914	90,657	21,924	5,823
Sovereign	17,510	6,644	14,796	87
Bank	43,087	8,532	7,422	143
Residential mortgage	48,286	7,524	223,042	478
Qualifying revolving retail	1	-	-	11,147
Retail SME	5,946	7,028	3,782	611
Other retail	203	1,117	998	2,172
Total IRB approach	**185,947**	**121,502**	**271,964**	**20,461**
Specialised lending (SL)	**22,587**	**30,461**	**5,588**	**1,755**
Standardised approach				
Australian and foreign governments	375	181	3,238	41
Bank	9,454	260	89	1,326
Residential mortgage	3,641	4,622	27,437	459
Corporate	12,752	9,941	6,102	602
Other	1,083	1,361	209	868
Total standardised approach	**27,305**	**16,365**	**37,075**	**3,296**
Total exposure (EaD)	**235,839**	**168,328**	**314,627**	**25,512**

Credit Provisions and Losses

Table 5.1F: Provisions by Asset Class

The following tables set out information on credit risk provision by Basel Accord asset class, excluding non-lending assets, equities and securitisation exposures. Definitions of impairment and past due facilities are based on APS 220 Credit Quality.This standard also provides guidance for Provisioning, estimated future credit losses and the General Reserve for Credit Losses [(1)].

	As at 31 Mar 13			6 months ended 31 Mar 13	
	Impaired facilities [(2)]	Past due facilities ≥90 days	Specific provisions [(3)]	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,732	362	702	315	317
Sovereign	-	-	-	-	-
Bank	28	-	-	-	-
Residential mortgage	691	1,236	160	49	43
Qualifying revolving retail	-	72	-	89	87
Retail SME	171	118	87	25	28
Other retail	10	45	5	39	43
Total IRB approach	**2,632**	**1,833**	**954**	**517**	**518**
Specialised lending (SL)	**2,676**	**469**	**797**	**406**	**308**
Standardised approach					
Australian and foreign governments	30	17	-	-	-
Bank	-	-	-	-	-
Residential mortgage	117	120	25	10	8
Corporate	640	132	231	120	104
Other	6	21	2	42	38
Total standardised approach	**793**	**290**	**258**	**172**	**150**
Total	**6,101**	**2,592**	**2,009**	**1,095**	**976**

(1) *The General Reserve for Credit Losses (GRCL) at 31 March 2013 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,049*
Less collective provisions reported as additional regulatory specific provisions	*(481)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses	*2,568*
Plus reserve created through a deduction from retained earnings	*544*
General reserve for credit losses (after-tax basis)	*3,112*

(2) *Impaired facilities includes $114 million of restructured loans (September 2012: $214 million) which includes $nil million of restructured fair value assets (September 2012: $1 million).*

Impaired facilities includes $341 million of gross impaired fair value assets (September 2012: $256 million).

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

(3) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, have been reported as additional regulatory specific provisions and shown in this report as a separate item.*

Specific provisions includes $126 million (September 2012: $108 million) of specific provisions on gross impaired loans at fair value.

	As at 30 Sep 12			6 months ended 30 Sep 12	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	2,082	335	707	413	352
Sovereign	-	-	-	-	-
Bank	-	-	-	(22)	13
Residential mortgage	723	1,155	167	93	83
Qualifying revolving retail	-	58	-	100	101
Retail SME	177	111	89	47	52
Other retail	10	42	4	49	52
Total IRB approach	**2,992**	**1,701**	**967**	**680**	**653**
Specialised lending (SL)	**1,398**	**121**	**273**	**209**	**185**
Standardised approach					
Australian and foreign governments	24	18	-	-	-
Bank	-	-	-	-	-
Residential mortgage	119	124	24	11	8
Corporate	1,995	362	710	547	222
Other	14	31	7	37	30
Total standardised approach	**2,152**	**535**	**741**	**595**	**260**
Total	**6,542**	**2,357**	**1,981**	**1,484**	**1,098**

(1) *The General Reserve for Credit Losses (GRCL) at 30 September 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,142*
Less collective provisions reported as additional regulatory specific provisions	*(493)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,649*
Less tax effect	*(554)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,095*
Plus reserve created through a deduction from retained earnings	*592*
General reserve for credit losses (after-tax basis)	*2,687*

Factors Impacting Loss Experience in the Preceding Period

Non-Impaired facilities 90+ Days Past Due

90+ days past due (90+DPD) facilities increased during the March 2013 half year. The increase was mainly driven by Business Banking within already identified industries under stress, Personal Banking residential mortgages and continued deterioration for UK Commercial Real Estate (CRE).

The increase in 90+DPD facilities was observed in the Specialised Lending portfolio, partly driven by the transfer of CRE assets from Clydesdale to NAB, as well as migration of stressed assets within Business Banking and NAB UK CRE to 90+DPD status.

To a lesser extent, an increase in 90+DPD facilities was experienced in the IRB Residential Mortgage portfolio, mainly driven by seasonality in the Australian mortgage portfolio.

Partially offsetting this was a decrease in 90+DPD facilities for the standardised Corporate portfolio, driven by the transfer of UK CRE assets to Specialised Lending portfolio.

Impaired facilities

Impaired facilities decreased during the March 2013 half year. The decrease was largely due to lower Business Banking impaired facilities across the Specialised Lending and the Corporate SME portfolios. The decrease was partially offset by higher impairments for the combined UK Banking and NAB UK CRE impaired portfolios.

The largest decrease was observed in the standardised Corporate portfolio largely as a result of the transfer of NAB UK CRE assets to Specialised Lending.

To a lesser extent, impaired facilities for the Corporate SME portfolio decreased primarily in Business Banking.

Excluding the CRE assets transferred to the NAB UK CRE Specialised Lending portfolio, a decrease was observed in Business Banking portfolio as result of successful work-out strategies for long standing impairments.

Charges for specific provisions

During the March 2013 half year, the total charge for specific provisions was lower when compared to the September 2012 half year.

The decrease was largely due to a reduction in Business Banking Corporate SME and Specialised Lending portfolios from lower new impairments and fewer top-ups on existing impaired facilities.

The decrease in the standardised Corporate portfolio was mainly due to a change in reporting classification of NAB UK CRE specific provision charges from standardised Corporate to Specialised Lending portfolio, as these assets are now managed by NAB.

Net Write-Offs

Net write-offs decreased from $1,098 million for the September 2012 half year to $976 million for the March 2013 half year. The decrease was due to lower write-offs for the Business Banking Specialised Lending portfolio and UK Banking standardised Corporate portfolio. This was partially offset by new write-offs for NAB UK CRE Specialised Lending.

Table 5.1G (i): Loss Experience

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

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

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

	As at 31 Mar 13	
	Exposure weighted average actual loss (net write-offs) [1]	**Exposure weighted average regulatory expected loss** [2]
	$m	**$m**
IRB approach		
Corporate (including SME)	850	3,090
Sovereign	-	2
Bank	12	67
Residential mortgage	130	830
Qualifying revolving retail	184	235
Retail SME	82	316
Other retail	94	161
Total IRB approach	**1,352**	**4,701**

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

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

	As at 30 Sep 12	
	Exposure weighted average actual loss (net write-offs) [1]	**Exposure weighted average regulatory expected loss** [2]
	$m	**$m**
IRB approach		
Corporate (including SME)	795	2,796
Sovereign	-	21
Bank	10	63
Residential mortgage	127	745
Qualifying revolving retail	184	227
Retail SME	86	314
Other retail	103	159
Total IRB approach	**1,305**	**4,325**

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

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

Accuracy of Risk Estimates

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

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

This table provides a comparison of internal estimates of long-run PD with actual default rates averaged over a period of four years to 31 March 2013. Averages of actual and estimated PD are calculated from customers not in default at the beginning of the financial year and averaged out over the four observation period. The EaD ratio compares the estimated downturn EaD at the beginning of the financial year against the actual default amount.

	As at 31 Mar 13		
	Average Estimated PD %	Average Actual PD %	Ratio of estimated to actual EAD
IRB approach			
Corporate (including SME)	1.83	2.18	1.0
Sovereign [1]	0.39	0.18	1.1
Bank [1]	0.30	0.40	1.0
Residential mortgage [2]	1.02	0.83	1.0
Qualifying revolving retail	1.70	1.45	1.1
Retail SME	1.97	2.27	1.1
Other retail	2.39	2.79	1.0

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

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

	As at 30 Sep 12		
	Average Estimated PD [1] %	Average Actual PD [1] %	Ratio of estimated to actual EAD
IRB approach			
Corporate (including SME)	1.87	1.84	1.1
Sovereign	0.38	0.17	1.2
Bank	0.25	0.17	1.0
Residential mortgage	0.95	0.88	1.0
Qualifying revolving retail	1.66	1.50	1.1
Retail SME	1.97	2.31	1.1
Other retail	2.40	2.89	1.0

(1) *These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of three financial years to 30 September 2012.*

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

This table provides comparison of internal estimates of downturn LGD with actual losses which were evidenced during the four years to 31 March 2013. Actual LGD was calculated using net write-offs from defaults during the four year observation period, but exclude recent defaults over the past 18 months to allow for sufficient time for the workout of the asset and recognition of any losses. Estimates are calculated using the downturn LGD at the beginning of the financial year.

	As at 31 Mar 13	
	Average estimated downturn LGD	**Average actual LGD**
	%	**%**
IRB approach		
Corporate (including SME) [(1)]	36.5	23.1
Sovereign [(2)]	45.0	-
Bank [(2)]	59.6	-
Residential mortgage [(3)]	20.7	3.7
Qualifying revolving retail	87.2	67.9
Retail SME	38.1	19.3
Other retail	72.8	53.3

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

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

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

	As at 30 Sep 12	
	Average estimated downturn LGD [(1)]	**Average actual LGD** [(1)]
	%	**%**
IRB approach		
Corporate (including SME)	39.1	24.9
Sovereign	45.0	-
Bank	59.6	29.5
Residential mortgage	20.9	5.5
Qualifying revolving retail	87.1	97.3
Retail SME	37.4	24.0
Other retail	73.5	81.2

(1) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the three years to 30 September 2012.*

Table 5.1H: Provisions by Industry

This table shows provisioning information by industry. Industry classifications follow ANZSIC Level 1 classifications. Totals do not include amounts relating to non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 13			6 months ended 31 Mar 13	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	334	50	129	63	60
Agriculture, forestry, fishing and mining	554	177	147	97	53
Business services and property services	210	56	86	61	61
Commercial property	2,589	509	756	403	296
Construction	281	56	83	60	22
Finance and insurance	160	27	37	(2)	3
Manufacturing	296	37	96	58	122
Personal	13	142	11	154	164
Residential mortgages	808	1,356	185	59	51
Retail and wholesale trade	362	79	217	83	48
Transport and storage	114	28	67	27	45
Other	380	75	195	32	51
Total	**6,101**	**2,592**	**2,009**	**1,095**	**976**

Additional regulatory specific provision	481

	As at 30 Sep 12			6 months ended 30 Sep 12	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	335	39	140	141	73
Agriculture, forestry, fishing and mining	616	136	111	47	72
Business services and property services	218	70	100	64	46
Commercial property	2,914	419	729	565	359
Construction	183	38	65	19	11
Finance and insurance	109	12	61	(13)	29
Manufacturing	343	52	169	144	59
Personal	16	130	12	166	193
Residential mortgages	842	1,279	191	104	91
Retail and wholesale trade	395	74	185	96	106
Transport and storage	167	35	79	46	28
Other	404	73	139	105	31
Total	**6,542**	**2,357**	**1,981**	**1,484**	**1,098**

Additional regulatory specific provision	493

Table 5.1I: Provisions by Geography

	As at 31 Mar 13			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia [1]	3,209	1,824	1,034	1,887
United Kingdom	2,457	535	818	861
New Zealand	335	211	141	230
Other [2]	100	22	16	71
Total	**6,101**	**2,592**	**2,009**	**3,049**
Regulatory specific provisions			481	(481)
Less tax effect				-
Plus reserve created through retained earnings				544
General reserve for credit losses [3]				**3,112**

[1] *The Australian geography contains an economic cycle adjustment.*

[2] *'Other' comprises North America and Asia.*

[3] *The GRCL balance allocated across geographic regions of $3,049 million includes $2,291 million of provisions on loans at amortised cost and $758 million of provisions held on assets at fair value.*

	As at 30 Sep 12			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	3,738	1,626	1,022	1,868
United Kingdom	2,300	501	791	976
New Zealand	368	199	147	235
Other	136	31	21	63
Total	**6,542**	**2,357**	**1,981**	**3,142**
Regulatory specific provisions			493	(493)
Less tax effect				(554)
Plus reserve created through retained earnings				592
General reserve for credit losses [1]				**2,687**

[1] *The GRCL balance allocated across geographic regions of $3,142 million includes $2,346 million of provisions on loans at amortised cost and $796 million of provisions held on assets at fair value.*

Table 5.1J: Movement in Provisions

This table discloses the movements in the balance of provisions over the reporting period for both specific provisions and the general reserve for credit losses. Totals do not include amounts relating to non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	6 months ended 31 Mar 13	6 months ended 30 Sep 12
	$m	$m
General reserve for credit losses		
Collective provision balance at start of period	2,346	2,333
Total charge to income statement for impairment loss	1,042	1,414
Net transfer to specific provision	(1,055)	(1,411)
Recoveries	-	-
Balances written off	-	-
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(42)	10
Collective provision on loans at amortised cost	2,291	2,346
Plus provisions held on assets at fair value [(1)]	758	796
Less additional regulatory specific provisions	(481)	(493)
Less tax effect	-	(554)
Plus reserve created through retained earnings	544	592
General reserve for credit losses	**3,112**	**2,687**
Specific provisions		
Balance at start of period	1,873	1,548
Net transfer from general reserve for credit losses	1,055	1,411
Bad debts recovered	87	81
Bad debts written off	(1,063)	(1,179)
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(69)	12
Specific provisions excluding provisions for assets at fair value	1,883	1,873
Specific provisions held on assets at fair value	126	108
Additional regulatory specific provisions	481	493
Total regulatory specific provisions	**2,490**	**2,474**
Total provisions	**5,602**	**5,161**

(1) *Provisions held on assets at fair value are presented gross of $15 million regulatory specific provisions for assets held at fair value (September 2012: $13 million).*

5.2 Standardised and Supervisory Slotting Portfolios

Table 5.2A: Standardised Exposures by Risk Weight

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

	As at 31 Mar 13		As at 30 Sep 12	
	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Standardised approach – risk weights				
0% [(2)]	37,029	12,385	13,856	14,272
2% [(2)]	783	783	-	-
4% [(2)]	681	681	-	-
20%	1,231	1,165	1,176	1,164
35%	21,471	21,256	22,549	22,329
50%	4,088	4,225	4,374	4,519
75%	2,264	2,263	2,755	2,753
100%	28,199	27,294	37,608	36,480
150%	670	659	1,723	1,706
Total standardised approach (EaD)	**96,416**	**70,711**	**84,041**	**83,223**

(1) *The Group recognises the mitigation of credit risk as a result of eligible financial collateral and mitigation providers. Eligible financial collateral refers to cash and cash equivalents as defined in APS 112.*

(2) *Subject to Basel III capital reforms, exposures to qualifying CCPs arising from OTC derivatives, exchange-traded derivatives and securities financing transactions attract a standardised risk weight of between 0% and 4%. The new capital reforms have introduced assets that were previously excluded from risk weighting.*

Table 5.2B: Standardised Exposures by Risk Grade

	As at 31 Mar 13		As at 30 Sep 12	
Asset class by rating grade	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	3,211	3,411	3,372	3,661
Credit rating grade 2	13	13	33	33
Unrated	361	7	430	9
Sub-total	3,585	3,431	3,835	3,703
Bank				
Credit rating grade 1	8,871	8,877	10,857	10,863
Credit rating grade 2	264	425	12	179
Credit rating grade 3	37	37	52	66
Unrated	187	20	208	21
Sub-total	9,359	9,359	11,129	11,129
Residential mortgage				
Unrated	31,170	31,113	36,159	36,091
Sub-total	31,170	31,113	36,159	36,091
Corporate				
Credit rating grade 2	724	696	56	56
Credit rating grade 3	2	2	41	41
Unrated[(1)]	48,297	22,892	29,300	28,749
Sub-total	49,023	23,590	29,397	28,846
Other				
Unrated	3,279	3,218	3,521	3,454
Sub-total	3,279	3,218	3,521	3,454
Total standardised approach (EaD)	**96,416**	**70,711**	**84,041**	**83,223**

(1) *Subject to Basel III capital reforms, exposures to qualifying CCPs arising from OTC derivatives, exchange-traded derivatives and securities financing transactions attract a standardised risk weight of between 0% and 4%. The new capital reforms have introduced assets that were previously excluded from risk weighting.*

Table 5.2C: Supervisory Slotting by Risk Weight

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

	As at	
	31 Mar 13	30 Sep 12
	Exposure after risk mitigation $m	Exposure after risk mitigation $m
IRB supervisory slotting – unexpected loss risk weights		
70%	27,533	27,570
90%	24,314	21,189
115%	7,932	7,225
250%	1,465	1,320
Default	4,725	2,797
Total IRB supervisory slotting (EaD)	**65,969**	**60,101**

5.3 Internal Ratings Based Portfolios

Portfolios Subject to IRB Approach

Table 5.3A: Non-Retail Exposure by Risk Grade

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

	As at 31 Mar 13						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2**	**Ba3, B1**	**B2 and below**	**Default**
	0<0.03%	**0.03<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	33,256	70,936	66,625	20,137	6,041	4,818
Sovereign	29,425	4,832	250	32	22	-	-
Bank	-	56,209	4,015	755	27	-	85
Total exposure (EaD)	**29,425**	**94,297**	**75,201**	**67,412**	**20,186**	**6,041**	**4,903**
Undrawn commitments							
Corporate	-	8,961	19,033	9,189	2,458	489	223
Sovereign	330	299	91	5	4	-	-
Bank	-	730	16	4	1	-	10
Total undrawn commitments [1]	**330**	**9,990**	**19,140**	**9,198**	**2,463**	**489**	**233**

IRB approach							
Exposure weighted average EaD ($m) [2]							
Corporate	-	1.10	0.59	0.36	0.22	0.22	0.50
Sovereign	20.48	1.85	0.82	0.10	0.07	-	-
Bank	-	1.83	1.41	1.81	0.30	-	4.07
Exposure weighted average LGD (%)							
Corporate	-	35.0 %	36.9 %	29.0 %	33.8 %	36.2 %	45.0 %
Sovereign	5.0 %	23.2 %	48.3 %	44.4 %	44.9 %	-	-
Bank	-	35.9 %	25.2 %	18.4 %	40.6 %	-	41.3 %
Exposure weighted average risk weight (%)							
Corporate	-	20.3 %	42.7 %	56.9 %	86.1 %	134.7 %	97.1 %
Sovereign	1.2 %	11.5 %	64.8 %	85.4 %	137.9 %	-	-
Bank	-	16.3 %	31.5 %	29.0 %	155.7 %	-	52.9 %

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

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

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	As at 30 Sep 12						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2**	**Ba3, B1**	**B2 and below**	**Default**
	0<0.03%	**0.03<0.1%**	**0.1<0.5%**	**0.5<2.0%**	**2.0<5.0%**	**5.0<99.9%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure							
Corporate	-	27,113	67,890	61,390	22,850	4,998	5,077
Sovereign	33,206	5,465	311	31	24	-	-
Bank	-	55,579	2,680	790	71	16	48
Total exposure (EaD)	**33,206**	**88,157**	**70,881**	**62,211**	**22,945**	**5,014**	**5,125**
Undrawn commitments							
Corporate	-	9,244	18,434	8,978	2,946	393	263
Sovereign	245	123	145	4	6	-	-
Bank	-	616	116	12	12	-	-
Total undrawn commitments	**245**	**9,983**	**18,695**	**8,994**	**2,964**	**393**	**263**

IRB approach							
Exposure weighted average EaD ($m)							
Corporate	-	0.76	0.56	0.34	0.22	0.21	0.53
Sovereign	23.85	2.18	1.14	0.09	0.09	-	-
Bank	-	1.85	0.88	2.08	0.57	1.06	11.92
Exposure weighted average LGD (%)							
Corporate	-	42.7 %	38.9 %	31.0 %	33.5 %	37.9 %	43.8 %
Sovereign	4.6 %	17.6 %	46.6 %	44.2 %	44.8 %	-	-
Bank	-	33.0 %	33.3 %	16.2 %	33.6 %	2.0 %	59.6 %
Exposure weighted average risk weight (%)							
Corporate	-	23.4 %	44.2 %	60.9 %	84.3 %	145.0 %	106.2 %
Sovereign	1.2 %	8.3 %	67.8 %	86.9 %	140.0 %	-	-
Bank	-	11.9 %	36.1 %	24.7 %	116.9 %	11.1 %	-

Table 5.3B: Retail Exposure by Risk Grade

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

	As at 31 Mar 13					
	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
IRB approach	$m	$m	$m	$m	$m	$m
Total exposure						
Residential mortgage	78,223	98,646	81,562	16,532	10,043	2,318
Qualifying revolving retail	4,100	2,980	2,019	1,049	980	71
Retail SME	1,710	4,478	6,607	2,716	1,035	537
Other retail	1,095	827	1,185	781	510	65
Total exposure (EaD)	**85,128**	**106,931**	**91,373**	**21,078**	**12,568**	**2,991**
Undrawn commitments						
Residential mortgage	20,806	12,427	5,618	451	69	7
Qualifying revolving retail	3,084	1,772	477	143	81	1
Retail SME	979	1,148	813	251	64	61
Other retail	664	237	182	79	35	1
Total undrawn commitments [(1)]	**25,533**	**15,584**	**7,090**	**924**	**249**	**70**

IRB approach						
Exposure weighted average EaD ($m) [(2)]						
Residential mortgage	0.07	0.27	0.24	0.28	0.37	0.18
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.03	0.03	0.04	0.02	0.03	0.03
Other retail	0.00	0.01	0.01	0.01	-	0.01
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	20.0 %	20.5 %	20.1 %	20.0 %	20.7 %
Qualifying revolving retail	83.5 %	84.5 %	86.4 %	86.9 %	87.1 %	88.9 %
Retail SME	24.6 %	25.9 %	29.6 %	31.0 %	33.9 %	41.4 %
Other retail	82.6 %	81.0 %	79.0 %	78.8 %	77.2 %	77.4 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.3 %	10.8 %	27.0 %	56.3 %	93.0 %	176.5 %
Qualifying revolving retail	4.1 %	12.1 %	37.5 %	83.4 %	170.1 %	270.8 %
Retail SME	6.1 %	15.4 %	35.7 %	61.2 %	107.0 %	176.4 %
Other retail	14.8 %	42.7 %	88.8 %	116.9 %	145.8 %	341.4 %

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

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

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	As at 30 Sep 12					
	PD risk grade mapping					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
IRB approach	$m	$m	$m	$m	$m	$m
Total exposure						
Residential mortgage	76,377	95,160	79,308	16,270	9,956	2,259
Qualifying revolving retail	3,863	3,104	2,001	1,139	983	58
Retail SME	1,568	4,147	6,969	3,038	1,105	540
Other retail	1,090	842	1,189	801	507	61
Total exposure (EaD)	**82,898**	**103,253**	**89,467**	**21,248**	**12,551**	**2,918**
Undrawn commitments						
Residential mortgage	19,945	11,904	5,402	447	88	6
Qualifying revolving retail	2,982	1,858	489	159	88	1
Retail SME	887	1,114	871	279	70	59
Other retail	666	239	179	92	36	1
Total undrawn commitments	**24,480**	**15,115**	**6,941**	**977**	**282**	**67**

IRB approach						
Exposure weighted average EaD ($m)						
Residential mortgage	0.07	0.27	0.24	0.28	0.37	0.18
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.03	0.03	0.04	0.03	0.03	0.03
Other retail	-	0.01	0.01	0.01	-	0.01
Exposure weighted average LGD (%)						
Residential mortgage	20.0 %	20.0 %	20.5 %	20.1 %	20.0 %	20.6 %
Qualifying revolving retail	83.4 %	84.4 %	86.4 %	87.0 %	87.2 %	89.1 %
Retail SME	26.5 %	26.7 %	30.1 %	31.4 %	34.0 %	42.2 %
Other retail	82.5 %	80.9 %	79.3 %	77.7 %	77.1 %	76.5 %
Exposure weighted average risk weight (%)						
Residential mortgage	3.3 %	10.8 %	27.0 %	56.1 %	92.7 %	169.8 %
Qualifying revolving retail	4.2 %	12.0 %	37.7 %	81.7 %	165.1 %	342.0 %
Retail SME	6.2 %	15.3 %	36.1 %	61.0 %	105.6 %	180.0 %
Other retail	14.8 %	42.8 %	89.2 %	115.1 %	143.4 %	355.8 %

5.4 Credit Risk Mitigation

Table 5.4A: Mitigation by Eligible Collateral

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

	As at 31 Mar 13	
	Total exposure	of which is covered by eligible financial collateral [(1)]
	$m	$m
Specialised lending (SL)	**66,309**	**340**
Standardised approach		
Australian and foreign governments	3,585	154
Bank	9,359	-
Residential mortgage	31,170	57
Corporate	49,023	25,433
Other	3,279	61
Total standardised approach	**96,416**	**25,705**

(1) *Eligible financial collateral, when used to reduce levels of exposure, refers to cash and cash equivalents as defined in APS 112. Exposures covered by eligible financial collateral are measured after the application of regulatory haircuts.*

	As at 30 Sep 12	
	Total exposure	of which is covered by eligible financial collateral
	$m	$m
Specialised lending (SL)	**60,391**	**290**
Standardised approach		
Australian and foreign governments	3,835	132
Bank	11,129	-
Residential mortgage	36,159	68
Corporate	29,397	551
Other	3,521	67
Total standardised approach	**84,041**	**818**

Table 5.4B: Mitigation by Guarantees and Credit Derivatives

This table discloses the total credit exposures which are covered by the guarantees and credit derivatives relating to each portfolio. Exposures exclude non-lending assets, equities, securitisation, CVA and the CCP default fund contribution guarantee.

	As at 31 Mar 13		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	201,813	20,150	-
Sovereign	34,561	2	-
Bank	61,091	72	333
Residential mortgage	287,324	-	-
Qualifying revolving retail	11,199	-	-
Retail SME	17,083	-	-
Other retail	4,463	-	-
Total IRB approach	**617,534**	**20,224**	**333**
Specialised lending (SL)	**66,309**	**-**	**-**
Standardised approach			
Australian and foreign governments	3,585	354	-
Bank	9,359	169	-
Residential mortgage	31,170	-	-
Corporate	49,023	-	-
Other	3,279	-	-
Total standardised approach	**96,416**	**523**	**-**

	As at 30 Sep 12		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	189,318	21,225	-
Sovereign	39,037	1	-
Bank	59,184	119	372
Residential mortgage	279,330	-	-
Qualifying revolving retail	11,148	-	-
Retail SME	17,367	-	-
Other retail	4,490	-	-
Total IRB approach	**599,874**	**21,345**	**372**
Specialised lending (SL)	**60,391**	**-**	**-**
Standardised approach			
Australian and foreign governments	3,835	421	-
Bank	11,129	189	-
Residential mortgage	36,159	-	-
Corporate	29,397	-	-
Other	3,521	-	-
Total standardised approach	**84,041**	**610**	**-**

6. Securitisation

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

6.1 Third Party Securitisation

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

Table 6.1A: Total Securitisation Exposures

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

	As at 31 Mar 13				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	10,884	25	-	806	700
Credit cards and other personal loans	-	-	-	42	-
Auto and equipment finance	562	-	-	140	-
CDOs/CLOs [(1)]	-	-	-	-	1,241
Commercial mortgages	21	-	-	-	333
Corporate bonds	-	-	-	-	572
Other	650	-	-	-	368
Total underlying asset	**12,117**	**25**	**-**	**988**	**3,214**

[(1)] *As at 31 March 2013, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

	As at 30 Sep 12				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	10,831	25	-	1,006	736
Credit cards and other personal loans	-	-	-	42	-
Auto and equipment finance	660	-	-	80	-
CDOs/CLOs [(1)]	-	-	-	-	1,286
Commercial mortgages	21	-	-	-	425
Corporate bonds	-	-	-	-	720
Other	642	-	-	-	445
Total underlying asset	**12,154**	**25**	**-**	**1,128**	**3,612**

[(1)] *As at 30 September 2012, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

Table 6.1B: Type of Exposure

The following two tables provide information about assets that the Level 2 Group manages as securitisations (predominantly for third party clients) where the exposures are risk weighted under APS 120. These tables do not provide information on NAB Group assets that have been sold to securitisations whether or not the assets are risk weighted under APS 120. The table below breaks down the securitisation exposures by type of facility as defined in the Glossary.

	As at 31 Mar 13			As at 30 Sep 12		
	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Securitisation exposure type						
Liquidity facilities	10	2,828	2,838	10	2,576	2,586
Warehouse facilities	6,950	2,063	9,013	8,100	1,597	9,697
Credit enhancements	5	17	22	6	28	34
Derivative transactions	204	-	204	174	-	174
Securities	63	-	63	230	-	230
Credit derivatives transactions	-	-	-	-	-	-
Other	4,239	-	4,239	4,200	-	4,200
Total securitisation exposures	**11,471**	**4,908**	**16,379**	**12,720**	**4,201**	**16,921**

Table 6.1C: Recent Third Party Securitisation Activity

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

	Notional amount of facilities provided	
	6 months ended 31 Mar 13 $m	6 months ended 30 Sep 12 $m
Securitisation exposure type		
Liquidity facilities	501	713
Warehouse facilities	-	-
Credit enhancements	-	-
Derivative transactions	15	72
Securities	5	146
Credit derivatives transactions	-	-
Other	927	982
Total new facilities provided	**1,448**	**1,913**

Table 6.1D: Exposures by Risk Weight

These tables show the risk weights for securitisation and resecuritisation exposures as calculated under Prudential Standard APS 120: Securitisation, split between the Ratings-Based Approach (RBA), the Internal Assessment Approach (IAA), and Other.

Securitisation Exposures by Risk Weight

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

	As at 31 Mar 13		As at 30 Sep 12	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,304	433	6,396	441
> 10% ≤ 25%	250	33	256	32
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
1250% [(1)]	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**6,554**	**466**	**6,652**	**473**
IAA				
≤10%	2,223	155	1,932	138
> 10% ≤ 25%	3,815	524	4,234	592
> 25% ≤ 35%	45	16	53	17
> 35% ≤ 50%	14	7	14	7
> 50% ≤ 75%	156	119	170	127
> 75% ≤ 100%	201	201	227	227
> 100% ≤ 650%	1	2	8	31
1250% [(1)]	-	2	-	-
Deductions	18	-	-	-
IAA sub-total	**6,473**	**1,026**	**6,638**	**1,139**
Other				
≤10%	-	-	-	-
> 10% ≤ 25%	237	28	181	23
> 25% ≤ 35%	-	-	48	17
> 35% ≤ 50%	107	54	89	44
> 50% ≤ 75%	196	140	200	142
> 75% ≤ 100%	513	513	929	929
> 100% ≤ 650%	243	1,030	100	390
1250% [(1)]	190	2,418	-	-
Deductions	-	-	155	-
Other sub-total	**1,486**	**4,183**	**1,702**	**1,545**
Total	**14,513**	**5,675**	**14,992**	**3,157**

(1) *The risk weight band of 1250% for certain securitisation and resecuritisation exposures has been introduced for 31 March 2013 reporting to comply with the revised Prudential Standard APS 120: Securitisation.*

Resecuritisation Exposures by Risk Weight

Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.

	As at 31 Mar 13		As at 30 Sep 12	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	-	-	-	-
> 10% ≤ 25%	-	-	-	-
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
1250% [(1)]	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**-**	**-**	**-**	**-**
IAA				
≤10%	-	-	-	-
> 10% ≤ 25%	208	41	209	41
> 25% ≤ 35%	160	48	160	48
> 35% ≤ 50%	4	2	4	2
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	16	78	16	78
1250% [(1)]	-	-	-	-
Deductions	-	-	-	-
IAA sub-total	**388**	**169**	**389**	**169**
Other				
≤10%	74	3	73	3
> 10% ≤ 25%	10	1	10	1
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	1,020	408	1,063	424
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	222	222	270	270
> 100% ≤ 650%	24	121	33	165
1250% [(1)]	84	1,034	-	-
Deductions	9	-	89	-
Other sub-total	**1,443**	**1,789**	**1,538**	**863**
Total	**1,831**	**1,958**	**1,927**	**1,032**

(1) *The risk weight band of 1250% for certain securitisation and resecuritisation exposures has been introduced for 31 March 2013 reporting to comply with the revised Prudential Standard APS 120: Securitisation.*

Total Exposures by Risk Weight

This table is the sum of the tables 'Securitisation Exposures by Risk Weight' and 'Resecuritisation Exposures by Risk Weight' disclosed on the previous pages.

	As at 31 Mar 13		As at 30 Sep 12	
Risk weight bands	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	6,304	433	6,396	441
> 10% ≤ 25%	250	33	256	32
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
1250% (1)	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**6,554**	**466**	**6,652**	**473**
IAA				
≤10%	2,223	155	1,932	138
> 10% ≤ 25%	4,023	565	4,443	633
> 25% ≤ 35%	205	64	213	65
> 35% ≤ 50%	18	9	18	9
> 50% ≤ 75%	156	119	170	127
> 75% ≤ 100%	201	201	227	227
> 100% ≤ 650%	17	80	24	109
1250% (1)	-	2	-	-
Deductions	18	-	-	-
IAA sub-total	**6,861**	**1,195**	**7,027**	**1,308**
Other				
≤10%	74	3	73	3
> 10% ≤ 25%	247	29	191	24
> 25% ≤ 35%	-	-	48	17
> 35% ≤ 50%	1,127	462	1,152	468
> 50% ≤ 75%	196	140	200	142
> 75% ≤ 100%	735	735	1,199	1,199
> 100% ≤ 650%	267	1,151	133	555
1250% (1)	274	3,452	-	-
Deductions	9	-	244	-
Other sub-total	**2,929**	**5,972**	**3,240**	**2,408**
Total	**16,344**	**7,633**	**16,919**	**4,189**

(1) *The risk weight band of 1250% for certain securitisation and resecuritisation exposures has been introduced for 31 March 2013 reporting to comply with the revised Prudential Standard APS 120: Securitisation.*

Table 6.1E: Exposures Deducted from Capital

The table below shows securitisation exposures that have been deducted from capital, divided into those that relate to securitisations of Level 2 Group assets and other securitisations.

	As at 31 Mar 13					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital (1) (2)						
Deductions from Common Equity Tier 1 Capital	-	-	-	-	27	27
Total securitisation exposures deducted from capital	-	-	-	-	27	27

(1) *These are exposures to the subordinated tranche (i.e. exposure to the first 10% of credit losses of a securitisation and where the exposure is not to the most senior tranche).*

(2) *Certain securitisation and resecuritisation exposures previously treated as capital deductions are reported as 1250% risk weight. This change has been introduced for 31 March 2013 reporting to comply with the revised Prudential Standard APS 120: Securitisation.*

	As at 30 Sep 12					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital (1)						
Deductions from Tier 1 capital	-	-	-	122	-	122
Deductions from Tier 2 capital	-	-	-	122	-	122
Total securitisation exposures deducted from capital	-	-	-	244	-	244

(1) *Prior to the introduction of Basel III, these exposures fell into three categories:*

- *exposures that have an internal rating below an equivalent Standard & Poor's rating of BB- or are unrated (deducted 50/50 from Tier 1 and Tier 2 capital)*
- *first loss facilities (deducted 50/50 from Tier 1 and Tier 2 capital)*
- *capitalised securitisation start up costs (deducted from Tier 1 capital).*

All exposures are net of specific provisions.

6.2 Level 2 Group Owned Securitised Assets

The Level 2 Group securitises its own assets for funding, liquidity risk and capital management purposes. In doing this, the Level 2 Group acts as the originator, seller and servicer of assets from the Level 2 Group's balance sheet. This includes responsibility for collecting interest and principal on the securitised assets. The Level 2 Group may or may not retain an exposure to securitisation SPVs to which the Level 2 Group has sold assets. It may also manage or provide facilities for the securitisation (including credit enhancements, liquidity and funding facilities).

Table 6.2A: Assets Securitised by the Level 2 Group

This table shows the classes of assets that have been securitised by the Level 2 Group. This table and table 6.2B may include assets which are sold to SPVs (1) which issue securities which meet the Reserve Bank of Australia's repurchase eligibility criteria; (2) which otherwise do not result in significant risk transfer and are considered on-balance sheet for regulatory purposes; or (3) in which significant risk transfer has taken place and which are considered off-balance sheet for regulatory purposes.

	As at 31 Mar 13				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset [1]					
Residential mortgage [2]	39,574	-	59	81	-
Credit cards	-	-	-	-	-
Auto and equipment finance	294	-	3	1	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**39,868**	**-**	**62**	**82**	**-**

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

(2) *Includes internal securitisation pools of residential mortgage-backed securities (RMBS) that have been developed as a source of contingent liquidity to support the Level 2 Group's liquid asset holdings. The amount of these securitised assets is $29,115 million (September 2012: $25,840 million).*

	As at 30 Sep 12				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	35,685	-	55	58	-
Credit cards	-	-	-	-	-
Auto and equipment finance	381	-	-	2	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**36,066**	**-**	**55**	**60**	**-**

Table 6.2B: Recent Securitisation Activity

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

	6 months ended 31 Mar 13			6 months ended 30 Sep 12		
	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale
	$m	$m	$m	$m	$m	$m
Underlying asset [(1)]						
Residential mortgage	9,323	-	-	7,293	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	381	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**9,323**	**-**	**-**	**7,674**	**-**	**-**

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

Disclosure 6.2C: Securitisation Subject to Early Amortisation

Attachment G of *APS 120* provides for specific regulatory treatment for securitisations of certain types of assets. As at 31 March 2013 and 30 September 2012, none of these securitisations have been undertaken by the Level 2 Group.

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

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

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

There have been no exposures identified for specific external securitisation deals between 31 March 2013 and the disclosure date of this report.

Disclosure 6.2E: Credit Risk Mitigation and Guarantors

APS 330 Table 9n requires disclosure of resecuritisation exposures retained or purchased, broken down according to the application of credit risk mitigation and exposures to guarantors. As at 31 March 2013, the Level 2 Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

7. Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at 31 Mar 13 $m	As at 30 Sep 12 $m
Risk-Weighted Assets		
Interest rate risk	989	676
Equity position risk	3	391
Foreign exchange risk	139	40
Commodity risk	9	8
Total risk-weighted assets - standard method	**1,140**	**1,115**

Table 7.1B: Total Risk-Weighted Assets

	As at 31 Mar 13 $m	As at 30 Sep 12 $m
Market risk (1)		
Standard method	1,140	1,115
Internal model approach	4,759	3,321
Total market risk RWA	**5,899**	**4,436**

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

Table 7.1C: Internal Model Approach Value at Risk

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

	6 months ended 31 Mar 13			As at
	Mean value $m	Minimum value $m	Maximum value $m	31 Mar 13 $m
Value at risk at a 99% confidence level (1)				
Foreign exchange risk	3	1	6	2
Interest rate risk	6	2	13	5
Volatility risk	1	-	1	1
Commodities risk	-	-	1	1
Credit risk	8	6	10	6
Inflation risk	1	-	1	-
Diversification benefit	(8)	n/a	n/a	(8)
Total diversified value at risk at a 99% confidence level	**11**	**7**	**14**	**7**
Other market risks (2)	1	1	2	2
Total value at risk for physical and derivative positions	**12**	**8**	**16**	**9**

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

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

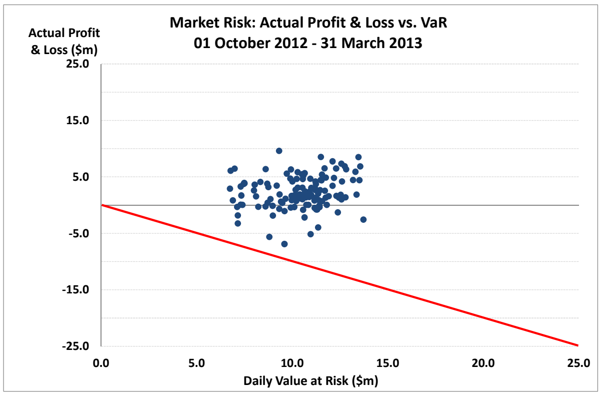
	6 months ended 30 Sep 12			As at
	Mean value $m	Minimum value $m	Maximum value $m	30 Sep 12 $m
Value at risk at a 99% confidence level				
Foreign exchange risk	2	1	6	2
Interest rate risk	5	3	9	4
Volatility risk	1	-	1	1
Commodities risk	-	-	1	-
Credit risk	6	5	7	6
Inflation risk	-	-	1	-
Diversification benefit	(6)	n/a	n/a	(6)
Total diversified value at risk at a 99% confidence level	**8**	**6**	**12**	**7**
Other market risks	1	-	2	1
Total value at risk for physical and derivative positions	**9**	**6**	**14**	**8**

Table 7.1D: Back-testing Results

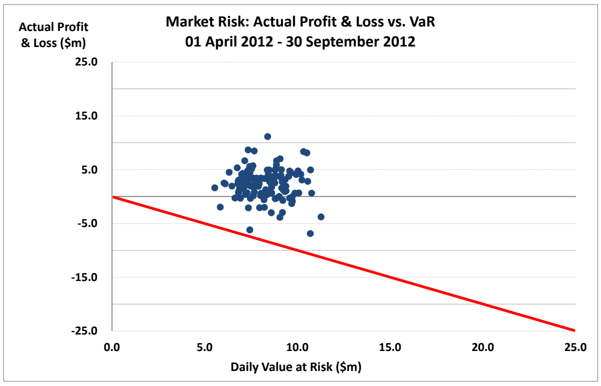
Comparison of value at risk estimates to actual gains/losses	6 months ended 31 Mar 13	6 months ended 30 Sep 12
Number of "outliers" incurred for the trading portfolio	-	-

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

6 months ended 31 Mar 13



6 months ended 30 Sep 12



Back-testing Outliers

Back-testing, carried out by comparing the Level 2 Group's daily VaR estimate against actual P&L numbers, identified no exceptions during the six month period to 31 March 2013 and no exceptions during the previous six month period to 30 September 2012. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

8. Operational Risk

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

Table 8A: Total Risk-Weighted Assets

	As at	
	31 Mar 13	30 Sep 12
	$m	$m
Operational risk [1]		
Standardised approach	3,829	4,005
Advanced measurement approach	29,503	19,003
Total operational risk RWA	**33,332**	**23,008**

(1) *The Level 2 Group's capital position has been affected by higher Operational Risk RWA in the December 2012 quarter due to increased regulatory requirements.*

9. Non-Traded Market Risk

9.1 Interest Rate Risk in the Banking Book

Table 9.1A: Interest Rate Risk in the Banking Book

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

	As at 31 Mar 13		As at 30 Sep 12	
	200 bp parallel increase $m	200 bp parallel decrease $m	200 bp parallel increase $m	200 bp parallel decrease $m
Change in economic value [(1)]				
AUD	(154)	171	(41)	42
CHF	(1)	2	(2)	2
EUR	(21)	21	(12)	13
GBP	(6)	9	(26)	31
HKD	4	(4)	2	(2)
JPY	(1)	1	(1)	1
NZD	7	(7)	2	(3)
USD	57	(15)	61	(23)
Other	7	(7)	10	(10)
Total change in economic value	**(108)**	**171**	**(7)**	**51**

[(1)] *The Level 2 Group's major currencies are modelled on an individual basis. The remaining immaterial currencies are aggregated and modelled using a single yield curve. The 200 basis point interest rate shock results include earnings offset.*

Table 9.1B: Total Risk-Weighted Assets

	As at 31 Mar 13 $m	As at 30 Sep 12 $m
IRRBB risk-weighted assets	4,643	4,021

9.2 Equities Banking Book Position

Under Basel III capital reforms, effective from 1 January 2013, all equity investments held by the Level 2 Group in the banking book are treated as a deduction from capital and no longer attract RWA. The comparative information presented below as at 30 September 2012 is based on the previous capital adequacy standards for equity investments that no longer apply from 1 January 2013.

Table 9.2A: Equities Banking Book Position

This table provides the value of investments disclosed in the balance sheet as at 30 September 2012, as well as the fair value of those investments. As at 31 March 2013, all equity investments held by the Level 2 Group in the banking book are treated as a deduction from capital.

	As at 30 Sep 12	
	Carrying value [(1)]	Fair value [(2)]
	$m	$m
Total listed equities (publicly traded)	64	64
Total unlisted equities	457	457

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

(2) *The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, fair value is established by using a valuation technique.*

Table 9.2B: Gains and Losses on Equity Investments

This table provides the realised (actual) gains/losses arising from sales and liquidations in the six months to 30 September 2012 recognised through the profit and loss account. Unrealised (expected) gains/losses which were previously included in Tier 1 and Tier 2 capital represent gains/losses recognised in the balance sheet but not through the profit and loss account. As at 31 March 2013, all equity investments held by the Level 2 Group in the banking book are treated as a deduction from capital.

	6 months ended 30 Sep 12
	$m
Gains (losses) on equity investments	
Cumulative realised gains (losses) in reporting period	30
Total unrealised gains (losses)	12
Total unrealised gains (losses) included in Tier 1/Tier 2 capital	5

Table 9.2C: Risk-Weighted Assets by Equity Asset Class

This table shows RWA by equity asset class under Basel II prior to 1 January 2013. Equity investments subject to a 300% risk-weight are those exposures that fall within the equity IRB asset class that are not deducted from capital and are listed on a recognised exchange. Equity investments subject to a 400% risk-weight are those exposures that fall within the equity IRB asset class that are not deducted from capital and are not listed on a recognised exchange. Post January 2013, this table has nil values as under Basel III, all equity investments held by the Level 2 Group in the banking book are treated as a deduction from capital.

	As at 30 Sep 12
	$m
Risk-weighted Assets	
Equities subject to 300% RW	191
Equities subject to 400% RW	1,627
Total risk-weighted assets	**1,818**

Disclosure 9.2D: Equity Investments Subject to Grandfathering Provision

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

10. Glossary

Term	Description
ABCP	Asset-Backed Commercial Paper being a form of commercial paper that is collateralised by other financial assets. It is a short-term debt instrument created by an issuing party (typically a bank or other financial institution).
ADI	Authorised Deposit-taking Institution.
Advanced IRB approach	The Advanced Internal Ratings Based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the PD, LGD and EaD models.
AMA	Advanced Measurement Approach (AMA) is the risk estimation process used for the NAB Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Back-testing	Back-testing refers to the process undertaken to monitor performance of the NAB Group's risk models. Historical data is used to compare the actual outcomes to the expected outcomes. Theoretical (or hypothetical) back-testing refers to the process whereby the trading positions at the end of the preceding day are revalued using the end-of-day rates for that day and then again at the succeeding day's closing rates. The difference between the two mark-to-market values of the portfolio which represents the profit and loss that would have occurred had there been no transactions on the day, is compared with the VaR. VaR is also compared with the actual daily traded profit and loss as a cross-check of the reasonableness of the theoretical portfolio movement.
Basel Accord	The Basel regulatory framework (which includes Basel II, Basel 2.5 and Basel III) is the global benchmark for assessing banks' capital adequacy. The guidelines are aimed at promoting a more resilient banking system through the development of capital adequacy standards that are more accurately aligned with the individual risk profile of institutions, by offering greater flexibility for supervisors to recognise and encourage the use of more sophisticated risk management techniques.
BIPRU	BIPRU refers to the UK PRA's requirements and guidance for accreditation under the Basel Accord. It refers to the Prudential Sourcebook for Banks, Building Societies and Investment Firms.
Board	Principal Board of Directors of NAB.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the NAB Group is exposed to, and the capital that the NAB Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
CDO	Collateralised Debt Obligation.
CLO	Collateralised Loan Obligation.
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia will establish a committed liquidity facility (CLF) as part of Australia's implementation of the Basel III liquidity reform, which will provide high-quality liquidity to commercial banks to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1	Common equity is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; share premium; retained earnings; undistributed current year earnings; as well as other elements as defined under *APS111 Capital Adequacy: Measurement of Capital.*
Credit derivatives	Credit derivatives include single-name credit default and certain total rate of return swaps, cash funded credit linked notes and first-to-default and second-to-default credit derivative basket products. ADIs may also recognise many more complex credit derivatives that do not fall into the list above, that have been approved by APRA.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the NAB Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the NAB Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
The Credit Risk function	All areas reporting directly to the Chief Credit Officer including Credit Insight & Appetite, Credit Frameworks, Credit Oversight, Counterparty Credit and Strategic Business Services.
Credit Value Adjustment (CVA)	The Basel III capital reforms have introduced a Credit Value Adjustment risk capital charge to recognise the risk of mark-to-market losses on the expected counterparty risk associated with OTC derivatives.
Derivative transactions	In relation to securitisation exposures, derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
EaD	Exposure at Default (EaD) is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default. It is used in the calculation of RWA.
Economic capital	Economic capital represents the NAB Group's internal assessment of the amount of capital required to protect against potential unexpected future losses arising from its business activities, in line with its target credit rating.
ELE	The Extended Licensed Entity (ELE) comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in *APS222 Associations with Related Entities.*
Eligible financial collateral	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach, for corporate, sovereign and bank portfolios, is limited to the collateral items detailed in paragraphs 4 and 23 of Attachment G of *APS 112*. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment, paragraph 6.
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Foundation IRB (FIRB)	Foundation Internal Ratings Based (FIRB) approach refers to an alternative approach to advanced IRB defined under the Basel Accord where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.

General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APRA's Prudential Standard 220 – Credit Quality.
GRCL calculation methodology	The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the NAB Group's collective provision for accounting purposes.
Guarantees	Guarantors under the standardised approach are recognised according to *APS 112 Attachment F paragraph 3*. The secured portion of an exposure is weighted according to the risk weight appropriate to the guarantor and the unsecured portion is weighted according to the risk weight applicable to the original counterparty (Refer to Attachment A for the appropriate risk weights). Under the IRB approach, for corporate, sovereign and bank portfolios, the ADI may recognise credit risk mitigation in the form of guarantees and credit derivatives according to the FIRB substitution approach where an ADI uses supervisory estimates of LGD (refer to *APS 113 Attachment B* paragraph 49), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to APS 113 Attachment B paragraph 60) and, for certain exposures, a double default approach (refer to APS 113 Attachment B paragraph 67). An ADI may decide, separately for each eligible exposure, to apply either the relevant substitution approach or the double default approach. For retail portfolios there are two approaches for the recognition of credit risk mitigation in the form of guarantees and credit derivatives under the retail IRB approach, a substitution approach (refer to *APS 113 Attachment C* paragraph 19) and, for certain exposures, a double default approach (refer to *APS 113 Attachment C* paragraph 28). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
IAA	Internal Assessment Approach.
IFRS	International Financial Reporting Standards.
IMA	Internal Model Approach (IMA) describes the approach used in the assessment of traded market risk. The NAB Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the Standard Method.
Impaired facilities	Impaired facilities consist of Retail loans (excluding unsecured portfolio-managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and arrears of interest revenue. Unsecured portfolio managed facilities are classified as impaired assets when they become 180 days past due (if not written off) as per ARF 220 instructions; Non-retail loans that are contractually 90 days or more past due and/or sufficient doubt exists about the ultimate ability to collect principal and interest; and Impaired off-balance sheet credit exposures, where current circumstances indicate that losses may be incurred.
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the NAB Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
IRRBB	Interest rate risk in the banking book.
Level 2 Group	The Level 2 Group, being NAB and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application* of this report.
Level 3 conglomerate Group	Contains APRA-regulated entities with material operations across more than one APRA-regulated industry and/or in unregulated entities.
LGD	Loss Given Default (LGD) is an estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default. It is used in the calculation of RWA.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet its liquidity needs for a 30 day calendar liquidity stress scenario.
Liquidity facilities	Liquidity facilities are provided by the NAB Group to an SPV for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the SPV (asset liquidity facilities), or to cover the inability of the SPV to roll over ABCP (standby liquidity facilities).
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB Group	NAB and its controlled entities.
Net Stable Funding Ratio (NSFR)	NSFR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2018. The ratio measures the amount of longer-term, stable sources of funding relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.
Net write-offs	Write-offs on loans at amortised cost net of recoveries.
Non-retail credit	Non-retail credit broadly refers to credit exposure to business customers. It excludes retail credit defined below.
Non-traded book	Non-traded book refers to the investment in securities held by the NAB Group through to maturity.
The Operational Risk function	All areas reporting directly to the General Manager, Operational Risk and Compliance.
Past due facilities ≥ 90 days	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
PD	Probability of Default (PD) is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the NAB Group in the next 12 months.
Point in Time	Point in Time (PiT) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the current economic conditions.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
RBA	Ratings-Based Approach.
Regulatory capital	Regulatory capital is the total capital held by the NAB Group as a buffer against potential losses arising from the business the NAB Group operates in. Unlike economic capital, it is calculated based on guidance and standards provided by the NAB Group's regulators, including APRA. It is designed to support stability in the banking system and protect depositors.
Regulatory expected loss	Regulatory Expected Loss (EL) is a calculation of the estimated loss that may be experienced by the NAB Group over the next 12 months. Regulatory EL calculations are based on the PD, LGD and EaD values of the portfolio at the time of the estimate which include stressed LGDs for economic conditions. As such, regulatory EL is not an estimate of long-run average expected loss.

Resecuritisation	Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.
Retail credit	For the purposes of managing credit, two broad categories are used: retail credit and non-retail credit. This reflects the different approaches to the sales and ongoing management of credit and is consistent with the approach required under the Basel Accord. Retail credit refers to the credit provided to retail or personal customers. For the purposes of regulatory capital, retail credit is categorised into four groups: residential mortgages, credit cards (or qualifying revolving credit), retail SME and other.
Risk appetite	Risk appetite defines the level of risk the NAB Group is prepared to accept as part of its business. The resulting level of risk is a direct input into the NAB Group's capital requirements.
Risk-Weighted Assets (RWA)	A quantitative measure of the NAB Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SME	Small and medium sized enterprises.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation; all collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stress testing	Stress testing refers to a technique whereby the NAB Group's capital position is assessed against a number of different scenarios used to determine the movement on expected losses and subsequent impact on capital.
Through the cycle	Through the Cycle (TtC) within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the impact of an economic downturn.
Tier 1 Capital	Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings, and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 Capital ratio	Tier 1 capital as defined by APRA divided by risk-weighted assets.
Tier 2 Capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an entity as a going concern. It is divided into: Upper Tier 2 capital comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument; and Lower Tier 2 capital comprising components of capital that are not permanent.
Tier 2 Capital ratio	Tier 2 capital as defined by APRA divided by risk-weighted assets.
Traded book	Traded book refers to the NAB Group's investment portfolio that is traded or exchanged in the market from time to time that reflects market opportunities.
Value at Risk	Value at Risk (VaR) is a mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.
Warehouse facilities	Warehouse facilities are lending facilities provided by the NAB Group to an SPV for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.

11. Reference to APS 330 Tables

Table of Contents Reference	Title	APS 330 Reference
Disclosure 2A	Scope of Application	APS 330 Table 1d
Table 4.1A	RWAs	APS 330 Table 3b-f
Table 4.1B	Capital Ratios	APS 330 Table 3g
Table 4.2A	Capital Structure	APS 330 Table 2b-d
Table 5.1A	Credit Risk Exposures Summary	APS 330 Table 4i
Table 5.1B	Total and Average Credit Risk Exposures	APS 330 Table 4b
Table 5.1C	Exposures by Geography	APS 330 Table 4c
Table 5.1D	Exposures by Industry	APS 330 Table 4d
Table 5.1E	Exposures by Maturity	APS 330 Table 4e
Table 5.1F	Provisions by Asset Class	APS 330 Table 6e
Table 5.1G (i)	Loss Experience	APS 330 Table 6f
Table 5.1G (ii)	Accuracy of Risk Estimates – PD and EaD	APS 330 Table 6f
Table 5.1G (iii)	Accuracy of Risk Estimates – LGD	APS 330 Table 6f
Table 5.1H	Provisions by Industry	APS 330 Table 4f
Table 5.1I	Provisions by Geography	APS 330 Table 4g
Table 5.1J	Movement in Provisions	APS 330 Table 4h
Table 5.2A	Standardised Exposures by Risk Weight	APS 330 Table 5b
Table 5.2B	Standardised Exposures by Risk Grade	n/a
Table 5.2C	Supervisory Slotting by Risk Weight	APS 330 Table 5b
Table 5.3A	Non-Retail Exposure by Risk Grade	APS 330 Table 6d
Table 5.3B	Retail Exposure by Risk Grade	APS 330 Table 6d
Table 5.4A	Mitigation by Eligible Collateral	APS 330 Table 7b
Table 5.4B	Mitigation by Guarantees and Credit Derivatives	APS 330 Table 7c
Table 6.1A	Total Securitisation Exposures	n/a
Table 6.1B	Type of Exposure	APS 330 Table 9k
Table 6.1C	New Facilities Provided	n/a
Table 6.1D	Exposures by Risk Weight	APS 330 Table 9l
Table 6.1E	Exposures Deducted from Capital	APS 330 Table 9l
Table 6.2A	Assets Securitised by the Level 2 Group	APS 330 Table 9g & h
Table 6.2B	Recent Securitisation Activity	APS 330 Table 9j
Disclosure 6.2C	Securitisation Subject to Early Amortisation	APS 330 Table 9m
Disclosure 6.2D	Forthcoming Securitisation Activity by the Level 2 Group	APS 330 Table 9i
Disclosure 6.2E	Credit Risk Mitigation and Guarantors	APS 330 Table 9n
n/a	n/a	APS 330 Table 9o – w
Table 7.1A	Standard Method Risk-Weighted Assets	APS 330 Table 10b
Table 7.1B	Total Risk-Weighted Assets	n/a
Table 7.1C	Internal Model Approach Value at Risk	APS 330 Table 11d
Table 7.1D	Back-testing Results	APS 330 Table 11d
Table 8A	Total Risk-Weighted Assets	n/a
Table 9.1A	Interest Rate Risk in the Banking Book	APS 330 Table 14b
Table 9.1B	Total Risk-Weighted Assets	n/a
Table 9.2A	Equities Banking Book Position	APS 330 Table 13b-c
Table 9.2B	Gains and Losses on Equities Investments	APS 330 Table 13d-e
Table 9.2C	Risk-Weighted Assets by Equity Class	APS 330 Table 13f
Disclosure 9.2D	Equity Investments Subject to Grandfathering Provision	APS 330 Table 13f

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