PILLAR 3 REPORT

as at 31 March 2021

Incorporating the requirements of APS 330

National Australia Bank Limited ABN 12 004 044 937

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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. In simple terms, 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.

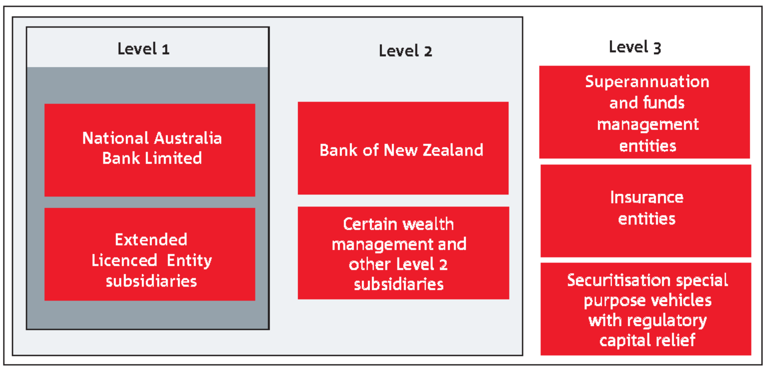
Capital Adequacy Methodologies

The Group uses the following approaches to measure capital adequacy as at 31 March 2021.

Credit Risk	Operational Risk	Non-traded Market Risk	Traded Market Risk
Advanced Internal Ratings-based Approach (IRB)	Advanced Measurement Approach (AMA)	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 superannuation and funds management entities, insurance subsidiaries and securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 *Securitisation*. Level 2 controlled entities include Bank of New Zealand (BNZ) and other financial entities such as broking, wealth advisory and leasing companies.

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

On 31 August 2020, NAB announced that it had agreed to sell MLC Wealth, comprising its advice, platforms, superannuation & investments and asset management businesses, to IOOF Holdings Ltd (IOOF). On 16 December 2020, NAB announced that it had agreed to sell BNZ Life Insurance business to Partners Life. The subsidiaries subject to these agreements consist of both Level 2 and Level 3 subsidiaries, which remain part of the Group until completion of the transactions.

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

Section 2

Regulatory Reform

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

Revisions to the capital framework

- APRA's discussion paper on 'a more flexible and resilient capital framework for ADIs' was released in December 2020 and follows the 2017 APRA consultation for establishing 'unquestionably strong' capital ratios. Implementation of the prudential standards relating to the risk weighting framework and other capital requirements is proposed for 1 January 2023, consistent with the internationally agreed timelines for Basel III reform by the BCBS. APRA is seeking to make improvements to the capital adequacy framework through improving flexibility via increasing regulatory capital buffers; implementing more risk-sensitive risk weights, particularly for residential mortgages; enhancing competition via a capital floor for IRB ADIs; and improving transparency and comparability through the disclosure of capital ratios under the standardised approach. APRA has reiterated its view that they are not seeking to further increase the overall level of capital in the banking system.
- In October 2019, APRA proposed changes to the treatment of equity investments in subsidiaries (including BNZ) for the purpose of calculating Level 1 CET1 regulatory capital, expected to be implemented from 1 January 2022. In November 2020, APRA implemented an interim change to apply the revised treatment to any new or additional equity investments made prior to January 2022.
- APRA has also proposed 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 Group's leverage ratio as at 31 March 2021 of 5.99% (under the current methodology) is disclosed in further detail in Table 3.4A *Leverage Ratio Disclosure Template*.

Increased loss-absorbing capacity for ADIs

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

Reserve Bank of New Zealand (RBNZ) capital review

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

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

Due to uncertainties arising from the impacts of COVID-19, the RBNZ has delayed the start of the new capital requirements. The required level of capital increases will commence from 1 July 2022, while increases to RWA will commence from 1 January 2022. It is expected that the changes will be phased in over a seven-year period.

Dividends

- The RBNZ has eased restrictions on dividend payments, allowing banks to pay up to 50% of their earnings as dividends to shareholders, 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. The RBNZ has also lifted the restriction on redeeming non-Common Equity Tier 1 (CET1) capital instruments.
- In its updated December 2020 guidance, APRA removed specific restrictions on capital distributions, but advised banks to moderate dividend payout ratios and consider the use of capital management initiatives to offset the impact on capital from distributions. APRA has reiterated that Boards need to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and the economic environment.

Other regulatory changes

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

- Continued APRA focus on COVID-19 related impacts (such as loan deferrals) has resulted in the implementation of temporary changes to regulatory obligations and associated regulatory reporting requirements.
- APRA's updated requirements on the standardised approach for the calculation of operational risk takes effect from 1 January 2023. APRA has provided the option to banks using the advanced measurement approach to implement from 1 January 2022.
- Consultation by APRA to revise and strengthen the Interest Rate Risk in the Banking Book (IRRBB) framework continues, with implementation expected by 1 January 2023.

Section 3

Capital

3.1 Capital Adequacy

Table 3.1A: Risk-weighted Assets

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

	As at	
	31 Mar 21	30 Sep 20
	$m	$m
Credit risk		
Subject to IRB approach		
Corporate (including Small and Medium Enterprises (SME))	126,791	132,922
Sovereign	1,720	2,143
Bank	8,026	8,856
Residential mortgage	111,366	106,269
Qualifying revolving retail	2,438	2,524
Retail SME	6,168	5,983
Other retail	2,178	2,281
Total IRB approach	**258,687**	**260,978**
Specialised lending	**57,471**	**59,465**
Subject to standardised approach		
Residential mortgage	1,255	1,296
Corporate	4,241	4,355
Other	432	418
Total standardised approach	**5,928**	**6,069**
Other		
Securitisation exposures	5,028	5,237
Credit valuation adjustment	10,189	12,703
Central counterparty default fund contribution guarantee	82	83
Other[1]	10,807	9,456
Total other	**26,106**	**27,479**
Total credit risk	**348,192**	**353,991**
Market risk	12,626	12,678
Operational risk	48,627	49,993
Interest rate risk in the banking book	8,165	8,485
Total RWA	**417,610**	**425,147**

(1) *Other mainly consists of other assets, claims and exposures and overlay adjustments for regulatory prescribed methodology requirements. Other includes RWA of $54m for equity exposures (30 September 2020: nil).*

The following table provides RWA for the Level 1 Group.

	As at	
	31 Mar 21	30 Sep 20
	$m	$m
Total RWA	**380,109**	**386,291**

3.1 Capital Adequacy (continued)

Table 3.1B: Capital and Leverage Ratios

The following tables provide:
- the key capital ratios for the Level 1 and Level 2 Group and for the Group's significant overseas bank subsidiary
- the leverage ratio for the Level 2 Group as at 31 March 2021 and for the three previous quarters

	As at	
	31 Mar 21	30 Sep 20
Capital ratios	%	%
Level 2 Common Equity Tier 1 capital ratio	12.37	11.47
Level 2 Tier 1 capital ratio	14.01	13.20
Level 2 Total capital ratio	17.90	16.62
Level 1 Common Equity Tier 1 capital ratio	12.40	11.50
Level 1 Tier 1 capital ratio	14.20	13.38
Level 1 Total capital ratio	18.33	17.01
Significant bank subsidiary[1]		
BNZ Common Equity Tier 1 capital ratio	12.86	11.85
BNZ Tier 1 capital ratio	14.19	13.17
BNZ Total capital ratio	16.00	14.91

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

Leverage ratio	As at			
	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20
	$m	$m	$m	$m
Tier 1 capital	58,487	57,905	56,131	56,189
Total exposures	976,870	976,034	960,575	964,854
Leverage ratio (%)	**5.99%**	**5.93%**	**5.84%**	**5.82%**

3.2 Capital Structure

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

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: - 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 as 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.

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 (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 by APRA in APS 222 *Associations with Related Entities.*

Table 3.2A: Regulatory Capital Structure

The table below provides the structure of regulatory capital for the Level 2 Group. A detailed breakdown as at 31 March 2021 is shown in Table 3.3A *Regulatory Capital Disclosure Template*.

	As at	
	31 Mar 21	**30 Sep 20**
	$m	**$m**
Common Equity Tier 1 capital before regulatory adjustments	61,392	59,148
Regulatory adjustments to Common Equity Tier 1 capital	(9,744)	(10,398)
Common Equity Tier 1 capital (CET1)	**51,648**	**48,750**
Additional Tier 1 capital before regulatory adjustments	6,859	7,401
Regulatory adjustments to Additional Tier 1 capital	(20)	(20)
Additional Tier 1 capital (AT1)	**6,839**	**7,381**
Tier 1 capital (T1 = CET1 + AT1)	**58,487**	**56,131**
Tier 2 capital before regulatory adjustments	16,356	14,627
Regulatory adjustments to Tier 2 capital	(98)	(93)
Tier 2 capital (T2)	**16,258**	**14,534**
Total capital (TC = T1 + T2)	**74,745**	**70,665**

3.3 Detailed Capital Disclosures

Table 3.3A: Regulatory Capital Disclosure Template

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

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

		As at 31 Mar 21 $m
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	43,713
2	Retained earnings	17,593
3	Accumulated other comprehensive income (and other reserves)	86
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**61,392**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	1
8	Goodwill	2,664
9	Other intangibles other than mortgage-servicing rights (net of related deferred tax balance)	2,313
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	18
11	Cash flow hedge reserve	69
12	Shortfall of provisions to expected losses	58
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	(134)
15	Defined benefit superannuation plan assets (net of related tax liability)	31
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)	4,724
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	668
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23 (adjusted for intangible assets held by those entities)	1,082
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	2,774
26f	of which: capitalised expenses	117
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	39
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	44
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**	**9,744**
29	**Common Equity Tier 1 capital (CET1)**	**51,648**

3.3 Detailed Capital Disclosures (continued)

		As at 31 Mar 21 $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
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 capital before regulatory adjustments**	**6,859**
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	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)	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**20**
44	**Additional Tier 1 capital (AT1)**	**6,839**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**58,487**
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	13,937
47	Directly issued capital instruments subject to phase out from Tier 2	44
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)	363
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions[(1)]	2,012
51	**Tier 2 capital before regulatory adjustments**	**16,356**
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	75
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the 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)	23
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	23
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 capital**	**98**
58	**Tier 2 capital (T2)**	**16,258**
59	**Total capital (TC = T1 + T2)**	**74,745**
60	**Total RWA based on APRA standards**	**417,610**

(1) *Provisions consists of surplus provisions on non-defaulted exposures subject to the IRB approach ($1,943m) and the General Reserve for Credit Losses (GRCL) for exposures subject to the standardised approach ($69m).*

3.3 Detailed Capital Disclosures (continued)

		As at 31 Mar 21 $m
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of RWA)	12.37%
62	Tier 1 (as a percentage of RWA)	14.01%
63	Total capital (as a percentage of RWA)	17.90%
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 Importable Bank (G-SIB) buffer requirement	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of RWA)	12.37%
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	650
73	Significant investments in the ordinary shares of financial entities (adjusted for intangible assets held by those entities)	432
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2,774
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)	69
77	Cap on inclusion of provisions in Tier 2 under standardised approach	304
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	2,089
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,943
Capital instruments subject to phase-out arrangements (applicable between 1 January 2018 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on Additional Tier 1 instruments subject to phase out arrangements	606
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on Tier 2 instruments subject to phase out arrangements	562
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-

(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 3.3E: 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 3.3B: Reconciliation between the Group and Level 2 Group Balance Sheet

The following table shows the Group's balance sheet and adjustments to derive the Level 2 Group balance sheet as at 31 March 2021. The adjustments remove the assets, liabilities and equity balances of Level 3 entities deconsolidated for regulatory purposes, and reinstates any intragroup assets and liabilities, treating them as external to the Level 2 Group.

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

	Group balance sheet	Adjustments	Level 2 Group balance sheet	Disclosure template row / reconciliation table reference
	$m	$m	$m	
Assets				
Cash and liquid assets	52,831	(2)	52,829	
Due from other banks	80,889	-	80,889	
Trading instruments	80,161	60	80,221	
Debt instruments	40,800	-	40,800	
Other financial assets	2,960	-	2,960	
Hedging derivatives	2,947	-	2,947	
Loans and advances	588,603	(1,788)	586,815	
of which: deferred net fee income	668	-	668	Row 26c
Due from customers on acceptances	1,245	-	1,245	
Current tax assets	114	-	114	
Deferred tax assets	3,253	-	3,253	Table C
Property, plant and equipment	2,265	-	2,265	
Due from controlled entities	-	110	110	
Investment in non-consolidated controlled entities	-	432	432	
Goodwill and other intangible assets	3,776	-	3,776	Table A
Other assets	10,275	(73)	10,202	
Assets held for sale	1,454	(452)	1,002	
Total assets	**871,573**	**(1,713)**	**869,860**	
Liabilities				
Due to other banks	51,906	-	51,906	
Trading instruments	25,117	-	25,117	
Other financial liabilities	26,520	-	26,520	
Hedging derivatives	2,190	-	2,190	
Deposits and other borrowings	572,726	218	572,944	
Current tax liabilities	30	8	38	
Provisions	3,264	-	3,264	
Due to controlled entities	-	281	281	
Bonds, notes and subordinated debt	111,464	(1,831)	109,633	
Other debt issues	6,826	-	6,826	
Deferred tax liabilities	30	-	30	Table C
Other liabilities	9,759	(183)	9,576	
Liabilities directly associated with assets held for sale	164	(21)	143	
Total liabilities	**809,996**	**(1,528)**	**808,468**	
Net assets	**61,577**	**(185)**	**61,392**	
Equity				
Issued and paid-up ordinary share capital	43,713	-	43,713	Row 1
Contributed equity	**43,713**	**-**	**43,713**	
Foreign currency translation reserve	(137)	(5)	(142)	
Asset revaluation reserve	25	-	25	
Cost of hedging reserve	(309)	-	(309)	
Cash flow hedge reserve	69	-	69	Row 11
Equity-based compensation reserve	92	-	92	
Debt instruments at fair value through other comprehensive income reserve	338	-	338	
Equity instruments at fair value through other comprehensive income reserve	13	-	13	
Reserves	**91**	**(5)**	**86**	Row 3
Retained profits	17,772	(179)	17,593	Row 2
Total equity (parent entity interest)	**61,576**	**(184)**	**61,392**	
Non-controlling interest in controlled entities	1	(1)	-	
Total equity	**61,577**	**(185)**	**61,392**	

3.3 Detailed Capital Disclosures (continued)

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

Table A	As at 31 Mar 21 $m	Disclosure template row
Goodwill and other intangible assets	3,776	
Goodwill and other intangible assets included in assets held for sale	831	
Associated net deferred tax asset	370	
Total	**4,977**	
which comprises:		
Goodwill	2,664	Row 8
Other intangibles other than mortgage-servicing rights (net of related tax)	2,313	Row 9

Table B	As at 31 Mar 21 $m	Disclosure template row
Non-defaulted expected loss	2,502	
Less		
Collective provision for credit impairment	4,660	
Add		
Standardised approach general reserve for credit losses	69	Row 50, 76
IRB approach surplus provisions on non-defaulted exposures (after application of cap)	1,943	Row 50, 78, 79
IRB approach surplus provisions above the cap	146	Row 78
Non-defaulted: shortfall of provisions to expected losses	-	
Defaulted expected loss	1,561	
Less		
Individual provision for credit impairment subject to the IRB approach[(1)]	780	
Partial write-offs	175	
Collective provision for credit impairment for defaulted exposures subject to the IRB approach	548	
Defaulted: shortfall of provisions to expected loss	**58**	
Gross deduction of shortfall of provisions to expected losses	**58**	Row 12

[(1)] *Individual provision for credit impairment subject to the standardised approach amounts to $14m.*

Table C	As at 31 Mar 21 $m	Disclosure template row
Deferred tax assets	3,253	
Deferred tax liabilities	(30)	
Deferred tax assets included in assets held for sale and liabilities directly associated with assets held for sale	56	
Less		
Deferred tax assets that rely on future profitability	18	Row 10
Unrealised revaluation on funding vehicles	172	
Net deferred tax assets included in other regulatory adjustments or associated with reserves ineligible for inclusion in regulatory capital	345	
Add		
Impact of calculating the deduction on a jurisdictional basis	30	
Deferred tax assets APRA specific regulatory adjustment	**2,774**	Row 26e, 75

Table D	As at 31 Mar 21 $m	Disclosure template row
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 31 Mar 21 $m	Disclosure template row
Subordinated medium term notes	13,937	
Directly issued qualifying Tier 2 instruments	**13,937**	Row 46
Subordinated medium term notes	40	
Perpetual floating rate notes	4	
Additional Tier 1 instruments in excess of Additional Tier 1 cap	-	Row 83
Directly issued Tier 2 instruments subject to phase out	**44**	Row 47

Table F	As at 31 Mar 21 $m	Disclosure template row
Subordinated notes issued by BNZ	363	
Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in Tier 2 capital)	**363**	Row 48

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

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

		As at 31 Mar 21	
Entity name	**Principal activity**	**Total assets $m**	**Total liabilities $m**
Antares Capital Partners Limited	Investment	31	4
BNZ Life Insurance Limited	Insurance	114	20
MLC Asset Management Pty Ltd	Funds Manager	38	9
MLC Asset Management Services Limited	Investment	18	-
MLC Investments Limited	Investment	133	52
NAB Trust Services Limited	Trustee	11	1
National Australia Managers Limited	Funds Manager	2	1
National RMBS Trust 2018-1	Securitisation	903	904
National RMBS Trust 2018-2	Securitisation	934	935
Navigator Australia Limited	Investment	31	9
NULIS Nominees (Australia) Limited	Superannuation	415	51
Orchard Street Investment Management LLP	Funds Manager	7	1
Presima Inc.	Funds Manager	8	2

3.3 Detailed Capital Disclosures (continued)

Table 3.3E: Countercyclical Capital Buffer

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

The 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.

	As at 31 Mar 21			
	Countercyclical capital buffer	**Private sector credit exposure**	**RWA**	**ADI-specific buffer**
Country	**%**	**$m**	**$m**	**%**
Hong Kong	1.0	3,747	1,257	0.004
Luxembourg	0.5	1,456	618	0.001
Other	-	891,750	320,689	0.000
Total	**n/a**	**896,953**	**322,564**	**0.005**

	As at 30 Sep 20			
	Countercyclical capital buffer	**Private sector credit exposure**	**RWA**	**ADI-specific buffer**
Country	**%**	**$m**	**$m**	**%**
Hong Kong	1.0	4,450	1,695	0.005
Norway	1.0	299	131	0.001
Other	-	904,877	325,736	0.000
Total	**n/a**	**909,626**	**327,562**	**0.006**

3.4 Leverage Ratio

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

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

The leverage ratio calculation is presented in the disclosure template below. The leverage ratio increased from 5.84% at 30 September 2020 to 5.99% at 31 March 2021. The leverage ratio numerator increased by more than the denominator with Tier 1 capital increasing by $2.4 billion or 4.2% and total exposures increasing by $16.3 billion or 1.7%.

The increase in Tier 1 capital was mainly due to an increase in retained profits, partially offset by a decrease in Additional Tier 1 capital of $542 million. Additional Tier 1 decreased due to the redemption of NAB Convertible Preference Shares II and the National Income Securities, partially offset by the issuance of NAB Capital Notes 5.

The increase in total exposures was primarily driven by an increase in on-balance sheet exposures of $26.2 billion, mainly related to an increase in amounts due from other banks and loans and advances of $28.5 billion and $6.4 billion respectively, partially offset by a decrease in trading securities of $12.2 billion. The increase in on-balance sheet exposures was partially offset by a decrease in securities financing transaction exposures of $14.8 billion.

Table 3.4A: Leverage Ratio Disclosure Template

		As at 31 Mar 21 $m	As at 30 Sep 20 $m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	769,067	743,244
2	(Asset amounts deducted in determining Tier 1 capital)	(9,712)	(10,067)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**759,355**	**733,177**
Derivative exposures[1]			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,234	11,664
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	21,532	17,755
6	Gross-up for derivatives collateral provided where not included in on-balance sheet items	1,397	3,383
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(3,506)	(4,618)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	888	4,878
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(105)	(4,190)
11	**Total derivative exposures (sum of rows 4 to 10)**	**30,440**	**28,872**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	76,730	100,234
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(6,414)	(13,731)
14	Counterparty Credit Risk (CCR) exposure for SFT assets	9,962	8,620
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**80,278**	**95,123**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	205,999	201,593
18	(Adjustments for conversion to credit equivalent amounts)	(99,202)	(98,190)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**106,797**	**103,403**
Capital and total exposures			
20	**Tier 1 capital**	**58,487**	**56,131**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**976,870**	**960,575**
Leverage ratio			
22	**Leverage ratio**	**5.99%**	**5.84%**

(1) *Derivative exposures under the current exposure method.*

3.4 Leverage Ratio (continued)

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

		As at	
		31 Mar 21	30 Sep 20
		$m	$m
Items			
1	Total consolidated assets as per published financial statements	871,573	866,565
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1,713)	(1,999)
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	(37)	(5,947)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	9,962	8,620
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	106,797	103,403
7	Other adjustments	(9,712)	(10,067)
8	**Leverage ratio exposure**	**976,870**	**960,575**

Section 4

Credit Risk

4.1 General Disclosures

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

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

Table 4.1A: Credit Risk Exposures Summary

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

	As at 31 Mar 21					6 months ended 31 Mar 21
	Total exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss	Impaired facilities	Specific provision for credit impairment	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach						
Corporate (including SME)	268,715	126,791	1,583	1,022	515	46
Sovereign	125,352	1,720	3	-	-	-
Bank	32,853	8,026	11	-	-	-
Residential mortgage	393,688	111,366	1,108	316	104	19
Qualifying revolving retail	9,277	2,438	119	-	-	31
Retail SME	16,810	6,168	202	95	63	12
Other retail	3,012	2,178	96	4	3	18
Total IRB approach	**849,707**	**258,687**	**3,122**	**1,437**	**685**	**126**
Specialised lending	**65,996**	**57,471**	**941**	**217**	**95**	**1**
Subject to standardised approach						
Residential mortgage	1,638	1,255	-	11	4	-
Corporate	10,515	4,241	-	4	10	-
Other	1,117	432	-	-	-	-
Total standardised approach	**13,270**	**5,928**	**-**	**15**	**14**	**-**
Total exposure at default	**928,973**	**322,086**	**4,063**	**1,669**	**794**	**127**

	As at 30 Sep 20					6 months ended 30 Sep 20
	Total exposure at default	Risk-weighted assets (RWA)	Regulatory expected loss	Impaired facilities	Specific provision for credit impairment	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach						
Corporate (including SME)	266,121	132,922	1,697	1,228	562	215
Sovereign	94,173	2,143	4	-	-	-
Bank	34,982	8,856	11	-	-	-
Residential mortgage	386,773	106,269	1,044	314	110	23
Qualifying revolving retail	9,393	2,524	135	-	-	63
Retail SME	17,052	5,983	186	86	58	17
Other retail	3,228	2,281	116	4	3	35
Total IRB approach	**811,722**	**260,978**	**3,193**	**1,632**	**733**	**353**
Specialised lending	**66,618**	**59,465**	**1,113**	**221**	**95**	**10**
Subject to standardised approach						
Residential mortgage	1,706	1,296	-	11	4	-
Corporate	11,054	4,355	-	2	8	1
Other	1,046	418	-	-	-	-
Total standardised approach	**13,806**	**6,069**	**-**	**13**	**12**	**1**
Total exposure at default	**892,146**	**326,512**	**4,306**	**1,866**	**840**	**364**

4.1 General Disclosures (continued)

Table 4.1B: Total and Average Credit Risk Exposures

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

	As at 31 Mar 21				6 months ended 31 Mar 21
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	Average total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	159,231	85,554	23,930	**268,715**	267,418
Sovereign	110,785	1,797	12,770	**125,352**	109,763
Bank	18,765	1,776	12,312	**32,853**	33,918
Residential mortgage	340,869	52,819	-	**393,688**	390,230
Qualifying revolving retail	4,073	5,204	-	**9,277**	9,335
Retail SME	12,099	4,711	-	**16,810**	16,931
Other retail	1,995	1,017	-	**3,012**	3,120
Total IRB approach	**647,817**	**152,878**	**49,012**	**849,707**	**830,715**
Specialised lending	**56,339**	**8,362**	**1,295**	**65,996**	**66,307**
Subject to standardised approach					
Residential mortgage	1,495	143	-	**1,638**	1,672
Corporate	4,562	689	5,264	**10,515**	10,785
Other	1,115	2	-	**1,117**	1,081
Total standardised approach	**7,172**	**834**	**5,264**	**13,270**	**13,538**
Total exposure at default	**711,328**	**162,074**	**55,571**	**928,973**	**910,560**

	As at 30 Sep 20				6 months ended 30 Sep 20
	On-balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure at default	Average total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	159,620	83,412	23,089	**266,121**	274,555
Sovereign	79,999	817	13,357	**94,173**	89,918
Bank	22,562	1,604	10,816	**34,982**	39,324
Residential mortgage	336,540	50,233	-	**386,773**	387,846
Qualifying revolving retail	3,957	5,436	-	**9,393**	9,788
Retail SME	12,400	4,652	-	**17,052**	17,134
Other retail	2,141	1,087	-	**3,228**	3,525
Total IRB approach	**617,219**	**147,241**	**47,262**	**811,722**	**822,090**
Specialised lending	**56,175**	**8,538**	**1,905**	**66,618**	**67,413**
Subject to standardised approach					
Residential mortgage	1,589	117	-	**1,706**	1,757
Corporate	4,900	690	5,464	**11,054**	11,065
Other	1,044	2	-	**1,046**	1,017
Total standardised approach	**7,533**	**809**	**5,464**	**13,806**	**13,839**
Total exposure at default	**680,927**	**156,588**	**54,631**	**892,146**	**903,342**

4.1 General Disclosures (continued)

Table 4.1C: Credit Risk Exposures by Geography

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

	As at 31 Mar 21			
	Australia	New Zealand	Asia, Europe and Americas	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach				
Corporate (including SME)	180,631	41,530	46,554	**268,715**
Sovereign	99,280	10,474	15,598	**125,352**
Bank	21,232	3,671	7,950	**32,853**
Residential mortgage	345,335	48,353	-	**393,688**
Qualifying revolving retail	9,277	-	-	**9,277**
Retail SME	15,092	1,718	-	**16,810**
Other retail	1,335	1,677	-	**3,012**
Total IRB approach	**672,182**	**107,423**	**70,102**	**849,707**
Specialised lending	**56,968**	**7,296**	**1,732**	**65,996**
Subject to standardised approach				
Residential mortgage	1,591	11	36	**1,638**
Corporate	9,384	796	335	**10,515**
Other	1,117	-	-	**1,117**
Total standardised approach	**12,092**	**807**	**371**	**13,270**
Total exposure at default	**741,242**	**115,526**	**72,205**	**928,973**

	As at 30 Sep 20			
	Australia	New Zealand	Asia, Europe and Americas	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach				
Corporate (including SME)	179,170	41,578	45,373	**266,121**
Sovereign	71,693	8,956	13,524	**94,173**
Bank	20,474	5,580	8,928	**34,982**
Residential mortgage	341,549	45,224	-	**386,773**
Qualifying revolving retail	9,393	-	-	**9,393**
Retail SME	15,280	1,772	-	**17,052**
Other retail	1,441	1,787	-	**3,228**
Total IRB approach	**639,000**	**104,897**	**67,825**	**811,722**
Specialised lending	**57,299**	**7,537**	**1,782**	**66,618**
Subject to standardised approach				
Residential mortgage	1,651	12	43	**1,706**
Corporate	9,756	610	688	**11,054**
Other	1,046	-	-	**1,046**
Total standardised approach	**12,453**	**622**	**731**	**13,806**
Total exposure at default	**708,752**	**113,056**	**70,338**	**892,146**

4.1 General Disclosures (continued)

Table 4.1D: Credit Risk Exposures by Industry

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

	As at 31 Mar 21														
	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)]**	**Total exposure at default**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach															
Corporate (including SME)	8,837	52,385	20,139	12,681	9,214	62,344	-	18,112	60	-	27,609	25,318	11,539	20,477	**268,715**
Sovereign	-	-	-	-	-	67,689	57,491	-	-	-	-	-	-	172	**125,352**
Bank	-	-	-	-	-	30,513	2,340	-	-	-	-	-	-	-	**32,853**
Residential mortgage	-	-	-	-	-	-	-	-	-	393,688	-	-	-	-	**393,688**
Qualifying revolving retail	-	-	-	-	-	-	-	-	9,277	-	-	-	-	-	**9,277**
Retail SME	785	3,752	2,457	293	2,096	1,067	-	1,070	7	-	2,636	897	44	1,706	**16,810**
Other retail	-	-	-	-	-	-	-	-	3,012	-	-	-	-	-	**3,012**
Total IRB approach	**9,622**	**56,137**	**22,596**	**12,974**	**11,310**	**161,613**	**59,831**	**19,182**	**12,356**	**393,688**	**30,245**	**26,215**	**11,583**	**22,355**	**849,707**
Specialised lending	**73**	**1,153**	**24**	**60,564**	**303**	**-**	**-**	**-**	**4**	**-**	**-**	**978**	**2,201**	**696**	**65,996**
Subject to standardised approach															
Residential mortgage	-	-	-	-	-	-	-	-	-	1,638	-	-	-	-	**1,638**
Corporate	13	107	412	25	68	6,428	-	252	14	86	517	141	3	2,449	**10,515**
Other	-	-	-	-	-	-	-	-	1,040	19	-	-	-	58	**1,117**
Total standardised approach	**13**	**107**	**412**	**25**	**68**	**6,428**	**-**	**252**	**1,054**	**1,743**	**517**	**141**	**3**	**2,507**	**13,270**
Total exposure at default	**9,708**	**57,397**	**23,032**	**73,563**	**11,681**	**168,041**	**59,831**	**19,434**	**13,414**	**395,431**	**30,762**	**27,334**	**13,787**	**25,558**	**928,973**

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

4.1 General Disclosures (continued)

	As at 30 Sep 20														
	Accommodation and hospitality	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Government and public authorities**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Utilities**	**Other**	**Total exposure at default**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach															
Corporate (including SME)	9,089	51,838	20,332	12,118	9,088	59,100	-	18,380	77	-	27,342	25,970	12,091	20,696	**266,121**
Sovereign	-	-	-	-	-	32,210	61,786	-	-	-	-	-	-	177	**94,173**
Bank	-	-	-	-	-	31,013	3,969	-	-	-	-	-	-	-	**34,982**
Residential mortgage	-	-	-	-	-	-	-	-	-	386,773	-	-	-	-	**386,773**
Qualifying revolving retail	-	-	-	-	-	-	-	-	9,393	-	-	-	-	-	**9,393**
Retail SME	810	3,793	2,458	344	2,093	1,112	-	1,079	13	-	2,671	908	39	1,732	**17,052**
Other retail	-	-	-	-	-	-	-	-	3,228	-	-	-	-	-	**3,228**
Total IRB approach	**9,899**	**55,631**	**22,790**	**12,462**	**11,181**	**123,435**	**65,755**	**19,459**	**12,711**	**386,773**	**30,013**	**26,878**	**12,130**	**22,605**	**811,722**
Specialised lending	**145**	**1,281**	**104**	**60,582**	**383**	**6**	**-**	**-**	**4**	**-**	**-**	**1,194**	**2,550**	**369**	**66,618**
Subject to standardised approach															
Residential mortgage	-	-	-	-	-	-	-	-	-	1,706	-	-	-	-	**1,706**
Corporate	5	75	363	18	56	6,888	-	254	11	82	533	130	5	2,634	**11,054**
Other	-	-	-	-	-	-	-	-	984	17	-	-	-	45	**1,046**
Total standardised approach	**5**	**75**	**363**	**18**	**56**	**6,888**	**-**	**254**	**995**	**1,805**	**533**	**130**	**5**	**2,679**	**13,806**
Total exposure at default	**10,049**	**56,987**	**23,257**	**73,062**	**11,620**	**130,329**	**65,755**	**19,713**	**13,710**	**388,578**	**30,546**	**28,202**	**14,685**	**25,653**	**892,146**

4.1 General Disclosures (continued)

Table 4.1E: Credit Risk Exposures by Maturity

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

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.

	As at 31 Mar 21				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	100,499	137,548	23,177	7,491	268,715
Sovereign	67,104	18,222	39,918	108	125,352
Bank	19,535	10,991	2,321	6	32,853
Residential mortgage	24,611	6,621	362,456	-	393,688
Qualifying revolving retail	-	-	-	9,277	9,277
Retail SME	6,779	6,983	2,443	605	16,810
Other retail	251	852	254	1,655	3,012
Total IRB approach	**218,779**	**181,217**	**430,569**	**19,142**	**849,707**
Specialised lending	**32,861**	**29,133**	**3,634**	**368**	**65,996**
Subject to standardised approach					
Residential mortgage	111	37	1,490	-	1,638
Corporate	5,048	2,642	2,690	135	10,515
Other	995	119	3	-	1,117
Total standardised approach	**6,154**	**2,798**	**4,183**	**135**	**13,270**
Total exposure at default	**257,794**	**213,148**	**438,386**	**19,645**	**928,973**

	As at 30 Sep 20				
	<12 months	1 – 5 years	>5 years	No specified maturity	Total exposure at default
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	95,281	136,514	26,251	8,075	266,121
Sovereign	31,410	20,630	41,980	153	94,173
Bank	16,250	15,473	3,253	6	34,982
Residential mortgage	26,509	6,177	354,087	-	386,773
Qualifying revolving retail	-	-	-	9,393	9,393
Retail SME	6,943	7,028	2,479	602	17,052
Other retail	219	945	301	1,763	3,228
Total IRB approach	**176,612**	**186,767**	**428,351**	**19,992**	**811,722**
Specialised lending	**31,383**	**31,196**	**3,751**	**288**	**66,618**
Subject to standardised approach					
Residential mortgage	97	42	1,567	-	1,706
Corporate	5,495	2,787	2,618	154	11,054
Other	916	128	2	-	1,046
Total standardised approach	**6,508**	**2,957**	**4,187**	**154**	**13,806**
Total exposure at default	**214,503**	**220,920**	**436,289**	**20,434**	**892,146**

4.1 General Disclosures (continued)

Credit Provisions and Losses

Table 4.1F: Provisions by Asset Class

The following table provides information on asset quality.

	As at 31 Mar 21			6 months ended 31 Mar 21	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	1,022	337	515	15	46
Residential mortgage	316	4,836	104	12	19
Qualifying revolving retail	-	21	-	34	31
Retail SME	95	326	63	10	12
Other retail	4	46	3	12	18
Total IRB approach	**1,437**	**5,566**	**685**	**83**	**126**
Specialised lending	**217**	**62**	**95**	**(1)**	**1**
Subject to standardised approach					
Residential mortgage	11	35	4	-	-
Corporate	4	1	10	2	-
Total standardised approach	**15**	**36**	**14**	**2**	**-**
Total	**1,669**	**5,664**	**794**	**84**	**127**
Additional regulatory specific provisions			1,547		
Total regulatory specific provisions			**2,341**		
General reserve for credit losses			**3,662**		

	As at 30 Sep 20			6 months ended 30 Sep 20	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
Subject to IRB approach					
Corporate (including SME)	1,228	284	562	211	215
Residential mortgage	314	3,530	110	16	23
Qualifying revolving retail	-	27	-	75	63
Retail SME	86	268	58	17	17
Other retail	4	58	3	32	35
Total IRB approach	**1,632**	**4,167**	**733**	**351**	**353**
Specialised lending	**221**	**58**	**95**	**36**	**10**
Subject to standardised approach					
Residential mortgage	11	29	4	-	-
Corporate	2	1	8	2	1
Total standardised approach	**13**	**30**	**12**	**2**	**1**
Total	**1,866**	**4,255**	**840**	**389**	**364**
Additional regulatory specific provisions			1,648		
Total regulatory specific provisions			**2,488**		
General reserve for credit losses			**3,888**		

4.1 General Disclosures (continued)

Table 4.1G: Provisions by Industry

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

	As at 31 Mar 21			6 months ended 31 Mar 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
Industry sector					
Accommodation and hospitality	79	55	45	3	3
Agriculture, forestry, fishing and mining	357	114	91	(4)	4
Business services and property services	134	89	67	-	13
Commercial property	239	76	104	(1)	2
Construction	59	80	34	10	4
Finance and insurance	39	16	34	1	-
Manufacturing	61	44	44	1	16
Personal	7	69	3	44	51
Residential mortgages	327	4,871	108	12	19
Retail and wholesale trade	187	130	131	8	6
Transport and storage	115	67	72	2	7
Utilities	-	1	-	-	-
Other[(1)]	65	52	61	8	2
Total	**1,669**	**5,664**	**794**	**84**	**127**
Additional regulatory specific provisions			**1,547**		

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

	As at 30 Sep 20			6 months ended 30 Sep 20	
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	Specific credit impairment charge	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation and hospitality	69	52	44	26	48
Agriculture, forestry, fishing and mining	475	114	103	10	88
Business services and property services	147	59	65	18	12
Commercial property	244	68	104	37	4
Construction	49	62	28	4	7
Finance and insurance	39	13	33	17	18
Manufacturing	140	49	82	39	23
Personal	7	88	3	109	101
Residential mortgages	324	3,559	115	16	23
Retail and wholesale trade	201	118	143	52	28
Transport and storage	105	39	68	34	2
Utilities	-	1	-	-	6
Other	66	33	52	27	4
Total	**1,866**	**4,255**	**840**	**389**	**364**
Additional regulatory specific provisions			**1,648**		

4.1 General Disclosures (continued)

Table 4.1H: Provisions by Geography

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

	As at 31 Mar 21			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	1,198	5,509	601	4,549
New Zealand	453	148	184	614
Asia, Europe and Americas	18	7	9	46
Total	**1,669**	**5,664**	**794**	**5,209**
Additional regulatory specific provisions			1,547	(1,547)
Plus reserve created through retained profits				-
General reserve for credit losses (GRCL)				**3,662**

	As at 30 Sep 20			
	Impaired facilities	Past due facilities ≥90 days	Specific provision for credit impairment	General reserve for credit losses
		$m	$m	$m
Geographic region				
Australia	1,277	4,082	608	4,831
New Zealand	561	163	219	649
Asia, Europe and Americas	28	10	13	56
Total	**1,866**	**4,255**	**840**	**5,536**
Regulatory specific provisions			1,648	(1,648)
Plus reserve created through retained profits				-
General reserve for credit losses (GRCL)				**3,888**

4.1 General Disclosures (continued)

Table 4.1I: Movement in Provisions

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

	6 months ended 31 Mar 21 $m	6 months ended 30 Sep 20 $m
General reserve for credit losses		
Collective provision balance at beginning of period	5,191	4,008
Net transfer to specific provision	(77)	(112)
New and increased provision (net of releases)	(132)	1,330
Foreign currency translation and other adjustments	(7)	(35)
Collective provision on loans and advances at amortised cost	4,975	5,191
Collective provisions on loans and derivatives at fair value	234	345
Less additional regulatory specific provisions	(1,547)	(1,648)
General reserve for credit losses	**3,662**	**3,888**
Specific provisions		
Balance at beginning of period	820	827
Net transfer from collective provision	77	112
New and increased provisions (net of releases)	138	383
Write-backs of specific provisions	(98)	(94)
Write-offs from specific provisions	(163)	(398)
Foreign currency translation and other adjustments	(4)	(10)
Specific provisions on loans and advances at amortised cost	770	820
Specific provisions on loans and derivatives at fair value	24	20
Additional regulatory specific provisions	1,547	1,648
Total regulatory specific provisions	**2,341**	**2,488**
Total provisions	**6,003**	**6,376**

Factors Impacting Loss Experience in the Period

90+ days past due loans
90+ days past due facilities at 31 March 2021 increased compared to 30 September 2020 primarily driven by customers who had COVID-19 deferrals expire across the Australian mortgage portfolio and to a lesser extent the Business and Private Banking business lending portfolio.

Impaired facilities
Impaired facilities as at 31 March 2021 decreased compared to 30 September 2020 predominantly driven by business turnarounds for a small number of larger exposures within the Corporate and Institutional Banking and New Zealand Banking business lending portfolios.

Specific provision for credit impairment
Specific provisions for credit impairment at 31 March 2021 decreased compared to 30 September 2020 mainly due to write-backs of specific provisions for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Specific credit impairment charge
The specific credit impairment charge for the six months ended 31 March 2021 was $84 million, $305 million lower than the six months ended 30 September 2020. This was largely due to lower charges in Business and Private Banking, New Zealand Banking and Corporate and Institutional Banking, combined with write-backs for a small number of larger exposures in the current period.

Net write-offs
Net write-offs for the six months ended 31 March 2021 was $127 million, $237 million lower than the six months ended 30 September 2020, due to a lower level of write-off activity across the Group's lending portfolio.

4.1 General Disclosures (continued)

Table 4.1J (i): Loss Experience

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

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

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

	As at 31 Mar 21	
Exposure type	**Exposure weighted average actual loss (net write-offs)[(1)] $m**	**Exposure weighted average regulatory expected loss[(1)] $m**
Subject to IRB approach		
Corporate (including SME)	388	2,150
Sovereign	-	2
Bank	2	39
Residential mortgage	83	952
Qualifying revolving retail	165	219
Retail SME	62	230
Other retail	95	151
Total IRB approach	**795**	**3,742**

[(1)] *These values provide a comparison of actual losses (net write-offs) and regulatory expected loss averaged over a period of eleven years to 31 March 2021.*

	As at 30 Sep 20	
Exposure type	**Exposure weighted average actual loss (net write-offs)[(1)] $m**	**Exposure weighted average regulatory expected loss[(1)] $m**
Subject to IRB approach		
Corporate (including SME)	427	2,100
Sovereign	-	4
Bank	4	40
Residential mortgage	85	908
Qualifying revolving retail	171	214
Retail SME	65	228
Other retail	98	145
Total IRB approach	**850**	**3,639**

[(1)] *These values provide a comparison of actual losses (net write-offs) and regulatory expected loss averaged over a period of eleven years to 30 September 2020.*

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

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

4.1 General Disclosures (continued)

Accuracy of Risk Estimates

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

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 2020 Pillar 3 Report.

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

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

	As at 31 Mar 21		
	Average estimated PD[(1)]	Average actual PD[(1)]	Ratio of estimated to actual EAD
Exposure type	%	%	
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
Residential mortgage[(3)]	0.95	0.91	1.0
Qualifying revolving retail	1.57	1.43	1.1
Retail SME	2.28	2.09	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.*
(3) *Estimated PDs includes BNZ assets subject to RBNZ calibration overlay.*

	As at 30 Sep 20		
	Average estimated PD[(1)]	Average actual PD[(1)]	Ratio of estimated to actual EAD
Exposure type	%	%	
Subject to IRB approach			
Corporate (including SME)	1.71	1.71	1.0
Sovereign	0.43	0.10	1.2
Bank	0.37	0.11	1.1
Residential mortgage	0.92	0.89	1.0
Qualifying revolving retail	1.51	1.48	1.1
Retail SME	2.24	2.14	1.1
Other retail	2.72	2.86	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 30 September 2020.*

	As at 31 Mar 20		
	Average estimated PD[(1)]	Average actual PD[(1)]	Ratio of estimated to actual EAD
Exposure type	%	%	
Subject to IRB approach			
Corporate (including SME)	1.69	1.64	1.1
Sovereign	0.45	0.07	1.1
Bank	0.39	0.15	1.0
Residential mortgage	0.95	0.88	1.0
Qualifying revolving retail	1.57	1.48	1.1
Retail SME	2.24	2.09	1.1
Other retail	2.77	2.88	1.1

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

4.1 General Disclosures (continued)

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

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

Actual LGD has been calculated using net write-offs from defaults beginning 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.

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

	As at 30 Sep 20	
	Average estimated[(1)] downturn LGD	Average actual[(1)] LGD
Exposure type	**%**	**%**
Subject to IRB approach		
Corporate (including SME)	38.5	22.9
Sovereign	45.0	n/a
Bank	51.1	1.3
Residential mortgage	20.5	4.7
Qualifying revolving retail	85.3	54.0
Retail SME	35.2	18.3
Other retail	75.9	45.6

(1) *These values provide a comparison of internal estimates of downturn LGD with actual losses which were evidenced during the eleven years to 30 September 2020.*

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

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

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 APRA standardised approach, as presented in the table below. APRA's external rating grades table is used to map external ratings into an external rating grade or credit rating grade that defines the appropriate risk-weight as outlined in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk.*

External rating grade classification

External rating grade	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 4.2A: Standardised Exposures by Risk-weight

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

	As at	
	31 Mar 21	30 Sep 20
	Total exposure at default	Total exposure at default
Standardised approach risk-weights	$m	$m
2%	5,171	5,529
4%	186	368
20%	1,979	1,764
35%	131	122
50%	333	364
75%	523	598
100%	4,751	4,879
150%	40	26
Central counterparty default fund contribution guarantee[1]	156	156
Total exposure at default subject to the standardised approach	**13,270**	**13,806**

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

Table 4.2B: Standardised Exposures by Risk Grade

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

	As at	
	31 Mar 21	30 Sep 20
	Total exposure at default	Total exposure at default
Asset class by rating grade	$m	$m
Residential mortgage		
Unrated	1,638	1,706
Corporate		
External rating grade 1	3,836	3,948
External rating grade 2	1,738	1,929
Unrated	4,941	5,178
Sub-total	10,515	11,055
Other		
Unrated	1,117	1,045
Total exposure at default subject to the standardised approach	**13,270**	**13,806**

4.2 Standardised and Supervisory Slotting Portfolios (continued)

Portfolios Subject to Supervisory Risk-weights in the IRB Approach

Table 4.2C: Supervisory Slotting Exposures by Risk-weight

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

	As at	
	31 Mar 21	30 Sep 20
	Total exposure at default	Total exposure at default
Unexpected loss risk-weights	$m	$m
70%	24,521	23,192
90%	32,973	33,123
115%	7,302	8,737
250%	586	774
Default	614	792
Total specialised lending exposure subject to supervisory slotting	**65,996**	**66,618**

4.3 Internal Ratings-based Portfolios

Table 4.3A: Non-retail Exposures by Risk Grade

The following table provides a breakdown of non-retail credit exposures by PD risk grade. 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.

	As at 31 Mar 21						
	PD risk grade mapping						
External credit rating equivalent	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2	Ba3, B1	B2 and below	Default
	0<0.03%	0.03<0.11%	0.11<0.55%	0.55<2.00%	2.00<5.01%	5.01<99.99%	100%
Subject to IRB approach	$m	$m	$m	$m	$m	$m	$m
Exposure at default							
Corporate (including SME)	-	62,227	95,559	83,289	20,271	5,002	2,367
Sovereign	118,037	7,137	66	8	104	-	-
Bank	-	29,240	3,471	137	2	3	-
Total exposure at default	**118,037**	**98,604**	**99,096**	**83,434**	**20,377**	**5,005**	**2,367**
Undrawn commitments[(1)]							
Corporate (including SME)	-	24,030	31,540	15,106	2,960	560	110
Sovereign	1,465	249	18	1	1	-	-
Bank	-	776	310	6	-	-	-
Total undrawn commitments	**1,465**	**25,055**	**31,868**	**15,113**	**2,961**	**560**	**110**
Subject to IRB approach							
Average total exposure at default ($m)[(2)]							
Corporate (including SME)	-	1.87	0.82	0.57	0.37	0.39	0.40
Sovereign	31.76	5.03	0.33	0.05	2.03	0.03	-
Bank	-	1.87	0.05	2.54	0.06	0.28	-
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	50.5%	35.4%	30.6%	29.3%	31.5%	38.5%
Sovereign	4.0%	38.8%	44.9%	49.3%	15.2%	45.0%	-
Bank	-	52.3%	57.1%	59.6%	46.9%	59.6%	-
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	24.1%	39.7%	56.8%	71.5%	128.2%	189.9%
Sovereign	0.7%	11.4%	34.6%	91.3%	55.6%	147.5%	-
Bank	-	21.0%	50.4%	94.1%	141.6%	227.9%	-

(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)

	As at 30 Sep 20						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2**	**Ba3, B1**	**B2 and below**	**Default**
	0<0.03%	**0.03<0.11%**	**0.11<0.55%**	**0.55<2.00%**	**2.00<5.01%**	**5.01<99.99%**	**100%**
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default							
Corporate (including SME)	-	60,970	93,480	81,784	21,357	5,574	2,956
Sovereign	82,126	11,947	91	7	2	-	-
Bank	-	31,693	3,207	77	2	3	-
Total exposure at default	**82,126**	**104,610**	**96,778**	**81,868**	**21,361**	**5,577**	**2,956**
Undrawn commitments							
Corporate (including SME)	-	25,181	29,000	14,407	2,988	632	99
Sovereign	332	395	18	-	1	-	-
Bank	-	767	110	6	-	-	-
Total undrawn commitments	**332**	**26,343**	**29,128**	**14,413**	**2,989**	**632**	**99**

Subject to IRB approach							
Average total exposure at default ($m)							
Corporate (including SME)	-	1.81	0.85	0.56	0.37	0.37	0.57
Sovereign	23.64	8.45	0.46	0.04	0.03	0.09	-
Bank	-	2.01	0.17	1.26	0.05	0.28	-
Exposure-weighted average LGD (%)							
Corporate (including SME)	-	50.0%	36.0%	31.0%	30.1%	32.7%	38.2%
Sovereign	4.2%	41.1%	40.5%	44.2%	45.0%	45.0%	-
Bank	-	49.4%	58.6%	59.2%	44.2%	59.6%	-
Exposure-weighted average risk-weight (%)							
Corporate (including SME)	-	25.2%	40.8%	58.0%	73.4%	131.6%	231.0%
Sovereign	1.1%	10.3%	32.8%	81.0%	132.7%	147.5%	-
Bank	-	21.4%	62.4%	80.7%	150.1%	225.8%	-

4.3 Internal Ratings-based Portfolios (continued)

Table 4.3B: Retail Exposures by Risk Grade

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

	As at 31 Mar 21					
	PD risk grade					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default						
Residential mortgage	80,767	160,109	121,424	14,068	11,786	5,534
Qualifying revolving retail	2,663	3,300	1,956	907	427	24
Retail SME	2,143	5,553	5,710	2,078	636	690
Other retail	849	516	736	548	307	56
Total exposure at default	**86,422**	**169,478**	**129,826**	**17,601**	**13,156**	**6,304**
Undrawn commitments[(1)]						
Residential mortgage	31,144	15,572	5,460	514	102	27
Qualifying revolving retail	2,340	2,141	581	102	38	2
Retail SME	1,268	1,585	941	242	59	42
Other retail	580	223	157	41	15	1
Total undrawn commitments	**35,332**	**19,521**	**7,139**	**899**	**214**	**72**
Subject to IRB approach						
Average total exposure at default ($m)[(2)]						
Residential mortgage	0.21	0.33	0.29	0.39	0.42	0.37
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.04	0.05	0.04	0.04	0.02	0.04
Other retail	small	small	small	0.01	small	small
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.1%	19.9%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.1%	74.7%	75.5%	75.5%	76.9%
Retail SME	25.0%	25.7%	28.2%	28.7%	30.7%	33.8%
Other retail	85.0%	81.8%	77.5%	74.8%	75.8%	82.7%
Exposure-weighted average risk-weight (%)						
Residential mortgage	5.7%	17.3%	33.4%	77.0%	124.7%	210.4%
Qualifying revolving retail	3.4%	9.9%	32.0%	69.5%	161.8%	301.9%
Retail SME	6.2%	14.5%	32.7%	51.2%	85.8%	234.2%
Other retail	13.8%	43.2%	86.6%	110.1%	148.3%	252.1%

(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)

	As at 30 Sep 20					
	PD risk grade					
	0<0.1%	0.1<0.5%	0.5<2.0%	2.0<5.0%	5.0<99.9%	100%
Subject to IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exposure at default						
Residential mortgage	80,224	158,043	117,976	15,179	11,146	4,205
Qualifying revolving retail	2,782	3,242	1,911	942	486	30
Retail SME	1,831	5,843	5,953	2,139	697	589
Other retail	875	549	837	575	323	69
Total exposure at default	**85,712**	**167,677**	**126,677**	**18,835**	**12,652**	**4,893**
Undrawn commitments						
Residential mortgage	30,126	14,510	4,969	506	91	31
Qualifying revolving retail	2,476	2,211	587	110	50	2
Retail SME	1,065	1,692	970	258	65	32
Other retail	605	243	176	45	17	1
Total undrawn commitments	**34,272**	**18,656**	**6,702**	**919**	**223**	**66**

Subject to IRB approach						
Average total exposure at default ($m)						
Residential mortgage	0.20	0.33	0.28	0.39	0.41	0.34
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.04	0.05	0.04	0.04	0.02	0.04
Other retail	small	small	small	0.01	small	0.01
Exposure-weighted average LGD (%)						
Residential mortgage	20.0%	20.0%	20.2%	19.9%	20.0%	20.0%
Qualifying revolving retail	74.0%	74.1%	74.6%	75.5%	75.5%	78.8%
Retail SME	25.6%	25.8%	28.1%	29.0%	30.2%	33.9%
Other retail	85.0%	81.7%	77.2%	74.7%	76.1%	80.8%
Exposure-weighted average risk-weight (%)						
Residential mortgage	5.7%	17.3%	33.8%	77.2%	124.6%	201.6%
Qualifying revolving retail	3.4%	9.8%	32.4%	69.3%	164.7%	132.7%
Retail SME	6.3%	14.7%	32.6%	51.7%	84.8%	233.2%
Other retail	13.8%	43.7%	86.3%	109.9%	146.5%	137.5%

4.4 Credit Risk Mitigation

Table 4.4A: Mitigation by Eligible Financial Collateral

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

	As at 31 Mar 21	
	Total exposure at default	Eligible financial collateral applied
Exposure type	**$m**	**$m**
Subject to IRB approach		
Corporate (including SME)	268,715	67,379
Sovereign	125,352	25,366
Bank	32,853	28,808
Residential mortgage	393,688	-
Qualifying revolving retail	9,277	-
Retail SME	16,810	5
Other retail	3,012	2
Total IRB approach	**849,707**	**121,560**
Specialised lending	**65,996**	**288**
Subject to standardised approach		
Residential mortgage	1,638	-
Corporate	10,515	31,153
Other	1,117	28
Total standardised approach	**13,270**	**31,181**
Total exposure at default	**928,973**	**153,029**

	As at 30 Sep 20	
	Total exposure at default	Eligible financial collateral applied
Exposure type	**$m**	**$m**
Subject to IRB approach		
Corporate (including SME)	266,121	77,361
Sovereign	94,173	22,271
Bank	34,982	39,562
Residential mortgage	386,773	-
Qualifying revolving retail	9,393	-
Retail SME	17,052	5
Other retail	3,228	-
Total IRB approach	**811,722**	**139,199**
Specialised lending	**66,618**	**331**
Subject to standardised approach		
Residential mortgage	1,706	-
Corporate	11,054	40,607
Other	1,046	31
Total standardised approach	**13,806**	**40,638**
Total exposure at default	**892,146**	**180,168**

4.4 Credit Risk Mitigation (continued)

Table 4.4B: Mitigation by Guarantees and Credit Derivatives

The following table provides details of guarantees and credit derivatives.

	As at 31 Mar 21		
Exposure type	Total exposure at default $m	Covered by guarantees $m	Covered by credit derivatives $m
Subject to IRB approach			
Corporate (including SME)	268,715	27,009	-
Sovereign	125,352	-	-
Bank	32,853	50	-
Residential mortgage	393,688	-	-
Qualifying revolving retail	9,277	-	-
Retail SME	16,810	-	-
Other retail	3,012	-	-
Total IRB approach	**849,707**	**27,059**	**-**
Specialised lending	**65,996**	**-**	**-**
Subject to standardised approach			
Residential mortgage	1,638	-	-
Corporate	10,515	-	-
Other	1,117	-	-
Total standardised approach	**13,270**	**-**	**-**
Total exposure at default	**928,973**	**27,060**	**-**

	As at 30 Sep 20		
Exposure type	Total exposure at default $m	Covered by guarantees $m	Covered by credit derivatives $m
Subject to IRB approach			
Corporate (including SME)	266,121	26,604	-
Sovereign	94,173	-	-
Bank	34,982	86	-
Residential mortgage	386,773	-	-
Qualifying revolving retail	9,393	-	-
Retail SME	17,052	-	-
Other retail	3,228	-	-
Total IRB approach	**811,722**	**26,690**	**-**
Specialised lending	**66,618**	**-**	**-**
Subject to standardised approach			
Residential mortgage	1,706	-	-
Corporate	11,054	-	-
Other	1,046	-	-
Total standardised approach	**13,806**	**-**	**-**
Total exposure at default	**892,146**	**26,690**	**-**

4.5 Counterparty Credit Risk

Table 4.5A (i): Net Derivatives Credit Exposure

The following table provide 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 21	30 Sep 20
	$m	$m
Gross positive fair value of derivative contracts	91,722	118,765
Netting and collateral benefits	(79,345)	(104,412)
Replacement cost (RC)	**12,377**	**14,353**
Potential future credit exposure	15,349	13,907
Effective expected positive exposure	**27,726**	**28,260**
Impact of 1.4 scaling factor and incurred credit valuation adjustment(1)	10,932	11,123
Total net derivatives credit exposure	**38,658**	**39,383**

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

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

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

	31 Mar 21	30 Sep 20
	Exposure at default	Exposure at default
Exposure type	$m	$m
Interest rate contracts	12,063	15,396
Foreign exchange and gold contracts	17,050	16,055
Equity contracts	1,800	46
Commodity contracts other than precious metals	1,915	2,020
Other market related contracts	25	25
Central counterparty(1)	5,805	5,841
Total exposure at default	**38,658**	**39,383**

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

Table 4.5B: Credit Derivative Transactions

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

	As at 31 Mar 21			As at 30 Sep 20		
	Protection bought notional	Protection sold notional	Total notional	Protection bought notional	Protection sold notional	Total notional
	$m	$m	$m	$m	$m	$m
Credit derivatives products used for own credit portfolio						
Credit default swaps	3,860	-	3,860	8,259	4,183	12,442
Credit derivatives products used for intermediation						
Credit default swaps	105	888	993	92	695	787
Total credit derivative notional value	**3,965**	**888**	**4,853**	**8,351**	**4,878**	**13,229**

Section 5

Securitisation

Table 5.1A: Exposures Securitised

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

- capital relief - significant risk transfer of the underlying exposure is achieved for regulatory 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).

	As at 31 Mar 21			
	Group originated capital relief	Group originated funding only	Group[(1)] originated internal RMBS	Third party originated assets
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	1,831	1,104	130,351	-

[(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 $115,575 million (September 2020: $133,831 million).*

	As at 30 Sep 20			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Third party originated assets
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	2,100	1,248	148,465	-

There were no exposures securitised either in the trading book or synthetically by the Group as at 31 March 2021 or 30 September 2020.

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

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

	As at 31 Mar 21			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	133,286	67	1,214	-

	As at 30 Sep 20			
	Outstanding exposure	Impaired facilities	Past due facilities ≥90 days	Losses recognised
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	151,813	73	736	-

Table 5.1C: 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.

	6 months ended 31 Mar 21			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	(269)	(144)	(18,114)	-

	6 months ended 30 Sep 20			
	Group originated capital relief	Group originated funding only	Group originated internal RMBS	Gain or loss on sale
Underlying asset	**$m**	**$m**	**$m**	**$m**
Residential mortgage	(298)	(415)	65,245	-

The Group has no banking book exposures that are intended to be securitised into internal RMBS vehicles as at 31 March 2021 or 30 September 2020. There were no outstanding trading book exposures intended to be securitised as at 31 March 2021 or 30 September 2020.

Table 5.1D: Securitisation Exposures Retained or Purchased

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

	As at 31 Mar 21			As at 30 Sep 20		
	On-balance sheet	Off-balance sheet	Total	On-balance sheet	Off-balance sheet	Total
Securitisation exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Liquidity facilities	325	1,282	**1,607**	170	1,529	**1,699**
Warehouse facilities	12,495	5,207	**17,702**	11,745	6,626	**18,371**
Securities	7,934	-	**7,934**	8,123	-	**8,123**
Derivatives	-	88	**88**	-	106	**106**
Total	**20,754**	**6,577**	**27,331**	**20,038**	**8,261**	**28,299**

The Group had $788 million of derivative exposures held in the trading book subject to IMA under APS 116 as at 31 March 2021 (30 September 2020: $728 million). The Group had no trading book exposures subject to APS 120 which were either risk-weighted or deducted from capital at 31 March 2021 or 30 September 2020.

The Group had no exposures subject to early amortisation in either the banking or trading book at 31 March 2021 or 30 September 2020.

Table 5.1E: Securitisation Exposures by Risk-weight

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

	As at 31 Mar 21		As at 30 Sep 20	
	Exposure	RWA	Exposure	RWA
Risk-weight bands	**$m**	**$m**	**$m**	**$m**
15% ≤ 25%	26,532	4,449	27,306	4,602
> 25% ≤ 35%	275	71	583	164
> 35% ≤ 50%	109	45	24	10
> 50% ≤ 75%	360	202	312	181
> 75% ≤ 100%	1	1	20	16
> 100% ≤ 650%	27	59	29	73
> 650% ≤ 850%	16	112	15	115
>850% < 1250%	8	89	7	76
Deductions from CET1 capital[(1)]	3	-	3	-
Total	**27,331**	**5,028**	**28,299**	**5,237**

[(1)] *Deductions relate to subordinated exposure to residential mortgages.*

Section 6

Market Risk

Table 6.1A: Market Risk Risk-weighted Assets

	As at	
	31 Mar 21	30 Sep 20
	$m	$m
Standard method	370	424
Internal model approach	12,256	12,254
Market risk RWA	**12,626**	**12,678**

Table 6.1B: Standard Method Risk-weighted Assets

	As at	
	31 Mar 21	30 Sep 20
	$m	$m
Interest rate risk	362	417
Equity position risk	8	7
Foreign exchange risk	-	-
Commodity risk	-	-
Standard method RWA	**370**	**424**

Table 6.1C: Internal Model Approach VaR

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

	6 months ended 31 Mar 21			As at
	Mean value	Minimum[(1)] value	Maximum[(1)] value	31 Mar 21
	$m	$m	$m	$m
VaR at a 99% confidence level				
Foreign exchange risk	4.0	0.8	8.6	5.3
Interest rate risk	15.8	9.6	27.3	12.3
Volatility risk	3.3	1.9	4.7	3.9
Commodities risk	1.3	0.5	3.3	2.2
Credit risk	2.3	1.7	3.6	2.8
Inflation risk	2.2	1.1	3.1	2.7
Diversification benefit	(11.4)	n/a	n/a	(14.1)
Total diversified VaR at a 99% confidence level	**17.5**	**10.1**	**29.5**	**15.1**
Other market risks[(2)]	7.8	5.7	10.9	7.9
Total VaR for physical and derivative positions[(3)]	**25.3**	**15.8**	**40.4**	**23.0**

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

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

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

	6 months ended 30 Sep 20			As at
	Mean value	Minimum value	Maximum value	30 Sep 20
	$m	$m	$m	$m
VaR at a 99% confidence level				
Foreign exchange risk	2.0	0.5	5.6	0.8
Interest rate risk	12.8	7.0	24.0	10.1
Volatility risk	4.4	3.6	5.5	4.7
Commodities risk	0.9	0.4	1.7	1.1
Credit risk	2.1	1.2	2.9	2.1
Inflation risk	2.2	1.1	3.1	1.7
Diversification benefit	(9.5)	n/a	n/a	(9.2)
Total diversified VaR at a 99% confidence level	**14.9**	**10.3**	**24.2**	**11.3**
Other market risks	5.8	3.6	10.0	10.0
Total VaR for physical and derivative positions	**20.7**	**13.9**	**34.2**	**21.3**

Table 6.1D: Internal Model Approach Stressed VaR

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

	6 months ended 31 Mar 21			As at
	Mean value	Minimum[(1)] value	Maximum[(1)] value	31 Mar 21
	$m	$m	$m	$m
Stressed VaR at risk at a 99% confidence level				
Foreign exchange risk	7.7	1.3	15.9	13.3
Interest rate risk	45.3	28.9	65.8	34.1
Volatility risk	5.7	3.6	9.7	4.3
Commodities risk	0.8	0.4	2.5	1.3
Credit risk	11.7	8.2	13.6	11.9
Inflation risk	2.5	1.8	3.2	2.8
Diversification benefit	(28.2)	n/a	n/a	(30.1)
Total diversified stressed VaR at a 99% confidence level	**45.5**	**31.2**	**64.6**	**37.6**
Other market risks[(2)]	31.5	23.6	39.0	30.1
Total stressed VaR for physical and derivative positions[(3)]	**77.0**	**54.8**	**103.6**	**67.7**

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

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

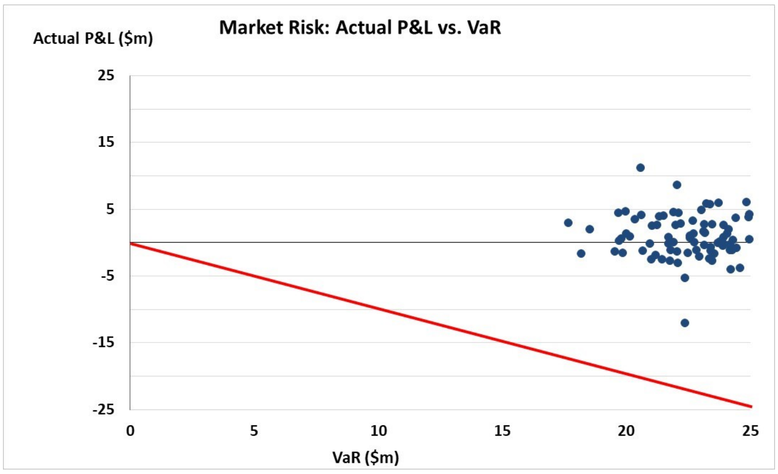
(3) Stressed VaR is measured individually for foreign exchange risk, interest rate risk, volatility risk, commodities risk, credit risk and inflation risk. Risk limits are applied in these categories separately, and against the total risk position.

	6 months ended 30 Sep 20			As at
	Mean value	Minimum value	Maximum value	30 Sep 20
	$m	$m	$m	$m
Stressed VaR at a 99% confidence level				
Foreign exchange risk	4.4	1.0	14.6	1.6
Interest rate risk	37.1	20.1	65.1	37.0
Volatility risk	9.4	7.0	12.2	9.0
Commodities risk	0.8	0.5	1.8	0.6
Credit risk	10.2	8.6	13.1	11.1
Inflation risk	2.9	1.6	4.0	2.4
Diversification benefit	(27.0)	n/a	n/a	(25.5)
Total diversified stressed VaR at a 99% confidence level	**37.8**	**23.8**	**62.5**	**36.2**
Other market risks	24.6	15.7	39.2	39.2
Total stressed VaR for physical and derivative positions	**62.4**	**39.5**	**101.7**	**75.4**

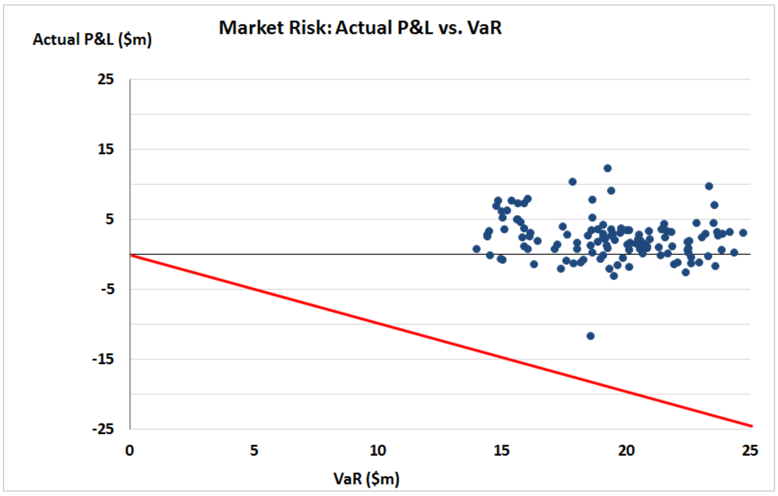
Back-testing Results

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

Results for the six months ended 31 March 2021



Results for the six months ended 30 September 2020



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 2021 or the six months ended 30 September 2020. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's guidelines.

Section 7

Balance Sheet and Liquidity Risk

7.1 Interest Rate Risk in the Banking Book

Table 7.1A: Impact on Economic Value from Rate Shocks

The following table provides the increase or decrease in economic value for upward and downward rate shocks broken down by currency. The 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 21		As at 30 Sep 20	
	200 bp parallel increase	200 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease
	$m	$m	$m	$m
Change in economic value				
AUD	(417)	480	(296)	359
CAD	-	-	-	-
CHF	1	(1)	-	-
EUR	(31)	33	(14)	15
GBP	(8)	8	(5)	5
HKD	-	-	-	-
JPY	3	(4)	10	(10)
NZD	(127)	131	(222)	237
USD	4	(7)	(53)	57
Other	2	(1)	-	-
Total change in economic value	**(573)**	**639**	**(580)**	**663**

7.2 Equity Holdings in the Banking Book

Table 7.2A: Equity Holdings in the Banking Book

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

	As at 31 Mar 21		As at 30 Sep 20	
	Carrying value	Fair value	Carrying value	Fair value
	$m	$m	$m	$m
Unlisted equities	689	689	575	575

Table 7.2B: Gains and Losses from Equity Holdings

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

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

	31 Mar 21	30 Sep 20
	$m	$m
Gains/(losses) on equity investments		
Realised losses	(9)	-
Cumulative unrealised losses	(275)	(268)

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 2021 and 31 December 2020 is presented in Table 7.3A *Liquidity Coverage Ratio Disclosure Template*, and is based on a simple average of daily LCR outcomes excluding non-business days.

Average liquid assets for the three months ended 31 March 2021 and 31 December 2020 were $184 billion and $205 billion respectively, of which HQLA were on average $137 billion and $139 billion respectively and Alternative Liquid Assets (ALA) were on average $45 billion and $65 billion respectively. ALA relate to the CLF and the TFF provided by the RBA. The ALA value used in the LCR calculation is the lesser of the undrawn portion of these facilities and the value of the collateral held at any given time to support these facilities. This collateral is a combination of internal RMBS and other marketable securities eligible for repurchase with the RBA. The drawn portion of the CLF relates to accounts held with the RBA for the settlement of daily payment obligations.

Average LCR for the three months ended 31 March 2021 decreased to 136% as a result of a $22 billion reduction in average liquid assets and a $5 billion reduction in average net cash outflows. The decrease in liquid assets was driven by a reduction in the CLF limit during February 2021 from $50 billion to $31 billion and a further $1 billion reduction in the TFF limit. The decrease in net cash outflows was largely driven by lower three notch downgrade outflows as a result of updates to documentation relating to NAB's secured funding programmes, which was partially offset by an increase in deposit outflows.

7.3 Liquidity Disclosures (continued)

Table 7.3A: Liquidity Coverage Ratio Disclosure Template

		3 months ended			
		31 Mar 21 62 data points		31 Dec 20 62 data points	
		Total unweighted value (average) $m[(1)]	Total weighted value (average) $m	Total unweighted value (average) $m[(1)]	Total weighted value (average) $m
Liquid assets, of which:			**183,575**		**205,270**
1	High-quality liquid assets (HQLA)[(2)(3)]		137,297		138,751
2	Alternative liquid assets (ALA)[(3)]		44,595		64,886
3	Reserve Bank of New Zealand (RBNZ) securities[(2)(3)]		1,683		1,633
Cash outflows					
4	Retail deposits and deposits from small business customers	234,713	24,865	230,927	23,629
5	of which: stable deposits	106,701	5,335	105,244	5,262
6	of which: less stable deposits	128,012	19,530	125,683	18,367
7	Unsecured wholesale funding	169,688	80,914	167,053	78,275
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	83,700	20,925	82,756	20,689
9	of which: non-operational deposits (all counterparties)	73,173	47,174	71,607	44,896
10	of which: unsecured debt	12,815	12,815	12,690	12,690
11	Secured wholesale funding[(3)]		2,915		2,162
12	Additional requirements	187,630	37,061	193,159	44,442
13	of which: outflows related to derivatives exposures and other collateral requirements	18,436	18,436	24,824	24,824
14	of which: outflows related to loss of funding on debt products	-	-	-	-
15	of which: credit and liquidity facilities	169,194	18,625	168,335	19,618
16	Other contractual funding obligations	1,325	616	1,314	622
17	Other contingent funding obligations	54,737	3,810	58,273	3,998
18	**Total cash outflows**		**150,181**		**153,128**
Cash inflows					
19	Secured lending	74,581	1,588	86,181	1,543
20	Inflows from fully performing exposures	22,890	12,656	20,554	11,149
21	Other cash inflows	1,160	1,160	1,041	1,041
22	**Total cash inflows**	**98,631**	**15,404**	**107,776**	**13,733**
23	**Total liquid assets**		**183,575**		**205,270**
24	**Total net cash outflows**		**134,777**		**139,395**
25	**Liquidity Coverage Ratio (%)**		**136%**		**147%**

(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 2021 and 31 December 2020 was on average $5 billion and $6 billion respectively.*

(3) *APS 330 does not require unweighted amounts to be reported for these items.*

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 2021 and 31 December 2020 is presented in Table 7.3B *Net Stable Funding Ratio Disclosure Template*, and is based on spot balances. The NSFR decreased to 122% as at 31 March 2021 with $546 billion of ASF to meet $448 billion of RSF. The reduction was primarily driven by higher RSF requirements on assets previously collateralising the CLF which no longer receive concessional treatment and lower ASF from changes in deposit mix along with lower wholesale funding.

7.3 Liquidity Disclosures (continued)

Table 7.3B: Net Stable Funding Ratio Disclosure Template

		As at 31 Mar 2021				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	61,392	-	-	21,941	83,333
2	of which: regulatory capital	61,392	-	-	21,941	83,333
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	218,120	62,515	264	30	258,505
5	of which: stable deposits	102,204	11,120	-	-	107,658
6	of which: less stable deposits	115,916	51,395	264	30	150,847
7	Wholesale funding	130,913	196,146	32,868	103,424	202,946
8	of which: operational deposits	83,011	-	-	-	41,506
9	of which: other wholesale funding	47,902	196,146	32,868	103,424	161,440
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	17,095	-	1,387	1,387
12	of which: NSFR derivative liabilities[1]			4,161		
13	of which: all other liabilities and equity not included in the above categories	-	12,934	-	1,387	1,387
14	**Total ASF**					**546,171**
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					3,993
15b	Alternative liquid assets (ALA)					5,668
15c	RBNZ securities					241
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	11,552	133,427	47,404	431,375	398,369
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	53,538	4,509	-	7,608
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	30	15,227	7,485	13,531	19,587
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):	11,017	55,741	28,379	124,330	153,550
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	11,028	7,168
22	of which: performing residential mortgages:	-	7,345	6,587	283,365	206,945
23	of which: with a risk-weight equal to 35% under APS 112	-	7,345	6,587	240,987	170,924
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	505	1,576	444	10,149	10,679
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	19,670	4,422	24	24,229	30,860
27	of which: physical traded commodities, including gold	537				456
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)[1]			2,933		2,493
29	of which: NSFR derivative assets[1]			7,881		3,720
30	of which: NSFR derivative liabilities before deduction of variation margin posted[1]			11,591		2,318
31	of which: all other assets not included in the above categories	19,133	4,422	24	1,824	21,873
32	Off-balance sheet items[1]			176,388		9,297
33	**Total RSF**					**448,428**
34	**Net Stable Funding Ratio (%)**					**122%**

[1] *These amounts are not required by APS 330 to be allocated to a maturity bucket.*

7.3 Liquidity Disclosures (continued)

		As at 31 Dec 2020				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available Stable Funding (ASF) Item						
1	Capital	59,944	-	-	22,258	82,202
2	of which: regulatory capital	59,944	-	-	22,258	82,202
3	of which: other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	214,615	69,508	457	42	262,417
5	of which: stable deposits	111,523	13,536	-	-	118,805
6	of which: less stable deposits	103,092	55,972	457	42	143,612
7	Wholesale funding	118,884	206,771	25,664	109,241	206,249
8	of which: operational deposits	79,313	-	-	-	39,656
9	of which: other wholesale funding	39,571	206,771	25,664	109,241	166,593
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	16,340	-	1,420	1,420
12	of which: NSFR derivative liabilities[(1)]			6,047		
13	of which: all other liabilities and equity not included in the above categories	-	10,293	-	1,420	1,420
14	**Total ASF**					**552,288**
Required Stable Funding (RSF) Item						
15a	High-quality liquid assets (HQLA) for NSFR purposes					4,389
15b	Alternative liquid assets (ALA)					7,724
15c	RBNZ securities					337
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	12,204	147,272	45,384	411,619	384,324
18	of which: performing loans to financial institutions secured by Level 1 HQLA	-	70,395	3,768	-	8,924
19	of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	41	12,200	5,024	12,700	17,083
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):	11,228	56,025	30,593	124,681	154,254
21	of which: with a risk-weight of less than or equal to 35% under APS 112	-	-	-	10,911	7,092
22	of which: performing residential mortgages:	-	6,641	5,912	271,112	199,078
23	of which: with a risk-weight equal to 35% under APS 112	-	6,641	5,912	228,741	163,062
24	of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	935	2,011	87	3,126	4,985
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	18,596	1,058	52	32,907	30,450
27	of which: physical traded commodities, including gold	473				402
28	of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)[(1)]			1,886		1,603
29	of which: NSFR derivative assets[(1)]			9,322		3,275
30	of which: NSFR derivative liabilities before deduction of variation margin posted[(1)]			19,655		3,931
31	of which: all other assets not included in the above categories	18,123	1,058	52	2,044	21,239
32	Off-balance sheet items[(1)]			174,724		9,140
33	**Total RSF**					**436,364**
34	**Net Stable Funding Ratio (%)**					**127%**

[(1)] *These amounts are not required by APS 330 to be allocated to a maturity bucket.*

Section 8

Glossary

Term	Description
Additional regulatory specific provisions	In line with APRA's July 2017 guidance "Provisions for regulatory purposes and AASB 9 Financial Instruments", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as general reserve for credit losses.
ADI	Authorised Deposit-taking Institution.
Advanced Internal Ratings-based approach (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Advanced Measurement Approach (AMA)	The risk estimation process used for operational risk, combining internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
Alternative liquid assets (ALA)	Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency in the Liquidity Coverage Ratio framework. The Committed Liquidity Facility and Term Funding Facility provided by the Reserve Bank of Australia to ADIs are treated as 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 a reliable source of funds over a one-year time horizon.
Banking book	Exposures not contained in the trading book.
BCBS	Basel Committee on Banking Supervision.
BNZ	Bank of New Zealand.
Central counterparty (CCP)	A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.
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.
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, EFC is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based approach, EFC is limited to the collateral items detailed in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*. Recognition of EFC is subject to the minimum conditions detailed in APS 112.
Exposure at default (EaD)	An estimate of the credit exposure amount outstanding if an obligor defaults. EaD is presented net of eligible financial collateral.
Extended Licensed Entity	The ADI and any APRA approved subsidiaries assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 *Associations with Related Entities*.
General Reserve for Credit Losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 *Credit Quality*. 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). Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
Group	NAB and its controlled entities.
High-quality liquid assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 *Liquidity*.
Impaired facilities	Impaired facilities consist of: - retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with insufficient security to cover principal and interest - unsecured portfolio managed facilities that are 180 days past due (if not written off) - 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 - 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 standardised approach.
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 *Capital Adequacy.* It is a simple, non-risk based measure to supplement the RWA based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Loss given default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.
NAB	National Australia Bank Limited ABN 12 004 044 937.
Net Stable Funding Ratio (NSFR)	A ratio of the amount of available stable funding to the amount of required stable funding.
Net write-offs	Write-offs, net of recoveries.
Past due facilities ≥ 90 days	Well-secured assets that are more than 90 days past due and portfolio managed facilities that are not well secured and between 90 and 180 days past due. For eligible COVID-19 payment deferrals granted in respect of otherwise performing loans, the counting of

Term	Description
	days past due is stopped when the repayment deferral is granted in accordance with APRA guidance. Past due facilities do not include impaired facilities.
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 card exposures qualify for this asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory expected loss (EL)	A calculation of the estimated loss that may be experienced over the next 12 months. Regulatory expected loss calculations are based on the probability of default, loss given default and exposure at default values of the portfolio at the time of the estimate which includes stressed loss given default for economic conditions. As such, regulatory expected loss is not an estimate of long-run average expected loss.
Required Stable Funding (RSF)	A function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Risk-weighted assets (RWA)	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
RMBS	Residential mortgage-backed securities.
Securitisation exposures	Securitisation exposures include the following exposure types: - liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the 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 *Financial Instruments*.
Standardised approach	An alternative approach to the assessment of credit risk whereby an ADI uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine risk-weighted assets.
Standard method	The standard method for market risk 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.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 *Capital Adequacy: Measurement of Capital*.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Tier 2 capital	Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Total capital	The sum of Tier 1 capital and Tier 2 capital.
Total capital ratio	Total capital divided by risk-weighted assets.
Trading book	Positions in financial instruments, including derivative products and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.
Value at Risk (VaR)	A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.
Write-offs	A reduction in the carrying amount of loans and advances at amortised cost and fair value where there is no reasonable expectation of recovery of a portion or the entire exposure.

Section 9

Reference to APS 330 Tables

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