



Pillar 3 Report

2022

as at 31 March 2022

Incorporating the requirements of APS 330

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SECTION 1 INTRODUCTION

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

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

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

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

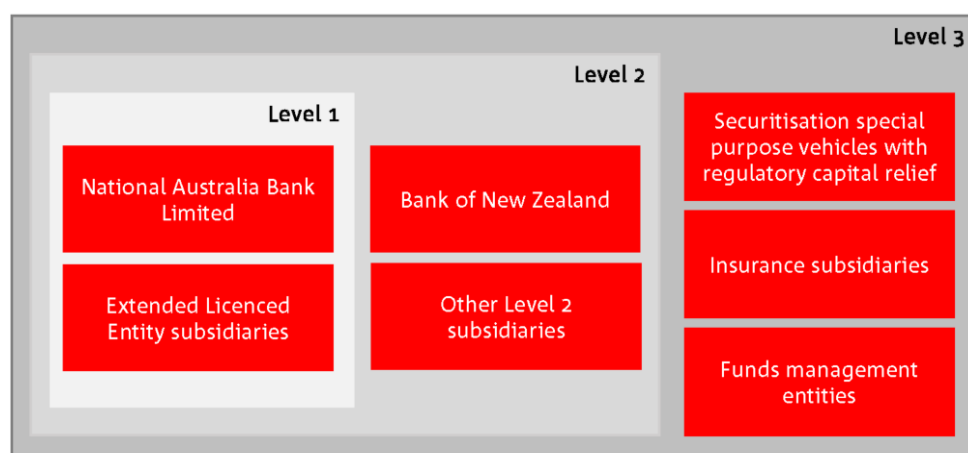
Capital Adequacy Methodologies

The Group uses the following approaches to measure capital adequacy as at 31 March 2022.

Credit Risk	Operational Risk	Non-traded Market Risk	Traded Market Risk
Advanced Internal Ratings-based Approach (IRB)	Standardised Measurement Approach (SMA)	Internal Model Approach (IMA)	Internal Model Approach (IMA) and standard method

Scope of Application

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



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

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

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

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

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

Revisions to the capital framework

- APRA has finalised prudential standards for the revised ADI capital framework, with the focus now shifting to implementation (from 1 January 2023), as well as finalising prudential guidance and reporting standards. APRA's revisions to the framework include:
 - improving flexibility via increasing regulatory capital buffers
 - implementing more risk-sensitive risk-weights
 - enhancing competition via a capital floor for IRB ADIs
 - improving transparency and comparability through the disclosure of capital ratios under the standardised approach.
 Overall, these revisions will result in changes to the calculation and presentation of capital ratios. APRA has reiterated its view that it is not seeking to further increase the overall level of capital in the banking system.
- APRA has provided Advanced Measurement Approach (AMA) accredited ADIs the option to apply APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from either 1 January 2022 or 1 January 2023. The Group has applied the SMA from 1 January 2022.
- The revised APS 111 *Capital Adequacy: Measurement of Capital*, including changes to the treatment of equity investments in subsidiaries for the purpose of calculating Level 1 regulatory capital, became effective from 1 January 2022 and the changes have been incorporated into the March 2022 results. APRA has also introduced a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology to be implemented from 1 January 2023. The Level 2 Group's leverage ratio as at 31 March 2022 of 5.51% (under the current methodology) is disclosed in further detail in 3.4.A *Leverage Ratio Disclosure Template*.
- APRA has also announced its intention to finalise APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* and consult on revisions to the market risk capital standards to implement the BCBS's fundamental review of the trading book in the second half of calendar year 2022.

Increased loss-absorbing capacity for ADIs

In December 2021, APRA released its finalised requirements for the Australian loss-absorbing capacity framework. The final requirements represent a further 1.5% increase in the amount of Total capital required by domestic systemically important banks (D-SIBs), with a total increase of 4.5% of risk-weighted assets (RWA) required by January 2026. The interim requirement of an increase in the Total capital requirement of 3% of RWA by 1 January 2024 remains in place.

Reserve Bank of New Zealand (RBNZ) capital review

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

- an increase in credit RWA for banks that use the RBNZ's internal ratings-based approach due to:
 - the use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor, implemented on 1 January 2022
 - an increase in the scalar from 1 October 2022.
- an increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement to 18% of RWA, to be phased in by 2028.

RBNZ actions to support the banking system

In March 2021, the RBNZ announced the easing of restrictions on dividend payments, allowing New Zealand banks (including BNZ) to pay up to 50% of their earnings as dividends to shareholders (such as NAB), and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restriction, subject to economic conditions.

Contingent liquidity consultation

On 18 November 2021, APRA released guidance on contingent liquidity to locally incorporated ADIs subject to Liquidity Coverage Ratio (LCR) requirements. APRA considers that it would be prudent for an ADI subject to LCR requirements to maintain surplus self-securitised assets as contingent liquidity equal to at least 30% of its AUD LCR net cash outflows based on a 12-month average of net cash outflows.

Committed Liquidity Facility (CLF) reduction

On 10 September 2021, APRA announced that the CLF will be reduced to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of high-quality liquid assets (HQLA). APRA has specified that ADIs should not rely on the CLF to meet the minimum 100% LCR requirement from the beginning of 2022.

Other regulatory changes

- The revised APS 220 *Credit Risk Management* came into effect from 1 January 2022. The new standard is broader than existing requirements and sets obligations for end-to-end credit risk management.
- The revised APS 222 *Associations with Related Entities* framework took effect from 1 January 2022.

SECTION 2 REGULATORY REFORM

- The BCBS announced its revised market risk and Credit Valuation Adjustment (CVA) frameworks, which are due to come into effect from 1 January 2023 globally. APRA deferred the implementation date for Basel III reforms to APS 116 *Capital Adequacy: Market Risk* and APS 180 *Capital Adequacy: Counterparty Credit Risk* to 2025.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) took effect on 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives.

3.1 CAPITAL ADEQUACY

Table 3.1.A Risk-weighted Assets

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

	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
Credit risk		
Subject to IRB approach		
Corporate (including small and medium-sized enterprises (SME))	133,619	128,615
Sovereign	1,625	1,608
Bank	6,426	6,404
Retail SME	6,916	6,330
Residential mortgage	112,447	110,557
Qualifying revolving retail	2,266	2,206
Other retail	2,060	2,030
Total IRB approach	265,359	257,750
Specialised lending	61,242	58,870
Subject to standardised approach		
Corporate	4,724	4,445
Residential mortgage	1,211	979
Other	421	419
Total standardised approach	6,356	5,843
Other		
Securitisation exposures	6,268	5,602
Credit valuation adjustment	5,951	7,619
Central counterparty default fund contribution guarantee	100	108
Other ⁽¹⁾	9,826	12,249
Total other	22,145	25,578
Total credit risk	355,102	348,041
Market risk	8,958	9,644
Operational risk⁽²⁾	41,124	47,866
Interest rate risk in the banking book	26,756	11,612
Total RWA	431,940	417,163

(1) Other consists of other assets, claims and exposures and overlay adjustments for regulatory prescribed methodology requirements. Other includes RWA of \$78 million for equity exposures (30 September 2021: \$67 million).

(2) RWA for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period RWA are measured under the AMA.

The following table provides RWA for the Level 1 Group.

	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
Total RWA	385,895	379,901

SECTION 3 CAPITAL

3.1 CAPITAL ADEQUACY (CONTINUED)

Table 3.1.B Capital and Leverage Ratios

The following tables provide:

- the key capital ratios for the Level 1 and Level 2 Group
- the key capital ratios for the Group's significant overseas bank subsidiary, BNZ
- the leverage ratio for the Level 2 Group as at 31 March 2022 and for the three previous quarters

Capital ratios	As at	
	31 Mar 22	30 Sep 21
	%	%
Level 2 Common Equity Tier 1	12.48	13.00
Level 2 Tier 1	14.07	14.64
Level 2 Total	18.55	18.91
Level 1 Common Equity Tier 1	12.32	12.78
Level 1 Tier 1	14.09	14.58
Level 1 Total	19.03	19.20

Significant overseas bank subsidiary capital ratios ⁽¹⁾	As at	
	31 Mar 22	30 Sep 21
	%	%
BNZ Common Equity Tier 1	12.7	13.8
BNZ Tier 1	13.7	15.1
BNZ Total	15.3	16.9

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

Leverage ratio	As at			
	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21
	\$m	\$m	\$m	\$m
Tier 1 capital	60,759	60,542	61,073	59,687
Total exposures	1,103,622	1,084,305	1,047,595	1,027,956
Leverage ratio (%)	5.51%	5.58%	5.83%	5.81%

3.2 CAPITAL STRUCTURE

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

Common Equity Tier 1 (CET1) capital	Tier 1 capital	Total capital
CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111.	CET1 capital plus Additional Tier 1 capital. Additional Tier 1 capital comprises high quality components of capital that satisfy the following characteristics: <ul style="list-style-type: none"> - provide a permanent and unrestricted commitment of funds - are freely available to absorb losses - rank behind the claims of depositors and other more senior creditors in the event of winding-up of the issuer - provide for fully discretionary capital distributions. 	Tier 1 capital plus Tier 2 capital. Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

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

3.2 CAPITAL STRUCTURE (CONTINUED)

Restrictions and Major Impediments on the Transfer of Funds or Regulatory Capital within the Group

Prudential regulation of subsidiary entities and thin capitalisation rules

In response to the impacts of COVID-19, the RBNZ has restricted the payment of dividends on BNZ's ordinary shares allowing payment of up to 50% of earnings as dividends, and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022 at which point the RBNZ intends to remove the restriction (subject to economic conditions).

In addition, the transfer of funds or regulatory capital within the Group will take into account tax legislation that imposes interest deduction limitations based on prescribed minimum capital levels.

Intragroup exposure limits

Exposures to related entities are managed in accordance with the Conglomerate Group Aggregate Risk Exposure Policy and prudential limits prescribed in APS 222.

Table 3.2.A Regulatory Capital Structure

The table below provides the structure of regulatory capital for the Level 2 Group. A detailed breakdown as at 31 March 2022 is shown in Table 3.3.A *Regulatory Capital Disclosure Template*.

	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
Common Equity Tier 1 capital before regulatory adjustments	60,960	62,709
Regulatory adjustments to Common Equity Tier 1 capital	(7,036)	(8,475)
Common Equity Tier 1 capital (CET1)	53,924	54,234
Additional Tier 1 capital before regulatory adjustments	6,859	6,859
Regulatory adjustments to Additional Tier 1 capital	(24)	(20)
Additional Tier 1 capital (AT1)	6,835	6,839
Tier 1 capital (T1 = CET1 + AT1)	60,759	61,073
Tier 2 capital before regulatory adjustments	19,468	17,922
Regulatory adjustments to Tier 2 capital	(117)	(96)
Tier 2 capital (T2)	19,351	17,826
Total capital (TC = T1 + T2)	80,110	78,899

3.3 DETAILED CAPITAL DISCLOSURES

Table 3.3.A Regulatory Capital Disclosure Template

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

Explanation of how amounts in the template reconcile to the Level 2 Group balance sheet is contained in Table 3.3.B *Reconciliation between the Group and Level 2 Group Balance Sheet* and Table 3.3.C *Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template*.

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

	As at 31 Mar 22
	\$m
Common Equity Tier 1 capital: instruments and reserves	
1 Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	41,291
2 Retained earnings	20,377
3 Accumulated other comprehensive income (and other reserves)	(708)
5 Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6 Common Equity Tier 1 capital before regulatory adjustments	60,960
Common Equity Tier 1 capital: regulatory adjustments	
7 Prudential valuation adjustments	1
8 Goodwill	1,964
9 Other intangibles other than mortgage-servicing rights (net of related deferred tax balance)	2,451
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11 Cash flow hedge reserve	(1,056)
12 Shortfall of provisions to expected losses	29
13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14 Gains and losses due to changes in own credit risk on fair valued liabilities	(35)
15 Defined benefit superannuation plan assets (net of related tax liability)	28
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17 Reciprocal cross-holdings in common equity	-
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19 Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20 Mortgage service rights (amount above 10% threshold)	-
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22 Amount exceeding the 15% threshold	-
23 of which: significant investments in the ordinary shares of financial entities	-
24 of which: mortgage servicing rights	-
25 of which: deferred tax assets arising from temporary differences	-
APRA specific regulatory adjustments	
26 National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	3,654
26a of which: treasury shares	-
26b of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c of which: deferred net fee income	720
26d of which: equity investments in financial institutions not reported in rows 18, 19 and 23 (adjusted for intangible assets held by those entities)	657
26e of which: deferred tax assets not reported in rows 10, 21 and 25	2,082
26f of which: capitalised expenses	127
26g of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	41
26h of which: covered bonds in excess of asset cover in pools	-
26i of which: undercapitalisation of a non-consolidated subsidiary	-
26j of which: other national specific regulatory adjustments not reported in rows 26a to 26i	27
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28 Total regulatory adjustments to Common Equity Tier 1	7,036
29 Common Equity Tier 1 capital (CET1)	53,924

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

	As at 31 Mar 22 \$m
Additional Tier 1 capital: instruments	
30 Directly issued qualifying Additional Tier 1 instruments	6,859
31 of which: classified as equity under applicable accounting standards	-
32 of which: classified as liabilities under applicable accounting standards	6,859
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	-
36 Additional Tier 1 capital before regulatory adjustments	6,859
Additional Tier 1 capital: regulatory adjustments	
37 Investments in own Additional Tier 1 instruments and any unused trading limit	20
38 Reciprocal cross-holdings in Additional Tier 1 instruments	-
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41 National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	4
41a of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41b of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	4
41c of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43 Total regulatory adjustments to Additional Tier 1 capital	24
44 Additional Tier 1 capital (AT1)	6,835
45 Tier 1 capital (T1 = CET1 + AT1)	60,759
Tier 2 capital: instruments and provisions	
46 Directly issued qualifying Tier 2 instruments	17,611
48 Tier 2 instruments (and CET1 and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
50 Provisions ⁽¹⁾	1,857
51 Tier 2 capital before regulatory adjustments	19,468
Tier 2 capital: regulatory adjustments	
52 Investments in own Tier 2 instruments and any unused trading limit	75
53 Reciprocal cross-holdings in Tier 2 instruments	-
54 Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
55 Significant investments in the Tier 2 capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56 National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	42
56a of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56b of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	42
56c of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57 Total regulatory adjustments to Tier 2 capital	117
58 Tier 2 capital (T2)	19,351
59 Total capital (TC = T1 + T2)	80,110
60 Total RWA based on APRA standards	431,940

(1) Consists of eligible provisions held against non-defaulted exposures under the IRB approach (\$1,790 million) and against exposures under the standardised approach (\$67 million).

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

	As at 31 Mar 22 \$m
Capital ratios and buffers	
61 Common Equity Tier 1 (as a percentage of RWA)	12.48%
62 Tier 1 (as a percentage of RWA)	14.07%
63 Total capital (as a percentage of RWA)	18.55%
64 Buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any countercyclical buffer requirements expressed as a percentage of RWA) ⁽¹⁾	8.01%
65 of which: capital conservation buffer requirement	3.50%
66 of which: ADI-specific countercyclical buffer requirements	0.01%
67 of which: Global Systemically Important Bank (G-SIB) buffer requirement	n/a
68 Common Equity Tier 1 available to meet buffers (as a percentage of RWA)	12.48%
National minima (if different from Basel III)	
69 National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a
70 National Tier 1 minimum ratio (if different from Basel III minimum)	n/a
71 National Total capital minimum ratio (if different from Basel III minimum)	n/a
Amounts below the thresholds for deduction (not risk-weighted)⁽²⁾	
72 Non-significant investments in the capital of other financial entities	637
73 Significant investments in the ordinary shares of financial entities (adjusted for intangible assets held by those entities)	20
74 Mortgage servicing rights (net of related tax liability)	-
75 Deferred tax assets arising from temporary differences (net of related tax liability)	2,082
Applicable caps on the inclusion of provisions in Tier 2	
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	67
77 Cap on inclusion of provisions in Tier 2 under standardised approach	272
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	1,790
79 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	2,000

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

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

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

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

The following table shows the Group's balance sheet and adjustments to derive the Level 2 Group balance sheet as at 31 March 2022.

	Group balance sheet \$m	Adjustments ⁽¹⁾ \$m	Level 2 Group balance sheet \$m	Reference ⁽²⁾
Assets				
Cash and liquid assets	44,164	(2)	44,162	
Due from other banks	133,787	-	133,787	
Collateral placed	10,009	-	10,009	
Trading securities	45,961	-	45,961	
Debt instruments	40,251	-	40,251	
Other financial assets	2,180	-	2,180	
Derivative assets	30,325	31	30,356	
Loans and advances	652,488	(1,322)	651,166	
of which: deferred net fee income	720	-	720	Row 26c
Current tax assets	31	(1)	30	
Due from controlled entities	-	10	10	
Deferred tax assets	2,934	1	2,935	Table C
Property, plant and equipment	3,086	-	3,086	
Investments in controlled entities	-	20	20	Row 73
Goodwill and other intangible assets	4,177	-	4,177	Table A
Other assets	6,483	(109)	6,374	
Total assets	975,876	(1,372)	974,504	
Liabilities				
Due to other banks	66,721	-	66,721	
Collateral received	6,323	-	6,323	
Other financial liabilities	25,682	-	25,682	
Derivative liabilities	33,965	-	33,965	
Deposits and other borrowings	654,780	-	654,780	
Current tax liabilities	426	9	435	
Provisions	1,785	-	1,785	
Due to controlled entities	-	44	44	
Bonds, notes and subordinated debt	107,285	(1,349)	105,936	
Other debt issues	6,835	-	6,835	
Other liabilities	11,045	(7)	11,038	
Total liabilities	914,847	(1,303)	913,544	
Net assets	61,029	(69)	60,960	
Equity				
Ordinary shares, fully paid	41,291	-	41,291	Row 1
Foreign currency translation reserve	(75)	(6)	(81)	
Asset revaluation reserve	33	-	33	
Cost of hedging reserve	48	-	48	
Cash flow hedge reserve	(1,056)	-	(1,056)	Row 11
Equity-based compensation reserve	138	-	138	
Debt instruments at fair value through other comprehensive income reserve	187	-	187	
Equity instruments at fair value through other comprehensive income reserve	23	-	23	
Total reserves	(702)	(6)	(708)	Row 3
Retained profits	20,440	(63)	20,377	Row 2
Total equity	61,029	(69)	60,960	

(1) The adjustments remove the assets, liabilities and equity balances of Level 3 entities deconsolidated for regulatory purposes, and reinstate any intragroup assets and liabilities, treating them as external to the Level 2 Group.

(2) References are directly to rows in Table 3.3.A *Regulatory Capital Disclosure Template* or to reconciliations to the disclosure template in Table 3.3.C *Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template*.

SECTION 3 CAPITAL

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

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

The following tables provide information on the differences between the Level 2 Group Balance Sheet in Table 3.3.B and amounts in the Regulatory Capital Disclosure Template in Table 3.3.A.

	As at 31 Mar 22	Disclosure template row
Table A	\$m	
Goodwill and other intangible assets	4,177	
Associated net deferred tax asset	238	
Total	4,415	
<i>which comprises:</i>		
Goodwill	1,964	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax)	2,451	Row 9

	As at 31 Mar 22	Disclosure template row
Table B	\$m	
Non-defaulted expected loss	2,346	
<i>Less</i>		
Collective provision for credit impairment	4,203	
<i>Add</i>		
Eligible provisions held against exposures under the standardised approach	67	Row 50, 76
Eligible provisions held against non-defaulted exposures under the IRB approach	1,790	Row 50, 78
Non-defaulted: shortfall of provisions to expected losses	-	
Defaulted expected loss	1,177	
<i>Less</i>		
Individual provision for credit impairment subject to the IRB approach ⁽¹⁾	596	
Partial write-offs	121	
Collective provision for credit impairment for defaulted exposures subject to the IRB approach	431	
Defaulted: shortfall of provisions to expected loss	29	
Gross deduction of shortfall of provisions to expected losses	29	Row 12

(1) Individual provision for credit impairment subject to the standardised approach amounts to \$26m.

	As at 31 Mar 22	Disclosure template row
Table C	\$m	
Deferred tax assets	2,935	
<i>Less</i>		
Unrealised revaluation on funding vehicles	110	
Net deferred tax assets included in other regulatory adjustments or associated with reserves ineligible for inclusion in regulatory capital	743	
Deferred tax assets APRA specific regulatory adjustment	2,082	Row 26e, 75

	As at 31 Mar 22	Disclosure template row
Table D	\$m	
Face value of NAB Capital Notes 2	1,499	
Face value of NAB Capital Notes 3	1,874	
Face value of NAB Capital Notes 5	2,386	
Face value of NAB Wholesale Capital Notes	500	
Face value of NAB Wholesale Capital Notes 2	600	
Directly issued qualifying Additional Tier 1 instruments classified as liabilities	6,859	Row 32

3.3 DETAILED CAPITAL DISCLOSURES (CONTINUED)

Table E	As at	Disclosure template row
	31 Mar 22	
Subordinated medium term notes	17,611	
Directly issued qualifying Tier 2 instruments	17,611	Row 46

Table 3.3.D Entities Excluded from Level 2 Group Balance Sheet

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

Entity name	Principal activity	As at 31 Mar 22	
		Total assets \$m	Total liabilities \$m
BNZ Life Insurance Limited	Insurance	111	13
NAB Trust Services Limited	Trustee	11	-
National Australia Managers Limited	Funds Manager	3	1
National RMBS Trust 2018-1	Securitisation	660	661
National RMBS Trust 2018-2	Securitisation	693	694

Table 3.3.E Countercyclical Capital Buffer

The countercyclical capital buffer represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 capital of up to 2.5% of RWA. It is calculated in accordance with APS 110 (Attachment C). Its primary objective is to use a buffer of capital to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk.

The following table provides the geographic breakdown of private sector credit exposures (gross of eligible financial collateral) and associated RWA that are used to calculate the Level 2 Group's countercyclical capital buffer ratio. The geographic breakdown is at a country level based on the country of ultimate risk.

Country	As at 31 Mar 22			
	Countercyclical capital buffer %	Private sector credit exposure \$m	RWA \$m	ADI-specific buffer %
Hong Kong	1.00	4,168	1,224	0.004
Luxembourg	0.50	1,240	493	0.001
Other	-	979,874	330,228	0.000
Total	n/a	985,282	331,945	0.005

3.4 LEVERAGE RATIO

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

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

The leverage ratio calculation is presented in the disclosure template below. The leverage ratio decreased from 5.83% at 30 September 2021 to 5.51% at 31 March 2022, due to an increase in total exposures of \$56.0 billion, combined with a decrease in Tier 1 capital of \$314 million.

The increase in total exposures was primarily driven by an increase in on-balance sheet exposures of \$48.7 billion, mainly related to an increase in loans and advances and amounts due from other banks (excluding reverse repurchase agreements) of \$31.5 billion and \$20.5 billion respectively, partially offset by a decrease in trading securities of \$4.1 billion. In addition, there was an increase in other off-balance sheet exposures of \$5.6 billion.

The decrease in Tier 1 capital was mainly driven by the reduction in contributed equity from the on-market buy-back of NAB ordinary shares, which was partially offset by an increase in retained earnings.

Table 3.4.A Leverage Ratio Disclosure Template

	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	880,406	832,126
2 (Asset amounts deducted in determining Tier 1 capital)	(8,025)	(8,412)
3 On-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	872,381	823,714
Derivative exposures⁽¹⁾		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,006	10,594
5 Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	20,025	19,557
6 Gross-up for derivatives collateral provided where not included in on-balance sheet items	2,042	1,341
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(4,866)	(3,876)
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9 Adjusted effective notional amount of written credit derivatives	5,357	1,068
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(4,429)	(100)
11 Derivative exposures (sum of rows 4 to 10)	28,135	28,584
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	81,128	74,616
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(17,386)	(9,865)
14 Counterparty Credit Risk (CCR) exposure for SFT assets	18,360	15,171
15 Agent transaction exposures	-	-
16 Securities financing transaction exposures (sum of rows 12 to 15)	82,102	79,922
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	220,877	213,263
18 (Adjustments for conversion to credit equivalent amounts)	(99,873)	(97,888)
19 Other off-balance sheet exposures (sum of rows 17 and 18)	121,004	115,375
Capital and total exposures		
20 Tier 1 capital	60,759	61,073
21 Total exposures (sum of rows 3, 11, 16 and 19)	1,103,622	1,047,595
Leverage ratio		
22 Leverage ratio	5.51%	5.83%

(1) Derivative exposures under the current exposure method.

3.4 LEVERAGE RATIO (CONTINUED)

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

Items	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
1 Total consolidated assets as per published financial statements	975,876	925,968
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1,372)	(1,571)
3 Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	-	-
4 Adjustments for derivative financial instruments	(2,221)	1,064
5 Adjustment for SFTs	18,360	15,171
6 Adjustment for off-balance sheet exposures (credit equivalent amount)	121,004	115,375
7 Other adjustments	(8,025)	(8,412)
8 Leverage ratio exposure	1,103,622	1,047,595

SECTION 4 CREDIT RISK

4.1 GENERAL DISCLOSURES

This section excludes credit risk information in respect of securitisation exposures within the scope of APS 120 (which have separate disclosures in Section 5 *Securitisation*) and other assets, claims and exposures. Exposure at default throughout this section represents credit risk exposures net of offsets for eligible financial collateral, except where indicated.

Table 4.1.A Credit Risk Exposures Summary

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

Exposure type	As at 31 Mar 22					6 months ended 31 Mar 22
	Exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss (EL)	Impaired facilities	Specific provision for credit impairment	Net write-offs
	\$m	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach						
Corporate (including SME)	297,823	133,619	1,257	608	376	35
Sovereign	192,068	1,625	3	-	-	-
Bank	29,292	6,426	9	-	-	-
Retail SME	17,037	6,916	197	95	64	13
Residential mortgage	426,177	112,447	1,005	268	84	17
Qualifying revolving retail	8,950	2,266	102	-	-	26
Other retail	2,829	2,060	78	4	3	13
Total IRB approach	974,176	265,359	2,651	975	527	104
Specialised lending	70,962	61,242	872	125	69	13
Subject to standardised approach						
Corporate	10,505	4,724	-	19	22	2
Residential mortgage	2,638	1,211	-	15	4	1
Other	1,206	421	-	-	-	-
Total standardised approach	14,349	6,356	-	34	26	3
Total	1,059,487	332,957	3,523	1,134	622	120

Exposure type	As at 30 Sep 21					6 months ended 30 Sep 21
	Exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss (EL)	Impaired facilities	Specific provision for credit impairment	Net write-offs
	\$m	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach						
Corporate (including SME)	285,466	128,615	1,314	691	396	111
Sovereign	174,383	1,608	3	-	-	-
Bank	28,429	6,404	9	-	-	-
Retail SME	16,901	6,330	200	93	65	28
Residential mortgage	412,110	110,557	1,104	291	95	27
Qualifying revolving retail	8,932	2,206	102	-	-	32
Other retail	2,841	2,030	77	5	4	19
Total IRB approach	929,062	257,750	2,809	1,080	560	217
Specialised lending	68,170	58,870	865	142	75	12
Subject to standardised approach						
Corporate	11,060	4,445	-	19	24	3
Residential mortgage	1,991	979	-	17	5	-
Other	1,158	419	-	-	-	-
Total standardised approach	14,209	5,843	-	36	29	3
Total	1,011,441	322,463	3,674	1,258	664	232

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.B Total and Average Credit Risk Exposures

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

Exposure type	As at 31 Mar 22				6 months ended
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	31 Mar 22
	\$m	\$m	\$m	\$m	Average exposure at default \$m
Subject to IRB approach					
Corporate (including SME)	182,586	91,789	23,448	297,823	291,645
Sovereign	165,207	2,581	24,280	192,068	183,225
Bank	16,662	1,670	10,960	29,292	28,860
Retail SME	12,438	4,599	-	17,037	16,969
Residential mortgage	369,820	56,357	-	426,177	419,144
Qualifying revolving retail	3,778	5,172	-	8,950	8,941
Other retail	1,820	1,009	-	2,829	2,835
Total IRB approach	752,311	163,177	58,688	974,176	951,619
Specialised lending	60,122	10,438	402	70,962	69,566
Subject to standardised approach					
Corporate	5,214	701	4,590	10,505	10,783
Residential mortgage	2,361	277	-	2,638	2,314
Other	1,206	-	-	1,206	1,182
Total standardised approach	8,781	978	4,590	14,349	14,279
Total exposure at default	821,214	174,593	63,680	1,059,487	1,035,464
	As at 30 Sep 21				6 months ended
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	30 Sep 21
	\$m	\$m	\$m	\$m	Average exposure at default \$m
Subject to IRB approach					
Corporate (including SME)	172,229	88,633	24,604	285,466	277,091
Sovereign	149,836	1,613	22,934	174,383	149,867
Bank	17,368	1,729	9,332	28,429	30,641
Retail SME	12,280	4,621	-	16,901	16,856
Residential mortgage	355,868	56,242	-	412,110	402,899
Qualifying revolving retail	3,655	5,277	-	8,932	9,105
Other retail	1,814	1,027	-	2,841	2,927
Total IRB approach	713,050	159,142	56,870	929,062	889,386
Specialised lending	58,403	8,669	1,098	68,170	67,083
Subject to standardised approach					
Corporate	4,891	745	5,424	11,060	10,787
Residential mortgage	1,738	253	-	1,991	1,814
Other	1,158	-	-	1,158	1,138
Total standardised approach	7,787	998	5,424	14,209	13,739
Total exposure at default	779,240	168,809	63,392	1,011,441	970,208

SECTION 4 CREDIT RISK

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.C Credit Risk Exposures by Geography

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

Exposure type	As at 31 Mar 22			Total exposure at default \$m
	Australia \$m	New Zealand \$m	Asia, Europe and Americas \$m	
Subject to IRB approach				
Corporate (including SME)	198,954	43,146	55,723	297,823
Sovereign	155,369	15,913	20,786	192,068
Bank	17,489	2,983	8,820	29,292
Retail SME	15,400	1,637	-	17,037
Residential mortgage	372,837	53,340	-	426,177
Qualifying revolving retail	8,950	-	-	8,950
Other retail	1,293	1,536	-	2,829
Total IRB approach	770,292	118,555	85,329	974,176
Specialised lending	61,903	7,404	1,655	70,962
Subject to standardised approach				
Corporate	9,426	782	297	10,505
Residential mortgage	2,603	9	26	2,638
Other	1,206	-	-	1,206
Total standardised approach	13,235	791	323	14,349
Total exposure at default	845,430	126,750	87,307	1,059,487

Exposure type	As at 30 Sep 21			Total exposure at default \$m
	Australia \$m	New Zealand \$m	Asia, Europe and Americas \$m	
Subject to IRB approach				
Corporate (including SME)	189,169	43,313	52,984	285,466
Sovereign	150,784	14,485	9,114	174,383
Bank	16,569	3,349	8,511	28,429
Retail SME	15,165	1,736	-	16,901
Residential mortgage	358,494	53,616	-	412,110
Qualifying revolving retail	8,932	-	-	8,932
Other retail	1,244	1,597	-	2,841
Total IRB approach	740,357	118,096	70,609	929,062
Specialised lending	58,669	7,737	1,764	68,170
Subject to standardised approach				
Corporate	9,552	835	673	11,060
Residential mortgage	1,950	11	30	1,991
Other	1,158	-	-	1,158
Total standardised approach	12,660	846	703	14,209
Total exposure at default	811,686	126,679	73,076	1,011,441

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.D Credit Risk Exposures by Industry

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

Exposure type	As at 31 Mar 22														Total exposure at default \$m
	Accommodation and hospitality \$m	Agriculture, forestry, fishing and mining \$m	Business services and property services \$m	Commercial property \$m	Construction \$m	Finance and insurance \$m	Government and public authorities \$m	Manufacturing \$m	Personal \$m	Residential mortgages \$m	Retail and wholesale trade \$m	Transport and storage \$m	Utilities \$m	Other ⁽¹⁾ \$m	
Subject to IRB approach															
Corporate (including SME)	9,356	59,955	20,180	15,936	9,911	70,215	-	19,835	47	-	31,691	25,072	13,604	22,021	297,823
Sovereign	-	-	-	-	-	133,438	58,341	-	-	-	-	-	-	289	192,068
Bank	-	-	-	-	-	27,669	1,623	-	-	-	-	-	-	-	29,292
Retail SME	792	3,687	2,571	256	2,150	988	-	1,136	5	-	2,698	929	42	1,783	17,037
Residential mortgage	-	-	-	-	-	-	-	-	-	426,177	-	-	-	-	426,177
Qualifying revolving retail	-	-	-	-	-	-	-	-	8,950	-	-	-	-	-	8,950
Other retail	-	-	-	-	-	-	-	-	2,829	-	-	-	-	-	2,829
Total IRB approach	10,148	63,642	22,751	16,192	12,061	232,310	59,964	20,971	11,831	426,177	34,389	26,001	13,646	24,093	974,176
Specialised lending	50	1,158	-	66,507	240	-	-	-	4	-	-	695	1,839	469	70,962
Subject to standardised approach															
Corporate	17	90	452	24	98	5,969	-	249	11	101	622	143	12	2,717	10,505
Residential mortgage	-	-	-	-	-	-	-	-	-	2,638	-	-	-	-	2,638
Other	-	-	-	-	-	-	-	-	1,128	-	-	-	-	78	1,206
Total	17	90	452	24	98	5,969	-	249	1,139	2,739	622	143	12	2,795	14,349
Total exposure at default	10,215	64,890	23,203	82,723	12,399	238,279	59,964	21,220	12,974	428,916	35,011	26,839	15,497	27,357	1,059,487

(1) Other includes health and community services, and education.

SECTION 4 CREDIT RISK

4.1 GENERAL DISCLOSURES (CONTINUED)

Exposure type	As at 30 Sep 21														Total exposure at default
	Accommodation and hospitality	Agriculture, forestry, fishing and mining	Business services and property services	Commercial property	Construction	Finance and insurance	Government and public authorities	Manufacturing	Personal	Residential mortgages	Retail and wholesale trade	Transport and storage	Utilities	Other ⁽¹⁾	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach															
Corporate (including SME)	9,101	56,910	20,327	13,359	9,551	70,058	-	18,976	53	-	28,938	25,077	12,002	21,114	285,466
Sovereign	-	-	-	-	-	112,856	61,340	-	-	-	-	-	-	187	174,383
Bank	-	-	-	-	-	26,100	2,329	-	-	-	-	-	-	-	28,429
Retail SME	779	3,745	2,520	269	2,120	1,017	-	1,102	7	-	2,661	915	45	1,721	16,901
Residential mortgage	-	-	-	-	-	-	-	-	-	412,110	-	-	-	-	412,110
Qualifying revolving retail	-	-	-	-	-	-	-	-	8,932	-	-	-	-	-	8,932
Other retail	-	-	-	-	-	-	-	-	2,841	-	-	-	-	-	2,841
Total IRB approach	9,880	60,655	22,847	13,628	11,671	210,031	63,669	20,078	11,833	412,110	31,599	25,992	12,047	23,022	929,062
Specialised lending	90	1,186	24	63,091	296	-	-	-	4	-	-	743	2,230	506	68,170
Subject to standardised approach															
Corporate	11	96	432	25	76	6,787	-	245	10	75	578	128	6	2,591	11,060
Residential mortgage	-	-	-	-	-	-	-	-	-	1,991	-	-	-	-	1,991
Other	-	-	-	-	-	-	-	-	1,085	-	-	-	-	73	1,158
Total	11	96	432	25	76	6,787	-	245	1,095	2,066	578	128	6	2,664	14,209
standardised approach															
Total exposure at default	9,981	61,937	23,303	76,744	12,043	216,818	63,669	20,323	12,932	414,176	32,177	26,863	14,283	26,192	1,011,441

(1) Other includes health and community services, and education.

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.E Credit Risk Exposures by Maturity

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

Overdraft and other similar revolving facilities are allocated to the maturity bucket that most appropriately captures the maturity characteristics of the product. The maturity of derivatives subject to an International Swaps and Derivatives Association (ISDA) netting agreement is based on individual contract maturity. No specified maturity includes exposures related to credit cards, on demand facilities and guarantees with no fixed maturity date.

Exposure type	As at 31 Mar 22				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach					
Corporate (including SME)	99,761	166,080	23,555	8,427	297,823
Sovereign	123,426	28,116	40,415	111	192,068
Bank	19,424	8,298	1,557	13	29,292
Retail SME	5,873	7,330	3,255	579	17,037
Residential mortgage	22,831	6,179	397,167	-	426,177
Qualifying revolving retail	-	-	-	8,950	8,950
Other retail	261	723	326	1,519	2,829
Total IRB approach	271,576	216,726	466,275	19,599	974,176
Specialised lending	26,583	41,607	2,515	257	70,962
Subject to standardised approach					
Corporate	4,778	2,768	2,831	128	10,505
Residential mortgage	195	15	2,428	-	2,638
Other	1,053	153	-	-	1,206
Total standardised approach	6,026	2,936	5,259	128	14,349
Total exposure at default	304,185	261,269	474,049	19,984	1,059,487

Exposure type	As at 30 Sep 21				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach					
Corporate (including SME)	102,394	152,354	23,310	7,408	285,466
Sovereign	101,368	27,237	45,679	99	174,383
Bank	15,971	10,387	2,051	20	28,429
Retail SME	6,459	7,143	2,709	590	16,901
Residential mortgage	23,686	6,307	382,117	-	412,110
Qualifying revolving retail	-	-	-	8,932	8,932
Other retail	227	768	267	1,579	2,841
Total IRB approach	250,105	204,196	456,133	18,628	929,062
Specialised lending	28,647	36,366	2,839	318	68,170
Subject to standardised approach					
Corporate	5,161	2,917	2,851	131	11,060
Residential mortgage	179	22	1,790	-	1,991
Other	1,008	150	-	-	1,158
Total standardised approach	6,348	3,089	4,641	131	14,209
Total exposure at default	285,100	243,651	463,613	19,077	1,011,441

SECTION 4 CREDIT RISK

4.1 GENERAL DISCLOSURES (CONTINUED)

Credit Provisions and Losses

Table 4.1.F Provisions by Asset Class

The following table provides information on asset quality.

Exposure type	As at 31 Mar 22			6 months ended 31 Mar 22	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach					
Corporate (including SME)	608	309	376	21	35
Retail SME	95	350	64	10	13
Residential mortgage	268	2,981	84	3	17
Qualifying revolving retail	-	19	-	31	26
Other retail	4	35	3	11	13
Total IRB approach	975	3,694	527	76	104
Specialised lending	125	104	69	7	13
Subject to standardised approach					
Corporate	19	4	22	-	2
Residential mortgage	15	19	4	-	1
Other	-	1	-	-	-
Total standardised approach	34	24	26	-	3
Total	1,134	3,822	622	83	120

Exposure type	As at 30 Sep 21			6 months ended 30 Sep 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach					
Corporate (including SME)	691	334	396	(20)	111
Retail SME	93	323	65	30	28
Residential mortgage	291	3,818	95	14	27
Qualifying revolving retail	-	22	-	41	32
Other retail	5	36	4	20	19
Total IRB approach	1,080	4,533	560	85	217
Specialised lending	142	85	75	(7)	12
Subject to standardised approach					
Corporate	19	2	24	18	3
Residential mortgage	17	23	5	1	-
Total standardised approach	36	25	29	19	3
Total	1,258	4,643	664	97	232
Additional regulatory specific provisions ⁽¹⁾			1,444		
Total regulatory specific provisions			2,108		
General reserve for credit losses⁽¹⁾			3,271		

(1) Additional regulatory specific provisions and the general reserve for credit losses are no longer calculated from 1 January 2022 under the revised APS 220.

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.G Provisions by Industry

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

Industry sector	As at 31 Mar 22			6 months ended 31 Mar 22	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation and hospitality	58	52	35	(3)	7
Agriculture, forestry, fishing and mining	96	180	28	(8)	12
Business services and property services	125	80	89	(1)	5
Commercial property	141	133	75	6	13
Construction	69	63	51	29	4
Finance and insurance	18	19	15	-	-
Manufacturing	74	64	44	-	1
Personal	6	57	3	42	40
Residential mortgages	283	3,000	88	3	18
Retail and wholesale trade	114	86	78	5	6
Transport and storage	92	50	61	6	4
Utilities	-	1	-	6	6
Other ⁽¹⁾	58	37	55	(2)	4
Total	1,134	3,822	622	83	120

(1) Other includes health and community services, and education.

Industry sector	As at 30 Sep 21			6 months ended 30 Sep 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	\$m	\$m	\$m	\$m	\$m
Accommodation and hospitality	68	55	45	5	5
Agriculture, forestry, fishing and mining	138	171	46	(16)	31
Business services and property services	156	71	99	21	8
Commercial property	162	102	82	(6)	19
Construction	43	70	30	6	9
Finance and insurance	18	21	15	1	-
Manufacturing	68	64	46	5	-
Personal	7	60	3	58	62
Residential mortgages	308	3,841	100	15	27
Retail and wholesale trade	137	95	79	(9)	43
Transport and storage	91	54	60	8	20
Utilities	-	1	-	-	-
Other ⁽¹⁾	62	38	59	9	8
Total	1,258	4,643	664	97	232

(1) Other includes health and community services, and education.

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.H Provisions by Geography

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

Geographic region	As at 31 Mar 22			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Collective provision for credit impairment
	\$m	\$m	\$m	\$m
Australia	939	3,686	506	3,961
New Zealand	177	132	108	627
Asia, Europe and Americas	18	4	8	46
Total	1,134	3,822	622	4,634

Geographic region	As at 30 Sep 21			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Collective provision for credit impairment ⁽¹⁾
	\$m	\$m	\$m	\$m
Australia	1,015	4,498	526	4,043
New Zealand	222	140	128	625
Asia, Europe and Americas	21	5	10	47
Total	1,258	4,643	664	4,715

(1) Additional regulatory specific provisions as at 30 September 2021 was \$1,444 million and the general reserve for credit losses was \$3,271 million, which sum to the collective provision for credit impairment. Additional regulatory specific provisions and the general reserve for credit losses are no longer calculated from 1 January 2022 under the revised APS 220.

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.I Movement in Provisions

The following table provides details of the movement in provisions over the reporting period for both collective provisions and specific provisions.

	6 months ended 31 Mar 22	6 months ended 30 Sep 21
	\$m	\$m
Collective provision		
Collective provision on loans and advances at amortised cost at beginning of period	4,521	4,975
Net transfer to specific provision	(52)	(83)
New and increased provision (net of releases)	(28)	(98)
Derecognised in respect of a sale of loans	-	(299)
Foreign currency translation and other adjustments	(18)	26
Collective provision on loans and advances at amortised cost	4,423	4,521
Collective provision on loans and derivatives at fair value	211	194
Collective provision for credit impairment⁽¹⁾	4,634	4,715
Specific provision		
Specific provision on loans and advances at amortised cost at beginning of period	650	770
Net transfer from collective provision	52	83
New and increased provision (net of releases)	136	214
Write-back of specific provision	(83)	(172)
Write-off from specific provision	(147)	(250)
Foreign currency translation and other adjustments	(4)	5
Specific provision on loans and advances at amortised cost	604	650
Specific provision on loans at fair value	18	14
Specific provision for credit impairment	622	664
Total provisions	5,256	5,379

(1) Additional regulatory specific provisions as at 30 September 2021 was \$1,444 million and the general reserve for credit losses was \$3,271 million, which sum to the collective provision for credit impairment. Additional regulatory specific provisions and the general reserve for credit losses are no longer calculated from 1 January 2022 under the revised APS 220.

Factors Impacting Loss Experience in the Period

90+ days past due loans

90+ days past due facilities at 31 March 2022 decreased compared to 30 September 2021 primarily due to improved delinquencies across the Australian mortgage portfolio.

Impaired facilities

Impaired facilities as at 31 March 2022 decreased compared to 30 September 2021 predominantly driven by work-outs in both the Business and Private Banking and New Zealand Banking business lending portfolios, combined with the Australian mortgage portfolio.

Specific provision for credit impairment

Specific provision for credit impairment at 31 March 2022 decreased compared to 30 September 2021 mainly due to a low level of new and increased specific provisions, combined with work-outs in the Group's lending portfolio.

Specific credit impairment charge

The specific credit impairment charge for the six months ended 31 March 2022 is \$83 million, \$14 million lower than the six months ended 30 September 2021. This was driven by lower charges in Business and Private Banking due to a lower level of individually impaired exposures, partially offset by higher charges in New Zealand Banking due to the non-recurrence of write-backs for a small number of larger exposures.

Net write-offs

Net write-offs for the six months 31 March 2022 is \$120 million, \$112 million lower than the six months ended 30 September 2021, due to a lower level of write-off activity in the Group's business lending portfolio.

SECTION 4 CREDIT RISK

4.1 GENERAL DISCLOSURES (CONTINUED)

Table 4.1.J (i) Loss Experience

The following table provides annual actual losses (i.e. net write-offs) and Expected Loss (EL), both calculated as an exposure-weighted average (before credit risk mitigation). Actual losses are historical, whereas EL is a forward-looking measure of estimated loss that may be experienced over the next 12 months at a point in time.

Actual losses will differ from EL 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.
- EL is based on the quality of exposures at a point in time using long-run probability of default (PD) and stressed loss given default (LGD). In most periods actual losses would be below the EL estimate.
- EL includes expected losses on non-defaulted assets which is a function of long-run PDs and downturn stressed LGDs. For defaulted exposures, EL is based on the Group's best estimate of expected loss.

Exposure type subject to IRB approach	31 Mar 22	
	Exposure-weighted average actual loss ⁽¹⁾	Exposure-weighted average EL ⁽¹⁾
	\$m	\$m
Corporate (including SME)	361	2,088
Sovereign	-	2
Bank	1	37
Retail SME	61	228
Residential mortgage	79	967
Qualifying revolving retail	157	212
Other retail	91	148
Total IRB approach	750	3,682

(1) Actual losses and EL averaged over a period of twelve years to 31 March 2022.

Exposure type subject to IRB approach	30 Sep 21	
	Exposure-weighted average actual loss ⁽¹⁾	Exposure-weighted average EL ⁽¹⁾
	\$m	\$m
Corporate (including SME)	395	2,054
Sovereign	-	4
Bank	4	37
Retail SME	63	225
Residential mortgage	81	922
Qualifying revolving retail	163	208
Other retail	94	143
Total IRB approach	800	3,593

(1) Actual losses and EL averaged over a period of twelve years to 30 September 2021.

Exposure type subject to IRB approach	31 Mar 21	
	Exposure-weighted average actual loss ⁽¹⁾	Exposure-weighted average EL ⁽¹⁾
	\$m	\$m
Corporate (including SME)	388	2,150
Sovereign	-	2
Bank	2	39
Retail SME	62	230
Residential mortgage	83	952
Qualifying revolving retail	165	219
Other retail	95	151
Total IRB approach	795	3,743

(1) Actual losses and EL averaged over a period of eleven years to 31 March 2021.

4.1 GENERAL DISCLOSURES (CONTINUED)

Accuracy of Risk Estimates

The following tables compare the estimates of credit risk factors used within the calculation of regulatory capital with actual outcomes across asset classes. Estimates for specialised lending have not been included as these exposures are subject to the supervisory slotting criteria approach, which relies upon the application of supervisory risk-weights.

An explanation of the internal ratings process and the application of credit risk models to calculate PD, EaD and LGD is provided within Section 5.3 *Internal Ratings-based Portfolios* of the September 2021 Pillar 3 Report.

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

The following table compares internal estimates of long-run PD with actual default rates. Averages of actual and estimated PD are calculated using the cohort that is not in default at the beginning of the reporting period and averaged out over the observation period since 2010.

The EaD ratio compares EaD for customers that are not in default at the beginning of the reporting period, with EaD prior to default for customers that defaulted.

Exposure type	As at 31 Mar 22		Ratio of estimated to actual EaD
	Average estimated PD ⁽¹⁾	Average actual PD ⁽¹⁾	
	%	%	
Subject to IRB approach			
Corporate (including SME)	1.67	1.60	1.1
Sovereign ⁽²⁾	0.44	0.08	1.0
Bank ⁽²⁾	0.40	0.13	1.0
Retail SME	2.29	2.05	1.1
Residential mortgage	0.95	0.89	1.0
Qualifying revolving retail	1.53	1.39	1.1
Other retail	2.75	2.78	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of twelve years to 31 March 2022.

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

Exposure type	As at 30 Sep 21		Ratio of estimated to actual EaD
	Average estimated PD ⁽¹⁾	Average actual PD ⁽¹⁾	
	%	%	
Subject to IRB approach			
Corporate (including SME)	1.70	1.68	1.1
Sovereign ⁽²⁾	0.42	0.10	1.0
Bank ⁽²⁾	0.38	0.10	1.1
Retail SME	2.25	2.12	1.1
Residential mortgage	0.92	0.91	1.0
Qualifying revolving retail	1.47	1.42	1.1
Other retail	2.69	2.80	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of twelve years to 30 September 2021.

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

4.1 GENERAL DISCLOSURES (CONTINUED)

Exposure type	As at 31 Mar 21		
	Average estimated PD ⁽¹⁾	Average actual PD ⁽¹⁾	Ratio of estimated to actual EaD
	%	%	
Subject to IRB approach			
Corporate (including SME)	1.69	1.65	1.1
Sovereign ⁽²⁾	0.44	0.06	1.2
Bank ⁽²⁾	0.39	0.14	1.0
Retail SME	2.28	2.09	1.1
Residential mortgage	0.95	0.91	1.0
Qualifying revolving retail	1.57	1.43	1.1
Other retail	2.78	2.84	1.1

(1) These values provide a comparison of internal estimates of long-run PD with actual default rates averaged over a period of eleven years to 31 March 2021.

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

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

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

Actual LGD has been calculated using net write-offs from defaults over the observation period since 2010 to the reporting date, excluding recent defaults to allow sufficient time to complete the workout of the asset and recognition of any losses. For defaults relating to qualifying revolving retail and other retail, this period is the most recent 12 months and for all other asset classes this period is the most recent two years.

Exposure type	As at 31 Mar 22	
	Average estimated downturn LGD ⁽¹⁾	Average actual LGD ⁽¹⁾
	%	%
Subject to IRB approach		
Corporate (including SME) ⁽²⁾	38.1	20.4
Sovereign	45.0	n/a
Bank	52.9	-
Retail SME	34.8	17.3
Residential mortgage ⁽²⁾	20.4	3.9
Qualifying revolving retail	84.9	53.1
Other retail	76.1	45.1

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the twelve years to 31 March 2022.

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

Exposure type	As at 30 Sep 21	
	Average estimated downturn LGD ⁽¹⁾	Average actual LGD ⁽¹⁾
	%	%
Subject to IRB approach		
Corporate (including SME) ⁽²⁾	38.2	21.8
Sovereign	45.0	n/a
Bank	51.1	-
Retail SME	34.9	18.0
Residential mortgage ⁽²⁾	20.5	4.3
Qualifying revolving retail	84.8	53.5
Other retail	75.6	45.1

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the twelve years to 30 September 2021.

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

4.1 GENERAL DISCLOSURES (CONTINUED)

Exposure type	As at 31 Mar 21	
	Average estimated downturn LGD ⁽¹⁾ %	Average actual LGD ⁽¹⁾ %
Subject to IRB approach		
Corporate (including SME) ⁽²⁾	38.4	21.7
Sovereign	45.0	n/a
Bank	52.9	1.0
Retail SME	35.2	17.8
Residential mortgage ⁽²⁾	20.5	4.3
Qualifying revolving retail	85.4	53.8
Other retail	76.1	46.3

(1) These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eleven years to 31 March 2021.

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

4.2 STANDARDISED AND SUPERVISORY SLOTTING PORTFOLIOS

Standardised Credit Risk Portfolios

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

Fitch Ratings, Moody's Investor Services and S&P Global Ratings credit ratings are used to determine the risk-weights within the standardised approach, as presented in the table below. APRA's external rating grades table is used to map external ratings into an external rating grade or credit rating grade that defines the appropriate risk-weight as outlined in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

External rating grade classification

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

Table 4.2.A Standardised Exposures by Risk-weight

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

Risk-weights	As at	
	31 Mar 22	30 Sep 21
	Exposure at default	Exposure at default
	\$m	\$m
2%	4,433	5,401
4%	189	261
20%	2,338	2,046
35%	1,541	1,056
50%	657	413
75%	405	477
100%	4,565	4,347
150%	29	22
Central counterparty default fund contribution guarantee ⁽¹⁾	192	186
Total exposure at default subject to the standardised approach	14,349	14,209

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

4.2 STANDARDISED AND SUPERVISORY SLOTTING PORTFOLIOS (CONTINUED)

Table 4.2.B Standardised Exposures by Risk Grade

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

Asset class by rating grade	As at	
	31 Mar 22	30 Sep 21
	Exposure at default	Exposure at default
	\$m	\$m
Corporate		
External rating grade 1	3,866	4,459
External rating grade 2	1,193	1,615
Unrated	5,446	4,986
Sub-total	10,505	11,060
Residential mortgage		
Unrated	2,638	1,991
Other		
Unrated	1,206	1,158
Total exposure at default subject to the standardised approach	14,349	14,209

Portfolios Subject to Supervisory Risk-weights in the IRB Approach

Table 4.2.C Supervisory Slotting Exposures by Risk-weight

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

Risk-weights	As at	
	31 Mar 22	30 Sep 21
	Exposure at default	Exposure at default
	\$m	\$m
70%	26,795	26,064
90%	36,248	34,101
115%	6,788	6,896
250%	668	623
Default	463	486
Total specialised lending exposure subject to supervisory slotting	70,962	68,170

4.3 INTERNAL RATINGS-BASED PORTFOLIOS

Table 4.3.A Non-retail Exposures by Risk Grade

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

External credit rating equivalent	As at 31 Mar 22						
	PD risk grade mapping						
	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach							
Exposure at default							
Corporate (including SME)	-	69,655	111,374	92,014	18,979	4,141	1,660
Sovereign	186,673	5,256	32	4	97	-	6
Bank	-	26,446	2,798	35	2	11	-
Retail SME	-	1,976	5,417	5,934	2,383	650	677
Total exposure at default	186,673	103,333	119,621	97,987	21,461	4,802	2,343
Undrawn commitments⁽¹⁾							
Corporate (including SME)	-	24,960	34,739	15,598	2,698	599	89
Sovereign	2,111	429	1	2	1	-	-
Bank	-	734	91	6	-	-	-
Retail SME	-	1,167	1,526	941	254	67	44
Total undrawn commitments	2,111	27,290	36,357	16,547	2,953	666	133
Subject to IRB approach							
Average exposure at default (\$m)⁽²⁾							
Corporate (including SME)	-	1.98	0.91	0.58	0.36	0.39	0.43
Sovereign	47.83	3.96	0.25	0.03	1.58	0.02	1.43
Bank	-	0.32	0.48	1.12	0.04	0.90	-
Retail SME	-	0.04	0.05	0.05	0.04	0.02	0.04
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	49.8%	34.9%	29.3%	27.6%	29.8%	38.6%
Sovereign	4.1%	36.7%	44.5%	56.7%	15.3%	45.0%	41.1%
Bank	-	52.1%	56.1%	59.6%	59.6%	59.6%	-
Retail SME	-	23.4%	24.3%	26.7%	27.6%	28.6%	31.4%
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	24.1%	39.8%	55.0%	67.5%	113.8%	193.0%
Sovereign	0.5%	12.2%	37.9%	118.3%	55.7%	161.8%	521.9%
Bank	-	18.8%	49.2%	129.7%	154.6%	240.7%	-
Retail SME	-	5.8%	13.7%	30.8%	48.4%	78.6%	212.5%

(1) Undrawn commitments are included in total exposure shown above.

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

4.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

External credit rating equivalent	As at 30 Sep 21						
	PD risk grade mapping						
	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Subject to IRB approach							
Exposure at default							
Corporate (including SME)	-	69,784	102,714	87,064	19,642	4,617	1,645
Sovereign	169,384	4,830	66	2	101	-	-
Bank	-	25,635	2,738	52	1	3	-
Retail SME	-	1,945	5,444	5,922	2,244	719	627
Total exposure at default	169,384	102,194	110,962	93,040	21,988	5,339	2,272
Undrawn commitments⁽¹⁾							
Corporate (including SME)	-	25,502	31,680	15,180	2,580	674	91
Sovereign	1,262	257	18	-	1	-	-
Bank	-	801	115	6	-	-	-
Retail SME	-	1,134	1,555	974	262	78	34
Total undrawn commitments	1,262	27,694	33,368	16,160	2,843	752	125
Subject to IRB approach							
Average exposure at default (\$m)⁽²⁾							
Corporate (including SME)	-	2.13	0.88	0.57	0.36	0.37	0.43
Sovereign	50.23	3.37	0.38	0.01	1.82	0.01	-
Bank	-	0.31	0.60	0.89	0.03	0.25	-
Retail SME	-	0.04	0.05	0.05	0.04	0.02	0.04
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	50.7%	34.9%	29.8%	28.2%	30.8%	39.3%
Sovereign	4.0%	36.5%	45.0%	43.8%	15.3%	45.0%	-
Bank	-	50.7%	57.0%	59.6%	59.6%	59.6%	-
Retail SME	-	24.1%	24.8%	27.0%	28.3%	28.4%	32.9%
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	23.7%	39.7%	55.7%	69.3%	121.6%	187.2%
Sovereign	0.5%	12.5%	34.3%	102.3%	55.7%	186.3%	-
Bank	-	19.4%	50.1%	119.3%	170.6%	226.3%	-
Retail SME	-	5.9%	14.0%	31.4%	49.9%	80.4%	218.2%

(1) Undrawn commitments are included in total exposure shown above.

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

4.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Table 4.3.B Retail Exposures by Risk Grade

The following table provides a breakdown of the retail credit exposures by PD risk grade, categorised into bands that broadly correspond to externally recognised risk grades, ranging from super senior investment grade to defaulted exposures.

	As at 31 Mar 22					
	PD risk grade					
Subject to IRB approach	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
	\$m	\$m	\$m	\$m	\$m	\$m
Exposure at default						
Residential mortgage	63,330	201,179	134,749	13,150	10,122	3,647
Qualifying revolving retail	1,745	4,110	1,876	848	350	21
Other retail	754	553	660	539	280	43
Total exposure at default	65,829	205,842	137,285	14,537	10,752	3,711
Undrawn commitments⁽¹⁾						
Residential mortgage	27,458	22,805	5,397	513	169	15
Qualifying revolving retail	1,578	2,819	591	136	48	-
Other retail	521	253	144	48	43	-
Total undrawn commitments	29,557	25,877	6,132	697	260	15
Subject to IRB approach						
Average exposure at default (\$m)⁽²⁾						
Residential mortgage	0.18	0.34	0.31	0.42	0.42	0.36
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Other retail	small	small	small	0.01	small	small
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	19.8%	19.8%	20.0%	19.9%
Qualifying revolving retail	74.0%	74.0%	74.7%	75.7%	75.8%	76.3%
Other retail	85.2%	82.8%	77.1%	73.9%	76.2%	83.3%
Exposure-weighted average risk-weight (%)						
Residential mortgage	4.9%	16.4%	33.1%	75.8%	124.5%	200.7%
Qualifying revolving retail	2.7%	8.7%	31.9%	69.9%	159.0%	325.0%
Other retail	12.7%	40.0%	86.1%	108.9%	148.4%	377.0%

(1) Undrawn commitments are included in total exposures shown above.

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

4.3 INTERNAL RATINGS-BASED PORTFOLIOS (CONTINUED)

Subject to IRB approach	As at 30 Sep 21					
	PD risk grade					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
	\$m	\$m	\$m	\$m	\$m	\$m
Exposure at default						
Residential mortgage	61,451	192,651	129,881	13,127	10,509	4,491
Qualifying revolving retail	1,829	4,058	1,819	856	346	24
Other retail	769	567	689	511	259	46
Total exposure at default	64,049	197,276	132,389	14,494	11,114	4,561
Undrawn commitments⁽¹⁾						
Residential mortgage	27,017	22,822	5,748	505	127	22
Qualifying revolving retail	1,669	2,902	562	102	38	2
Other retail	558	267	152	38	13	-
Total undrawn commitments	29,244	25,991	6,462	645	178	24
Subject to IRB approach						
Average exposure at default (\$m)⁽²⁾						
Residential mortgage	0.17	0.33	0.30	0.40	0.43	0.36
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Other retail	small	small	small	0.01	small	small
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	19.9%	19.8%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.0%	74.6%	75.6%	75.6%	76.5%
Other retail	85.1%	82.2%	77.4%	74.5%	75.2%	83.1%
Exposure-weighted average risk-weight (%)						
Residential mortgage	4.8%	16.3%	33.0%	76.0%	125.3%	191.1%
Qualifying revolving retail	2.7%	8.6%	32.3%	69.5%	158.6%	317.4%
Other retail	12.6%	40.5%	86.1%	109.6%	146.5%	368.2%

(1) Undrawn commitments are included in total exposures shown above.

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

SECTION 4 CREDIT RISK

4.4 CREDIT RISK MITIGATION

Table 4.4.A Mitigation by Eligible Financial Collateral

The following table provides credit risk exposures, in the form of gross exposures, covered by eligible financial collateral. The gross exposure amount is before the application of eligible financial collateral, and excludes positive haircut adjustments made in the calculation of exposure at default for repurchase agreements.

Exposure type	As at 31 Mar 22	
	Gross exposure \$m	Covered by eligible financial collateral \$m
Subject to IRB approach		
Corporate (including SME)	371,552	74,806
Sovereign	226,750	42,933
Bank	64,222	35,190
Retail SME	17,044	5
Residential mortgage	426,177	-
Qualifying revolving retail	8,950	-
Other retail	2,830	1
Total IRB approach	1,117,525	152,935
Specialised lending	71,155	193
Subject to standardised approach		
Corporate	48,277	37,772
Residential mortgage	2,638	-
Other	1,235	29
Total standardised approach	52,150	37,801
Total exposure at default	1,240,830	190,929

Exposure type	As at 30 Sep 21	
	Gross exposure \$m	Covered by eligible financial collateral \$m
Subject to IRB approach		
Corporate (including SME)	354,542	70,018
Sovereign	207,376	42,011
Bank	58,899	30,726
Retail SME	16,907	6
Residential mortgage	412,109	-
Qualifying revolving retail	8,932	-
Other retail	2,842	1
Total IRB approach	1,061,607	142,762
Specialised lending	68,387	217
Subject to standardised approach		
Corporate	44,712	33,652
Residential mortgage	1,991	-
Other	1,187	29
Total standardised approach	47,890	33,681
Total exposure at default	1,177,884	176,660

4.4 CREDIT RISK MITIGATION (CONTINUED)

Table 4.4.B Mitigation by Guarantees and Credit Derivatives

The following table provides credit risk exposures, in the form of gross exposure at default, covered by guarantees and credit derivatives. Gross exposure at default is before the application of eligible financial collateral.

Exposure type	As at 31 Mar 22		
	Gross exposure at default	Covered by guarantees	Covered by credit derivatives
	\$m	\$m	\$m
Subject to IRB approach			
Corporate (including SME)	372,629	29,453	-
Sovereign	235,001	1	-
Bank	64,482	48	-
Retail SME	17,042	-	-
Residential mortgage	426,177	-	-
Qualifying revolving retail	8,950	-	-
Other retail	2,830	-	-
Total IRB approach	1,127,111	29,502	-
Specialised lending	71,155	-	-
Subject to standardised approach			
Corporate	48,277	-	-
Residential mortgage	2,638	-	-
Other	1,235	-	-
Total standardised approach	52,150	-	-
Total exposure at default	1,250,416	29,502	-

Exposure type	As at 30 Sep 21		
	Gross exposure at default	Covered by guarantees	Covered by credit derivatives
	\$m	\$m	\$m
Subject to IRB approach			
Corporate (including SME)	355,484	24,942	-
Sovereign	216,394	-	-
Bank	59,155	37	-
Retail SME	16,907	-	-
Residential mortgage	412,110	-	-
Qualifying revolving retail	8,932	-	-
Other retail	2,842	-	-
Total IRB approach	1,071,824	24,979	-
Specialised lending	68,387	-	-
Subject to standardised approach			
Corporate	44,712	-	-
Residential mortgage	1,991	-	-
Other	1,187	-	-
Total standardised approach	47,890	-	-
Total exposure at default	1,188,101	24,979	-

4.5 COUNTERPARTY CREDIT RISK

Table 4.5.A (i) Net Derivatives Credit Exposure

The following table provides the calculation of net derivatives credit exposure. The exposure represents the EaD under the standardised approach for measuring counterparty credit risk exposures (SA-CCR).

	31 Mar 22	30 Sep 21
	\$m	\$m
Gross positive fair value of derivative contracts	100,795	83,592
Netting and collateral benefits	(89,704)	(71,049)
Replacement cost (RC)	11,091	12,543
Potential future credit exposure	13,798	13,932
Effective expected positive exposure	24,889	26,475
Impact of 1.4 scaling factor and incurred credit valuation adjustment ⁽¹⁾	9,823	10,471
Total net derivatives credit exposure	34,712	36,946

(1) Incurred credit valuation adjustment is the loss expensed for accounting purposes.

Table 4.5.A (ii) Distribution of Current Credit Exposure

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

	31 Mar 22	30 Sep 21
	Exposure at default	Exposure at default
	\$m	\$m
Exposure type		
Interest rate contracts	8,424	11,363
Foreign exchange and gold contracts	16,773	17,386
Equity contracts	96	134
Commodity contracts other than precious metals	3,700	2,120
Other market related contracts	43	52
Central counterparty ⁽¹⁾	5,676	5,891
Total exposure at default	34,712	36,946

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

Table 4.5.B Credit Derivative Transactions

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

	As at 31 Mar 22			As at 30 Sep 21		
	Protection bought notional	Protection sold notional	Total notional	Protection bought notional	Protection sold notional	Total notional
	\$m	\$m	\$m	\$m	\$m	\$m
Credit derivative products						
Credit default swaps used for own credit portfolio	2,579	-	2,579	3,221	-	3,221
Credit default swaps used for intermediation	73	1,002	1,075	145	1,044	1,189
Total credit derivative notional value	2,652	1,002	3,654	3,366	1,044	4,410

Table 5.1.A Exposures Securitised

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

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

Underlying asset	As at 31 Mar 22			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS ⁽¹⁾	Third party originated assets
	\$m	\$m	\$m	\$m
Residential mortgage	1,349	754	146,428	-

(1) Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Group's liquid asset holdings. The amount of these securitised assets is \$132,794 million.

Underlying asset	As at 30 Sep 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS ⁽¹⁾	Third party originated assets
	\$m	\$m	\$m	\$m
Residential mortgage	1,561	858	114,804	-

(1) Includes internal securitisation pools of RMBS that have been developed as a source of contingent liquidity to support the Group's liquid asset holdings. The amount of these securitised assets is \$102,950 million.

There were no exposures securitised either in the trading book or synthetically by the Group as at 31 March 2022 or 30 September 2021.

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

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

Underlying asset	As at 31 Mar 22			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
	\$m	\$m	\$m	\$m
Residential mortgage	148,531	33	673	-

Underlying asset	As at 30 Sep 21			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
	\$m	\$m	\$m	\$m
Residential mortgage	117,223	55	899	-

Table 5.1.C Recent Securitisation Activity

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

Underlying asset	6 months ended 31 Mar 22			Gain or loss on sale
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgage	(212)	(105)	31,625	-

Underlying asset	6 months ended 30 Sep 21			Gain or loss on sale
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	
	\$m	\$m	\$m	\$m
Residential mortgage	(270)	(246)	(15,547)	-

The Group has no banking book exposures that are intended to be securitised into internal RMBS vehicles as at 31 March 2022 (30 September 2021: \$13,330 million). There were no outstanding trading book exposures intended to be securitised as at 31 March 2022 or 30 September 2021.

Table 5.1.D Securitisation Exposures Retained or Purchased

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

Securitisation exposure type	As at 31 Mar 22			As at 30 Sep 21		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Liquidity facilities	380	1,126	1,506	145	1,508	1,653
Warehouse facilities	16,406	7,812	24,218	13,292	7,075	20,367
Securities	8,571	-	8,571	8,201	-	8,201
Derivatives	-	53	53	-	68	68
Total	25,357	8,991	34,348	21,638	8,651	30,289

The Group had \$482 million of derivative exposures held in the trading book subject to the IMA under APS 116 as at 31 March 2022 (30 September 2021: \$513 million). The Group had no trading book exposures subject to APS 120 which were either risk-weighted or deducted from capital at 31 March 2022 or 30 September 2021.

The Group had no exposures subject to early amortisation in either the banking or trading book at 31 March 2022 or 30 September 2021.

Table 5.1.E Securitisation Exposures by Risk-weight

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

Risk-weight bands	As at 31 Mar 22		As at 30 Sep 21	
	Exposure	RWA	Exposure	RWA
	\$m	\$m	\$m	\$m
15% ≤ 25%	32,650	5,389	29,141	4,857
> 25% ≤ 35%	1,127	307	412	110
> 35% ≤ 50%	43	18	252	98
> 50% ≤ 75%	468	262	420	236
> 75% ≤ 100%	1	1	1	1
> 100% ≤ 650%	37	101	43	128
> 650% ≤ 850%	13	91	11	80
>850% < 1250%	9	99	9	92
Deductions from CET1 capital	-	-	-	-
Total	34,348	6,268	30,289	5,602

SECTION 6 MARKET RISK

Table 6.1.A Market Risk RWA

The following table provides a breakdown of market risk RWA.

Market risk RWA	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
Internal model approach	8,448	9,203
Standard method	510	441
Total	8,958	9,644

The following table provides a breakdown of market risk RWA under the standard method.

Standard method RWA	As at	
	31 Mar 22	30 Sep 21
	\$m	\$m
Interest rate risk	504	436
Equity position risk	6	5
Total	510	441

Table 6.1.B Internal Model Approach VaR and Stressed VaR

The following table provides information on the mean, minimum and maximum Value at Risk (VaR) and stressed VaR over the reporting period and at period end. VaR and stressed VaR provided are based on a 10-day holding period.

	6 months ended 31 Mar 22			As at
	Mean value	Minimum value	Maximum value	31 Mar 22
	\$m	\$m	\$m	\$m
At a 99% confidence level				
VaR	53.2	32.5	87.8	64.7
Stressed VaR	115.7	68.8	216.0	101.3

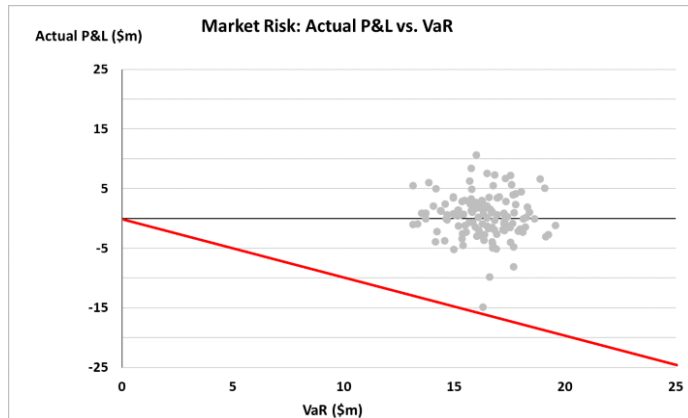
	6 months ended 30 Sep 21			As at
	Mean value	Minimum value	Maximum value	30 Sep 21
	\$m	\$m	\$m	\$m
At a 99% confidence level				
VaR ⁽¹⁾	72.7	51.5	102.1	64.8
Stressed VaR ⁽¹⁾	200.8	110.4	252.0	128.1

(1) VaR and stressed VaR comparatives have been restated from being based on a 1-day holding period to a 10-day holding period.

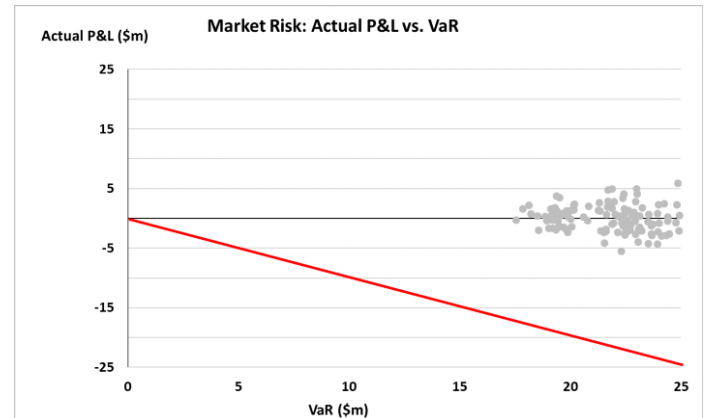
Back-testing Results

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

Results for the six months ended 31 March 2022



Results for the six months ended 30 September 2021



Back-testing, carried out by comparing the Group's daily VaR estimate against actual P&L, identified no exceptions during the six months ended 31 March 2022 or the six months ended 30 September 2021. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

7.1 INTEREST RATE RISK IN THE BANKING BOOK

Table 7.1.A Impact on Economic Value from Rate Shocks

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

	As at 31 Mar 22		As at 30 Sep 21	
	200 bp parallel increase \$m	200 bp parallel decrease \$m	200 bp parallel increase \$m	200 bp parallel decrease \$m
Change in economic value				
AUD	(608)	634	(558)	623
CAD	(1)	1	(1)	1
CHF	-	-	-	-
EUR	-	(1)	(32)	34
GBP	(23)	23	19	(19)
HKD	(1)	1	1	(1)
JPY	6	(6)	3	(4)
NZD	(353)	376	(136)	141
USD	(51)	55	(36)	38
Other	4	(4)	1	(1)
Total change in economic value	(1,027)	1,079	(739)	812

7.2 EQUITY HOLDINGS IN THE BANKING BOOK

Table 7.2.A Equity Holdings in the Banking Book

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

	As at 31 Mar 22		As at 30 Sep 21	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
Unlisted equities	692	692	679	679

Table 7.2.B Gains and Losses from Equity Holdings

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

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

	31 Mar 22	30 Sep 21
	\$m	\$m
Gains/(losses) on equity investments		
Realised gains	16	17
Cumulative unrealised losses	(291)	(275)

7.3 LIQUIDITY DISCLOSURES

Liquidity Coverage Ratio

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

- cash
- Australian government and semi-government securities, and foreign sovereign securities
- central bank reserves
- other securities that are eligible for repurchase with the Reserve Bank of Australia (RBA) to support the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF).

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

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

The LCR for the three months ended 31 March 2022 and 31 December 2021 is presented in Table 7.3.A *Liquidity Coverage Ratio Disclosure Template*, and is based on a simple average of daily LCR outcomes excluding non-business days. There were 62 daily LCR observations or data points used in calculating the average for the current quarter and 63 observations in the previous quarter.

Average LCR for the three months ended 31 March 2022 increased to 134% with a \$2 billion reduction in average liquid assets offset by a \$4 billion reduction in average net cash outflows. The decrease in liquid assets was driven by a reduction in the CLF limit during the quarter from \$31 billion to \$23 billion, which was largely offset by increased holdings of HQLA in the form of central bank reserves. The increase in HQLA in response to the phase-out of the CLF during the 2022 calendar year further supports the requirement that ADIs maintain minimum LCRs without the CLF at all times from 1 January 2022 onwards. The decrease in net cash outflows was largely driven by lower overall deposit outflows, which was partially offset by increased outflows from short term funding maturities.

7.3 LIQUIDITY DISCLOSURES (CONTINUED)

Table 7.3.A Liquidity Coverage Ratio Disclosure Template

	3 months ended			
	31 Mar 22		31 Dec 21	
	Unweighted value (average) ⁽¹⁾ \$m	Weighted value (average) \$m	Unweighted value (average) ⁽¹⁾ \$m	Weighted value (average) \$m
Liquid assets, of which:		198,149		200,009
1 High-quality liquid assets (HQLA) ⁽²⁾⁽³⁾		173,267		166,527
2 Alternative liquid assets (ALA) ⁽³⁾		23,152		30,896
3 Reserve Bank of New Zealand (RBNZ) securities ⁽²⁾⁽³⁾		1,730		2,586
Cash outflows				
4 Retail deposits and deposits from small business customers	274,207	28,708	260,126	27,252
5 of which: stable deposits	119,309	5,965	116,002	5,800
6 of which: less stable deposits	154,898	22,743	144,124	21,452
7 Unsecured wholesale funding	185,756	85,889	192,194	92,111
8 of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	100,548	25,138	98,729	24,682
9 of which: non-operational deposits (all counterparties)	66,205	41,748	76,687	50,651
10 of which: unsecured debt	19,003	19,003	16,778	16,778
11 Secured wholesale funding ⁽³⁾		3,843		3,831
12 Additional requirements	202,829	37,991	196,732	36,181
13 of which: outflows related to derivatives exposures and other collateral requirements	15,576	15,576	14,908	14,908
14 of which: outflows related to loss of funding on debt products	-	-	-	-
15 of which: credit and liquidity facilities	187,253	22,415	181,824	21,273
16 Other contractual funding obligations	1,492	706	1,591	820
17 Other contingent funding obligations	59,592	4,389	57,258	4,247
18 Total cash outflows		161,526		164,442
Cash inflows				
19 Secured lending	33,484	1,768	24,642	2,763
20 Inflows from fully performing exposures	18,692	10,260	17,770	9,603
21 Other cash inflows	1,895	1,893	883	883
22 Total cash inflows	54,071	13,921	43,295	13,249
23 Total liquid assets		198,149		200,009
24 Total net cash outflows		147,605		151,193
25 Liquidity Coverage Ratio (%)		134%		132%

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

(2) Weighted values exclude New Zealand dollar (NZD) liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations. The amount excluded during the three months to 31 March 2022 and 31 December 2021 was on average \$6 billion and \$5 billion respectively.

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

7.3 LIQUIDITY DISCLOSURES (CONTINUED)

Net Stable Funding Ratio

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

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

The NSFR as at 31 March 2022 and 31 December 2021 is presented in Table 7.3.B *Net Stable Funding Ratio Disclosure Template*, and is based on spot balances. The NSFR increased to 123% as at 31 March 2022 with a \$19 billion increase to \$607 billion of ASF, partially offset by a \$12 billion increase to \$495 billion of RSF. The NSFR increase was primarily driven by increased ASF from growth in deposits and wholesale term funding, partially offset by a higher RSF mainly driven by growth in mortgage and business lending.

7.3 LIQUIDITY DISCLOSURES (CONTINUED)

Table 7.3.B Net Stable Funding Ratio Disclosure Template

		As at 31 Mar 2022				Weighted value
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	62,817	1,499	-	22,971	87,287
2	of which: regulatory capital	62,817	1,499	-	22,971	87,287
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	259,636	52,946	171	80	288,023
5	of which: stable deposits	118,785	10,490	-	-	122,812
6	of which: less stable deposits	140,851	42,456	171	80	165,211
7	Wholesale funding	133,347	237,166	35,569	116,595	229,754
8	of which: operational deposits	98,426	-	-	-	49,213
9	of which: other wholesale funding	34,921	237,166	35,569	116,595	180,541
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	19,303	-	2,332	2,332
12	of which: NSFR derivative liabilities ⁽¹⁾			5,858		
13	of which: all other liabilities and equity not included in the above categories	-	13,445	-	2,332	2,332
14	Total ASF					607,396
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					3,917
15b	Alternative liquid assets (ALA)					5,512
15c	RBNZ securities					300
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	11,479	124,767	43,750	498,923	449,787
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	43,548	2,141	-	5,425
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	209	18,751	6,817	26,260	32,585
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	10,767	51,273	26,200	153,899	173,566
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	10,724	6,970
22	of which: performing residential mortgages:	-	8,140	7,185	309,738	226,172
23	of which: with a risk-weight equal to 35% under APS 112	-	8,140	7,185	266,208	189,172
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	503	3,055	1,407	9,026	12,039
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	17,965	3,552	11	27,992	25,908
27	of which: physical traded commodities, including gold	709				602
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) ⁽¹⁾			2,523		2,144
29	of which: NSFR derivative assets ⁽¹⁾			6,793		935
30	of which: NSFR derivative liabilities before deduction of variation margin posted ⁽¹⁾			17,185		3,437
31	of which: all other assets not included in the above categories	17,256	3,552	11	1,491	18,790
32	Off-balance sheet items ⁽¹⁾			189,311		9,823
33	Total RSF					495,247
34	Net Stable Funding Ratio (%)					123%

(1) Disclosed in total and not by maturity bucket, consistent with the disclosure template prescribed by APS 330.

SECTION 7 BALANCE SHEET AND LIQUIDITY RISK

7.3 LIQUIDITY DISCLOSURES (CONTINUED)

		As at 31 Dec 2021				Weighted value
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	63,296	-	1,499	21,422	86,217
2	of which: regulatory capital	63,296	-	1,499	21,422	86,217
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	254,069	54,438	308	72	284,451
5	of which: stable deposits	118,064	10,864	-	-	122,481
6	of which: less stable deposits	136,005	43,574	308	72	161,970
7	Wholesale funding	138,504	247,651	29,878	110,271	215,457
8	of which: operational deposits	96,021	-	-	-	48,011
9	of which: other wholesale funding	42,483	247,651	29,878	110,271	167,446
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	11,601	-	2,452	2,452
12	of which: NSFR derivative liabilities ⁽¹⁾			4,116		
13	of which: all other liabilities and equity not included in the above categories	-	7,485	-	2,452	2,452
14	Total ASF					588,577
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					4,366
15b	Alternative liquid assets (ALA)					6,287
15c	RBNZ securities					230
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	14,552	126,518	48,776	477,661	435,511
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	42,307	2,778	-	5,620
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	31	17,335	8,686	22,470	29,444
20	of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs):	11,117	57,042	29,809	148,480	171,070
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	10,303	6,697
22	of which: performing residential mortgages:	-	7,660	6,920	297,397	217,252
23	of which: with a risk-weight equal to 35% under APS 112	-	7,660	6,920	251,802	178,497
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,404	2,174	583	9,314	12,125
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	19,117	263	16	20,949	27,024
27	of which: physical traded commodities, including gold	1,255				1,066
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) ⁽¹⁾			2,489		2,115
29	of which: NSFR derivative assets ⁽¹⁾			7,649		3,533
30	of which: NSFR derivative liabilities before deduction of variation margin posted ⁽¹⁾			10,604		2,121
31	of which: all other assets not included in the above categories	17,862	263	16	207	18,189
32	Off-balance sheet items ⁽¹⁾			188,411		9,783
33	Total RSF					483,201
34	Net Stable Funding Ratio (%)					122%

(1) Disclosed in total and not by maturity bucket, consistent with the disclosure template prescribed by APS 330.

Term	Description
Additional regulatory specific provisions	In line with APRA's July 2017 guidance "Provisions for regulatory purposes and AASB 9 Financial Instruments", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. Additional regulatory specific provisions are no longer calculated from 1 January 2022 under the revised APS 220 <i>Credit Risk Management</i> .
ADI	Authorised Deposit-taking Institution.
Advanced Internal Ratings-based Approach (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	An approach used to calculate the capital requirement for operational risk using a risk-based internal model designed to measure the scope of operational risk. This approach was applied by the Group until 31 December 2021.
Alternative liquid assets (ALA)	Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency in the Liquidity Coverage Ratio framework. The Committed Liquidity Facility and Term Funding Facility provided by the Reserve Bank of Australia to ADIs are treated as ALAs in the Liquidity Coverage Ratio.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
Available Stable Funding (ASF)	The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.
Banking book	Exposures not contained in the trading book.
BCBS	Basel Committee on Banking Supervision.
BNZ	Bank of New Zealand.
Central counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.
Collective provision for credit impairment	The provision assessed on a collective basis in accordance with Australian Accounting Standard AASB 9 <i>Financial Instruments</i> .
Common Equity Tier 1 capital ratio	CET1 capital divided by risk-weighted assets.
Committed Liquidity Facility (CLF)	A facility provided by the Reserve Bank of Australia to certain ADIs to assist them in meeting the Basel III liquidity requirements. APRA has announced that the CLF will be reduced to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of high-quality liquid assets.
Corporate (including SME)	Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.
Credit valuation adjustment (CVA)	A capital charge to reflect potential mark-to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.
Default fund	Clearing members' funded or unfunded contributions towards, or underwriting of, a central counterparty's mutualised loss sharing arrangements.
D-SIB	Domestic Systemically Important Bank.
Eligible financial collateral (EFC)	Under the standardised approach, eligible financial collateral is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based Approach, EFC is limited to the collateral items detailed in APS 112 <i>Capital Adequacy: Standardised Approach to Credit Risk</i> . Recognition of EFC is subject to the minimum conditions detailed in APS 112.
Exposure at default (EaD)	An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral.
Extended Licensed Entity	The ADI and any APRA approved subsidiaries assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 <i>Associations with Related Entities</i> .
General Reserve for Credit Losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under the former APS 220 <i>Credit Quality</i> . The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions for facilities in default but for which no loss is expected (which are reported as additional regulatory specific provisions). The GRCL is no longer calculated from 1 January 2022 under the revised APS 220 <i>Credit Risk Management</i> .
Group	NAB and its controlled entities.

SECTION 8 GLOSSARY

Term	Description
High-quality liquid assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 <i>Liquidity</i> .
Impaired facilities	Impaired facilities consist of: <ul style="list-style-type: none"> - retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with insufficient security to cover principal and interest, or sufficient doubt exists about the ability to collect principal and interest in a timely manner - non-retail loans which are contractually past due and/or sufficient doubt exists about the ability to collect principal and interest in a timely manner - unsecured portfolio managed facilities that are 180 days or more past due (if not written off) - off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.
Internal Model Approach (IMA) - Non-traded Market Risk	The approach used in the assessment of non-traded market risk. The Group uses, under approval from APRA, the IMA to calculate interest rate risk in the banking book for all transactions in the banking book.
Internal Model Approach (IMA) - Traded Market Risk	The approach used in the assessment of traded market risk. The Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the standard method.
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 <i>Capital Adequacy</i> . It is a simple, non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Loss given default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.
NAB	National Australia Bank Limited ABN 12 004 044 937.
Net Stable Funding Ratio (NSFR)	A ratio of the amount of available stable funding to the amount of required stable funding.
Net write-offs	Write-offs, net of recoveries.
Past due facilities ≥ 90 days	Assets that are contractually 90 days or more past due, but not impaired.
Probability of default (PD)	An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.
Qualifying revolving retail	Revolving exposures to individuals less than \$100,000, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory expected loss (EL)	A calculation of the estimated loss that may be experienced over the next 12 months. Regulatory expected loss calculations are based on the probability of default, loss given default and exposure at default values of the portfolio at the time of the estimate which includes stressed loss given default for economic conditions. As such, regulatory expected loss is not an estimate of long-run average expected loss.
Required Stable Funding (RSF)	The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI, including off-balance sheet exposures.
Risk-weighted assets (RWA)	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
RMBS	Residential mortgage-backed securities.
Securitisation exposures	Securitisation exposures include the following exposure types: <ul style="list-style-type: none"> - liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the securitisation vehicle or to cover the inability of the securitisation vehicle to roll-over securities due to market disruption. - warehouse facilities: lending facilities provided to securitisation vehicles for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis. - securities: holding of debt securities issued by securitisation vehicles. - derivatives: derivatives provided to securitisation vehicles, other than for credit risk mitigation purposes.
SME	Small and medium-sized enterprises.
Specific provision for credit impairment	The provision assessed on an individual basis in accordance with Australian Accounting Standard AASB 9 <i>Financial Instruments</i> .
Standardised approach	An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

Term	Description
Standardised Measurement Approach (SMA)	An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.
Standard method	An alternative approach to the assessment of traded market risk which applies supervisory risk-weights to positions arising from trading activities.
Term Funding Facility (TFF)	A facility provided by the Reserve Bank of Australia to certain ADIs to support lending to Australian businesses. The facility closed to new drawdowns of funding on 30 June 2021.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Total capital ratio	Total capital divided by risk-weighted assets.
Trading book	Positions in financial instruments, including derivatives and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.
Value at Risk (VaR)	A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.
Write-offs	A reduction in the carrying amount of loans and advances at amortised cost and fair value where there is no reasonable expectation of recovery of a portion or the entire exposure.

SECTION 9 REFERENCE TO APS 330 TABLES

Table number	Table title	APS 330 reference
Table 3.1.A	Risk-weighted Assets	APS 330 Table 6b-f
Table 3.1.B	Capital and Leverage Ratios	APS 330 Table 6g
Table 3.2.A	Regulatory Capital Structure	n/a
Table 3.3.A	Regulatory Capital Disclosure Template	APS 330 Table 1
Table 3.3.B	Reconciliation between the Group and Level 2 Group Balance Sheet	APS 330 paragraph 12a, 12c and 12d
Table 3.3.C	Reconciliation between the Level 2 Group Balance Sheet and Regulatory Capital Disclosure Template	APS 330 paragraph 12d
Table 3.3.D	Entities Excluded from the Level 2 Group Balance Sheet	APS 330 paragraph 12b
Table 3.3.E	Countercyclical Capital Buffer	APS 330 Attachment A, paragraph 2
Table 3.4.A	Leverage Ratio Disclosure Template	APS 330 Table 18
Table 3.4.B	Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure	APS 330 Table 19
Table 4.1.A	Credit Risk Exposures Summary	APS 330 Table 7b
Table 4.1.B	Total and Average Credit Risk Exposures	APS 330 Table 7b and 7i
Table 4.1.C	Credit Risk Exposures by Geography	APS 330 Table 7c
Table 4.1.D	Credit Risk Exposures by Industry	APS 330 Table 7d
Table 4.1.E	Credit Risk Exposures by Maturity	APS 330 Table 7e
Table 4.1.F	Provisions by Asset Class	APS 330 Table 9e
Table 4.1.G	Provisions by Industry	APS 330 Table 7f
Table 4.1.H	Provisions by Geography	APS 330 Table 7g
Table 4.1.I	Movement in Provisions	APS 330 Table 7h and 7j
Table 4.1.J (i)	Loss Experience	APS 330 Table 9f
Table 4.1.J (ii)	Accuracy of Risk Estimates for PD and EaD	APS 330 Table 9f
Table 4.1.J (iii)	Accuracy of Risk Estimates for LGD	APS 330 Table 9f
Table 4.2.A	Standardised Exposures by Risk-weight	APS 330 Table 8b
Table 4.2.B	Standardised Exposures by Risk Grade	APS 330 Table 8b
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Table 4.3.A	Non-retail Exposures by Risk Grade	APS 330 Table 9d
Table 4.3.B	Retail Exposures by Risk Grade	APS 330 Table 9d
Table 4.4.A	Mitigation by Eligible Financial Collateral	APS 330 Table 10b
Table 4.4.B	Mitigation by Guarantees and Credit Derivatives	APS 330 Table 10c
Table 4.5.A (i)	Net Derivatives Credit Exposure	APS 330 Table 11b
Table 4.5.A (ii)	Distribution of Current Credit Exposure	APS 330 Table 11b
Table 4.5.B	Credit Derivative Transactions	APS 330 Table 11c
Table 5.1.A	Exposures Securitised	APS 330 Table 12g and 12o
Table 5.1.B	Past Due and Impaired Banking Book Exposures Securitised	APS 330 Table 12h
Table 5.1.C	Recent Securitisation Activity	APS 330 Table 12i, 12j, 12p and 12q
Table 5.1.D	Securitisation Exposures Retained or Purchased	APS 330 Table 12k, 12m, 12r, 12s, 12t and 12v
Table 5.1.E	Securitisation Exposures by Risk-weight	APS 330 Table 12l
Table 6.1.A	Market Risk RWA	APS 330 Table 13b
Table 6.1.B	Internal Model Approach VaR and Stressed VaR	APS 330 Table 14f
Table 7.1.A	Impact on Economic Value from Rate Shocks	APS 330 Table 17b
Table 7.2.A	Equity Holdings in the Banking Book	APS 330 Table 16b-c
Table 7.2.B	Gains and Losses from Equity Holdings	APS 330 Table 16d-f
Table 7.3.A	Liquidity Coverage Ratio Disclosure Template	APS 330 Table 20
Table 7.3.B	Net Stable Funding Ratio Disclosure Template	APS 330 Table 21

