2011 RISK & CAPITAL REPORT

Incorporating the requirements of APS 330

Half Year Update

31 March 2011

National Australia Bank

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1. Introduction

The Group, as defined in *Section 2. Scope of Application*, applies the Basel II framework as a cornerstone of its risk management framework and capital strategy, and recognises it is critical for achieving the Group's strategic agenda.

In Australia, the Australian Prudential Regulation Authority ("APRA") has regulatory responsibility for the implementation of Basel II through the release of prudential standards.

This Risk and Capital Report addresses the requirements of APRA's Pillar 3 public disclosure standard, *Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information* ("APS 330") for the six months ending 31 March 2011.

All figures are in Australian dollars ("AUD") unless otherwise noted.

1.1 The Group's Basel II Methodologies

National Australia Bank Limited and its controlled entities operate in Australia, Asia, New Zealand, United Kingdom, and the United States of America. The following table sets out the methodologies applied across the Group as at 31 March 2011.

The Group's Basel II Methodologies

Basel II Approach	Credit Risk	Operational Risk	Non-Traded Market Risk	Traded Market Risk
National Australia Bank Limited	Advanced IRB	AMA	IRRBB	Standardised and IMA
Bank of New Zealand	Advanced IRB	AMA	IRRBB	n/a
Clydesdale Bank PLC	Standardised	Standardised	IRRBB	n/a
Great Western Bank	Basel I	n/a	IRRBB [1]	n/a

(1) Calculated using an interim measure.

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

Bank of New Zealand ("BNZ") credit risk exposures consolidated in the Group position are calculated under Reserve Bank of New Zealand ("RBNZ") requirements.

The Group's subsidiary in the United Kingdom, Clydesdale Bank PLC, is regulated by the Financial Services Authority ("FSA"). Clydesdale Bank PLC has been accredited to apply the standardised approach to operational and credit risk management in accordance with the FSA's requirements.

Great Western Bank ("GWB") is regulated in the United States of America by the South Dakota Division of Banking, the Federal Deposit Insurance Corporation and the Federal Reserve System. GWB uses Basel I methodology for Credit Risk, which is reported under 'Standardised – Other' for the purposes of calculating the consolidated Group position. A program of work is underway to move the calculation to Basel II Standardised methodology.

Effective 31 December 2010, Interest Rate Risk in the Banking Book ("IRRBB") Risk-Weighted Assets ("RWA") relating to GWB has been calculated and included in the Group's results. IRRBB for GWB is not calculated using the IRRBB internal model. A proxy measurement basis is currently being used to calculate RWA for GWB.

1.2 APS 330 Disclosure Governance

The National Australia Bank Group's External Disclosure Policy defines Board and management accountabilities for APS 330 disclosure, including processes and practices to ensure the integrity and timeliness of prudential disclosures and compliance with Group policies.

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

Disclosure controls and procedures have been designed and implemented to effectively manage prudential reporting risk.

2. Scope of Application

This disclosure applies to the Level 2 consolidated Group, comprising National Australia Bank Limited ("the Company") and the entities it controls subject to certain exceptions set out below ("the Group").

The controlled entities in the Level 2 Group include the Bank of New Zealand, Clydesdale Bank PLC, Great Western Bank and other financial entities (e.g. finance companies and leasing companies).

Life insurance and funds management entities are excluded from the calculation of Basel II RWA and the related controlled entities are deconsolidated from the National Australia Bank Group for the purposes of calculating capital adequacy. Capital adequacy deductions are applied to the investments in, and profits of, these activities.

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

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

For financial reporting, the National Australia Bank Group applies International Financial Reporting Standards ("IFRS"). Under IFRS the National Australia Bank Group consolidates all entities in which it has the power to govern the financial and operating policies so as to obtain benefit from their activities. This includes life insurance, funds management and securitisation SPVs used to house securitised assets. As noted above, these entities receive a different treatment for Level 2 regulatory consolidation purposes.

A list of material controlled entities included in the consolidated National Australia Bank Group for financial reporting purposes can be found in the Company's 30 September 2010 Annual Financial Report.

Table 2A: Scope of Application

	As at	
	31 Mar 11	30 Sep 10
Capital deficiencies in non-consolidated subsidiaries	**$m**	**$m**
Aggregate amount of under capitalisation in non-consolidated subsidiaries of the ADI group	-	-

Restrictions on the Transfer of Funds and Regulatory Capital within the National Australia Bank Group

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

Each major banking subsidiary works with the Group to manage capital to target capital ranges recommended by Treasury and approved by their local Boards. Any capital transfer is subject to maintaining adequate subsidiary and National Australia Bank Limited capitalisation.

Clydesdale Bank PLC

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

Bank of New Zealand

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

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

3. Regulatory Environment

Basel Regulatory Reforms

The Basel Committee has released the majority of its reform package relating to its proposals for both capital and liquidity ("Basel III").

There are a number of areas with the potential for material impact on both capital and liquidity which remain subject to clarification from APRA. APRA has indicated it will release discussion papers by mid-2011 as part of an ongoing consultation process.

During the period, APRA and the Reserve Bank of Australia ("RBA") announced that Authorised Deposit-taking Institutions ("ADIs") will be able to establish a committed secured liquidity facility with the RBA to facilitate compliance with the liquidity proposals.

Other Reform Proposals

In addition to the Basel Committee reforms, the Group is focused on other areas of regulatory change relating to capital management and funding. Key reform proposals that may affect the Group include:

- APRA's Level 3 Conglomerate Supervision proposals;
- APRA's proposed changes to capital adequacy for life and general insurance businesses;
- The potential impacts of the US Dodd-Frank requirements;
- The UK Independent Commission on Banking;
- APRA's Basel II enhancements; and
- RBNZ proposal addressing agricultural lending.

4. Capital

4.1 Capital Adequacy

Table 4.1A: RWA

The following table provides the Basel II RWA for the Group.

	As at 31 Mar 11 RWA $m	As at 30 Sep 10 RWA $m
Credit risk [(1)]		
IRB approach		
Corporate (including SME)	116,297	116,128
Sovereign [(2) (3)]	1,028	1,044
Bank [(3) (4)]	6,651	5,842
Residential mortgage [(4)]	51,389	48,909
Qualifying revolving retail [(4)]	4,186	3,991
Retail SME	8,985	9,174
Other retail	3,699	3,749
Total IRB approach	**192,235**	**188,837**
Specialised lending (SL)	**41,762**	**40,606**
Standardised approach		
Australian and foreign governments [(2) (3)]	49	41
Bank [(3)]	269	270
Residential mortgage	21,785	22,944
Corporate	27,698	29,333
Other	9,171	11,036
Total standardised approach	**58,972**	**63,624**
Other		
Securitisation	10,209	11,103
Equity	1,541	1,342
Other [(5)]	6,906	6,833
Total other	**18,656**	**19,278**
Total credit risk	**311,625**	**312,345**
Market risk	3,159	3,079
Operational risk	21,862	22,234
Interest rate risk in the banking book	8,565	7,000
Total risk-weighted assets	**345,211**	**344,658**

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

(2) *'Sovereign' includes government guaranteed exposures.*

(3) *As at 31 March 2011, the Group held $4.5 billion (September 2010: $5.1 billion) of government guaranteed Financial Institution Debt. This resulted in the application of lower risk weights on these holdings with a reduction in RWA of $0.9 billion (September 2010: $1.2 billion) and an effective increase in Tier 1 capital ratio of 0.02% (September 2010: 0.03%) and Total capital ratio of 0.03% (September 2010: 0.04%). This debt is assessed in accordance with normal credit approval processes. While the Australian Government guarantee shall remain for existing Financial Institution Debt guaranteed under the scheme, the Australian Federal Government revoked this arrangement for new issuance from 31 March 2010.*

(4) *For IRB approach: 'Bank' includes ADIs, overseas banks and non-commercial public sector entities. 'Residential mortgages' includes exposures that are partly or fully secured by residential properties. 'Qualifying revolving retail' exposures are revolving, unsecured and unconditionally cancellable (both contractually and in practice), for individuals and not explicitly for business purposes.*

(5) *'Other' includes non-lending asset exposures that are not covered in the above categories. Non-lending assets are specifically excluded from credit risk exposures shown on pages 9 to 31 of this report.*

Table 4.1B: Capital Ratios

The table below provides the key capital ratios defined in APS 330. Capital ratios for offshore banking subsidiaries reflect host regulator discretions. Clydesdale Bank PLC and Bank of New Zealand capital ratios are assessed on a consolidated basis in line with the local regulatory framework.

	As at	
	31 Mar 11	30 Sep 10
Capital ratios (1)	%	%
Level 2 Tier 1 capital ratio	9.19%	8.91%
Level 2 total capital ratio	11.33%	11.36%
Level 1 National Australia Bank Tier 1 capital ratio	11.00%	10.75%
Level 1 National Australia Bank total capital ratio	13.08%	13.11%
Significant subsidiaries		
Clydesdale Bank PLC Tier 1 capital ratio (2)	9.62%	9.00%
Clydesdale Bank PLC total capital ratio (2)	15.14%	14.10%
Bank of New Zealand Tier 1 capital ratio	8.49%	8.85%
Bank of New Zealand total capital ratio	11.29%	11.81%
Great Western Bank Tier 1 capital ratio	11.90%	11.41%
Great Western Bank total capital ratio	13.15%	12.61%

(1) *Level 1 group represents the extended license entity. The Level 2 group represents the consolidation of Group and all its subsidiary entities, other than non-consolidated subsidiaries as outlined in Section 2 Scope of Application of this report.*

(2) *The Clydesdale Bank Total and Tier 1 Capital Ratio includes the impact, net of tax, of the additional provision of the £100 million relating to the UK banking industry Payment Protection Insurance ("PPI") issue, as outlined in the National Australia Bank Limited Group's ASX announcement dated Thursday 19 May 2011.*

4.2 Capital Structure

Table 4.2A: Capital Structure [1]

	As at 31 Mar 11 $m	As at 30 Sep 10 $m
Tier 1 capital		
Paid-up ordinary share capital	20,708	19,924
Reserves	(2,366)	(1,478)
Retained earnings including current year earnings	15,517	14,414
Minority interests	15	14
Innovative Tier 1 capital	4,414	4,502
Non-innovative Tier 1 capital	2,742	2,742
Gross Tier 1 capital	**41,030**	**40,118**
Deductions from Tier 1 capital		
Banking goodwill	1,667	1,747
Wealth management goodwill and other intangibles	4,277	4,248
Deferred tax assets	717	916
Other deductions from Tier 1 capital only	1,352	1,285
50/50 deductions from Tier 1 capital		
Investment in non-consolidated controlled entities	866	791
Expected loss in excess of eligible provisions	252	312
Other	161	126
Total Tier 1 capital deductions	**9,292**	**9,425**
Net Tier 1 capital	**31,738**	**30,693**
Tier 2 capital		
Upper Tier 2 capital	900	957
Lower Tier 2 capital	7,836	8,824
Gross Tier 2 capital	**8,736**	**9,781**
Deductions from Tier 2 capital		
Deductions from Tier 2 capital only	75	75
50/50 deductions from Tier 2 capital		
Investment in non-consolidated controlled entities	866	791
Expected loss in excess of eligible provisions	252	312
Other	161	126
Total Tier 2 capital deductions	**1,354**	**1,304**
Net Tier 2 capital	**7,382**	**8,477**
Total capital	**39,120**	**39,170**

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

5. Credit Risk

5.1 General Disclosure

Table 5.1A: Credit Risk Exposures Summary

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

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

	As at 31 Mar 11					6 months ended 31 Mar 11
	Total exposure (EaD) [1] [2]	Risk-weighted Assets	Regulatory expected loss	Impaired facilities [3]	Specific provisions [4]	Net write-offs
Exposure Type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	177,571	116,297	3,192	2,542	645	321
Sovereign [5]	26,913	1,028	2	-	-	-
Bank	58,223	6,651	86	36	36	-
Residential mortgage	239,040	51,389	823	626	142	47
Qualifying revolving retail	10,693	4,186	230	-	-	90
Retail SME	19,706	8,985	320	160	79	37
Other retail	4,542	3,699	160	10	5	36
Total IRB approach	**536,688**	**192,235**	**4,813**	**3,374**	**907**	**531**
Specialised lending (SL)	**46,842**	**41,762**	**1,733**	**1,355**	**253**	**259**
Standardised approach						
Australian and foreign governments [5]	2,951	49	-	-	-	-
Bank	6,753	269	-	-	-	-
Residential Mortgage	41,023	21,785	-	97	18	2
Corporate	28,065	27,698	-	1,329	214	157
Other	9,724	9,171	-	103	23	81
Total standardised approach	**88,516**	**58,972**	**-**	**1,529**	**255**	**240**
Total	**672,046**	**292,969**	**6,546**	**6,258**	**1,415**	**1,030**
Additional regulatory specific provisions [4]					522	
General reserve for credit losses [6]					2,867	

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

(2) *Note: It is not possible to compare credit exposure to banks and sovereigns in the table above to holdings in the liquidity portfolio that are separately disclosed as part of the National Australia Bank Limited's 2011 Half Year Results and Investor Presentation. Major differences include the treatment of repo transactions, trading securities and derivative exposures.*

(3) *Impaired facilities includes $212 million of restructured loans (September 2010: $239 million), which includes $24 million of restructured fair value assets (September 2010: nil).*

Impaired facilities includes $255 million of gross impaired fair value assets (September 2010: $284 million).

In the United States there is US$135 million (September 2010: US$133 million) of "Other Real Estate Owned" assets where the Group assumed ownership or foreclosed in the settlement of debt. Of this amount, US$113 million (September 2010: US$ 111 million) is covered by the Federal Deposit Insurance Corporation ("FDIC") Loss Sharing Agreement, where the FDIC will absorb 80% of losses arising in recovery of these assets. The real estate assets are included in other assets on the Group's balance sheet and are not included as impaired facilities.

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

Specific provisions includes $120 million (September 2010: $115 million) of specific provisions on gross impaired fair value assets.

(5) *'Sovereign' includes government guaranteed exposures.*

(6) *The General Reserve for Credit Losses ("GRCL") at 31 March 2011 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,488*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(160)*
Less collective provisions reported as additional regulatory specific provisions	*(522)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,806*
Less tax effect	*(690)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,116*
Plus reserve created through a deduction from retained earnings	*751*
General reserve for credit losses (after-tax basis)	*2,867*

Exposure Type	As at 30 Sep 10 Total exposure (EaD) $m	Risk-weighted Assets $m	Regulatory expected loss $m	Impaired facilities $m	Specific provisions $m	6 months ended 30 Sep 10 Net write-offs $m
IRB approach						
Corporate (including SME)	168,186	116,128	3,001	2,487	702	439
Sovereign	25,287	1,044	2	-	-	-
Bank	65,009	5,842	84	37	37	5
Residential mortgage	226,507	48,909	741	599	132	64
Qualifying revolving retail	10,277	3,991	218	-	-	103
Retail SME	20,181	9,174	323	165	89	54
Other retail	4,629	3,749	156	10	5	54
Total IRB approach	**520,076**	**188,837**	**4,525**	**3,298**	**965**	**719**
Specialised lending (SL)	**47,433**	**40,606**	**1,636**	**1,334**	**367**	**193**
Standardised approach						
Australian and foreign governments	3,864	41	-	-	-	-
Bank	7,613	270	-	-	-	-
Residential Mortgage	40,155	22,944	-	76	13	2
Corporate	29,800	29,333	-	1,240	154	269
Other	11,778	11,036	-	71	21	39
Total standardised approach	**93,210**	**63,624**	**-**	**1,387**	**188**	**310**
Total	**660,719**	**293,067**	**6,161**	**6,019**	**1,520**	**1,222**
Additional regulatory specific provisions					471	
General reserve for credit losses (1)					2,826	

(1) *The General Reserve for Credit Losses at 30 September 2010 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,570*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(170)*
Less collective provisions reported as additional regulatory specific provisions	*(471)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,929*
Less tax effect	*(801)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,128*
Plus reserve created through a deduction from retained earnings	*698*
General reserve for credit losses (after-tax basis)	*2,826*

Credit Exposures by Measurement Approach

Table 5.1B: Total Credit Risk Exposures

This table provides the amount of credit risk exposures subject to the Standardised and Advanced IRB approaches. The Group has no credit risk exposures subject to the Foundation IRB approach. Exposures exclude non-lending assets, equities and securitisation.

	As at 31 Mar 11			
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	112,137	44,138	21,296	**177,571**
Sovereign	17,151	625	9,137	**26,913**
Bank	25,247	995	31,981	**58,223**
Residential mortgage	205,396	33,644	-	**239,040**
Qualifying revolving retail	5,462	5,231	-	**10,693**
Retail SME	15,738	3,968	-	**19,706**
Other retail	3,361	1,181	-	**4,542**
Total IRB approach	**384,492**	**89,782**	**62,414**	**536,688**
Specialised lending (SL)	**40,843**	**5,273**	**726**	**46,842**
Standardised approach				
Australian and foreign governments	2,764	187	-	**2,951**
Bank	5,195	3	1,555	**6,753**
Residential mortgage	38,318	2,705	-	**41,023**
Corporate	23,281	4,334	450	**28,065**
Other	9,374	350	-	**9,724**
Total standardised approach	**78,932**	**7,579**	**2,005**	**88,516**
Total exposure (EaD)	**504,267**	**102,634**	**65,145**	**672,046**

	As at 30 Sep 10			
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	110,822	41,698	15,666	**168,186**
Sovereign	14,900	733	9,654	**25,287**
Bank	20,815	1,210	42,984	**65,009**
Residential mortgage	193,780	32,727	-	**226,507**
Qualifying revolving retail	5,125	5,152	-	**10,277**
Retail SME	16,267	3,914	-	**20,181**
Other retail	3,422	1,207	-	**4,629**
Total IRB approach	**365,131**	**86,641**	**68,304**	**520,076**
Specialised lending (SL)	**40,361**	**6,027**	**1,045**	**47,433**
Standardised approach				
Australian and foreign governments	3,684	180	-	**3,864**
Bank	6,030	3	1,580	**7,613**
Residential mortgage	37,769	2,386	-	**40,155**
Corporate	23,950	4,806	1,044	**29,800**
Other	10,608	1,170	-	**11,778**
Total standardised approach	**82,041**	**8,545**	**2,624**	**93,210**
Total exposure (EaD)	**487,533**	**101,213**	**71,973**	**660,719**

Table 5.1C: Average Credit Risk Exposures

The average credit risk exposure is the sum of the gross credit risk exposure at the beginning of the reporting period plus the gross credit risk exposure at the end of the reporting period divided by two.

	6 months ended 31 Mar 11			
Exposure type	On-balance sheet exposure $m	Non-market related off-balance sheet $m	Market related off-balance sheet $m	Average total exposure $m
IRB approach				
Corporate (including SME)	111,479	42,918	18,481	**172,878**
Sovereign	16,026	679	9,395	**26,100**
Bank	23,031	1,102	37,483	**61,616**
Residential mortgage	199,588	33,186	-	**232,774**
Qualifying revolving retail	5,294	5,191	-	**10,485**
Retail SME	16,002	3,941	-	**19,943**
Other retail	3,392	1,194	-	**4,586**
Total IRB approach	**374,812**	**88,211**	**65,359**	**528,382**
Specialised lending (SL)	**40,602**	**5,650**	**885**	**47,137**
Standardised approach				
Australian and foreign governments	3,224	183	-	**3,407**
Bank	5,612	3	1,568	**7,183**
Residential mortgage	38,043	2,546	-	**40,589**
Corporate	23,616	4,570	747	**28,933**
Other	9,991	760	-	**10,751**
Total standardised approach	**80,486**	**8,062**	**2,315**	**90,863**
Total exposure (EaD)	**495,900**	**101,923**	**68,559**	**666,382**

	6 months ended 30 Sep 10			
Exposure type	On-balance sheet exposure $m	Non-market related off-balance sheet $m	Market related off-balance sheet $m	Average total exposure $m
IRB approach				
Corporate (including SME)	117,576	41,554	14,754	**173,884**
Sovereign	13,934	732	9,074	**23,740**
Bank	20,823	1,384	44,782	**66,989**
Residential mortgage	187,826	32,245	-	**220,071**
Qualifying revolving retail	5,141	5,057	-	**10,198**
Retail SME	15,021	3,544	-	**18,565**
Other retail	3,458	1,235	-	**4,693**
Total IRB approach	**363,779**	**85,751**	**68,610**	**518,140**
Specialised lending (SL)	**35,386**	**5,205**	**868**	**41,459**
Standardised approach				
Australian and foreign governments	3,136	179	-	**3,315**
Bank	5,967	168	3,271	**9,406**
Residential mortgage	37,173	2,329	-	**39,502**
Corporate	24,659	4,472	866	**29,997**
Other	9,101	746	-	**9,847**
Total standardised approach	**80,036**	**7,894**	**4,137**	**92,067**
Total exposure (EaD)	**479,201**	**98,850**	**73,615**	**651,666**

Table 5.1D: Exposures by Geography

This table provides the total on- and off-balance sheet gross credit risk exposures, excluding non-lending assets, equities and securitisation exposures for the Standardised and Advanced IRB portfolios, by major geographical areas, derived from the booking office where the exposure was transacted.

	As at 31 Mar 11				
	Australia	Europe	New Zealand	Other [(1)]	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	135,067	15,698	22,471	4,335	**177,571**
Sovereign	18,145	1,844	2,810	4,114	**26,913**
Bank	37,661	11,805	1,996	6,761	**58,223**
Residential mortgage	217,358	-	21,682	-	**239,040**
Qualifying revolving retail	10,693	-	-	-	**10,693**
Retail SME	18,116	-	1,590	-	**19,706**
Other retail	2,590	-	1,952	-	**4,542**
Total IRB approach	**439,630**	**29,347**	**52,501**	**15,210**	**536,688**
Specialised lending (SL)	**41,813**	**1,234**	**2,602**	**1,193**	**46,842**
Standardised approach					
Australian and foreign governments	-	2,951	-	-	**2,951**
Bank	-	6,753	-	-	**6,753**
Residential mortgage	9,744	30,079	4	1,196	**41,023**
Corporate	4,013	23,972	24	56	**28,065**
Other	1,353	2,827	-	5,544	**9,724**
Total standardised approach	**15,110**	**66,582**	**28**	**6,796**	**88,516**
Total exposure (EaD)	**496,553**	**97,163**	**55,131**	**23,199**	**672,046**

[(1)] *'Other' comprises the United States of America and Asia.*

	As at 30 Sep 10				
	Australia	Europe	New Zealand	Other	Total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	126,156	13,361	23,942	4,727	**168,186**
Sovereign	20,067	740	1,918	2,562	**25,287**
Bank	44,581	12,719	1,968	5,741	**65,009**
Residential mortgage	204,559	-	21,948	-	**226,507**
Qualifying revolving retail	10,277	-	-	-	**10,277**
Retail SME	18,589	-	1,592	-	**20,181**
Other retail	2,633	-	1,996	-	**4,629**
Total IRB approach	**426,862**	**26,820**	**53,364**	**13,030**	**520,076**
Specialised lending (SL)	**43,367**	**1,403**	**1,537**	**1,126**	**47,433**
Standardised approach					
Australian and foreign governments	-	3,864	-	-	**3,864**
Bank	-	7,613	-	-	**7,613**
Residential mortgage	8,141	30,896	4	1,114	**40,155**
Corporate	4,357	25,364	20	59	**29,800**
Other	2,081	3,241	-	6,456	**11,778**
Total standardised approach	**14,579**	**70,978**	**24**	**7,629**	**93,210**
Total exposure (EaD)	**484,808**	**99,201**	**54,925**	**21,785**	**660,719**

Table 5.1E: Exposures by Industry

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

	As at 31 Mar 11												
	Accommodation cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other [(2)]**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	7,313	30,222	10,935	17,675	6,762	32,747	18,577	465	-	21,951	9,749	21,175	**177,571**
Sovereign	-	-	-	-	-	12,763	-	-	-	-	-	14,150	**26,913**
Bank	-	-	-	-	-	57,467	-	-	-	-	-	756	**58,223**
Residential mortgage	-	-	-	-	-	-	-	-	239,040	-	-	-	**239,040**
Qualifying revolving retail	-	-	-	-	-	-	-	10,693	-	-	-	-	**10,693**
Retail SME	1,105	3,884	2,200	2,563	2,002	708	1,150	104	-	3,405	899	1,686	**19,706**
Other retail	-	-	-	-	-	-	-	4,542	-	-	-	-	**4,542**
Total IRB approach	**8,418**	**34,106**	**13,135**	**20,238**	**8,764**	**103,685**	**19,727**	**15,804**	**239,040**	**25,356**	**10,648**	**37,767**	**536,688**
Specialised lending (SL)	**6**	**233**	**219**	**40,771**	**267**	**311**	**215**	**-**	**-**	**-**	**1,179**	**3,641**	**46,842**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	2,951	**2,951**
Bank	-	-	-	-	-	6,670	-	-	-	-	-	83	**6,753**
Residential mortgage	-	-	-	-	-	-	-	-	41,023	-	-	-	**41,023**
Corporate	1,989	2,852	3,690	5,871	922	838	2,807	54	-	2,832	1,072	5,138	**28,065**
Other	4	6	32	4	10	1	6	4,094	-	14	3	5,550	**9,724**
Total standardised approach	**1,993**	**2,858**	**3,722**	**5,875**	**932**	**7,509**	**2,813**	**4,148**	**41,023**	**2,846**	**1,075**	**13,722**	**88,516**
Total exposure (EaD)	**10,417**	**37,197**	**17,076**	**66,884**	**9,963**	**111,505**	**22,755**	**19,952**	**280,063**	**28,202**	**12,902**	**55,130**	**672,046**

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

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

	As at 30 Sep 10												
	Accommodation cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	6,863	29,171	10,614	19,055	6,485	27,923	18,370	492	-	20,365	8,653	20,195	**168,186**
Sovereign	-	-	-	-	-	10,903	-	-	-	-	-	14,384	**25,287**
Bank	-	-	-	-	-	64,242	-	-	-	-	-	767	**65,009**
Residential mortgage	-	-	-	-	-	-	-	-	226,507	-	-	-	**226,507**
Qualifying revolving retail	-	-	-	-	-	-	-	10,277	-	-	-	-	**10,277**
Retail SME	1,117	3,890	2,221	2,872	2,013	679	1,161	105	-	3,494	947	1,682	**20,181**
Other retail	-	-	-	-	-	-	-	4,629	-	-	-	-	**4,629**
Total IRB approach	**7,980**	**33,061**	**12,835**	**21,927**	**8,498**	**103,747**	**19,531**	**15,503**	**226,507**	**23,859**	**9,600**	**37,028**	**520,076**
Specialised lending (SL)	**3**	**196**	**227**	**41,269**	**354**	**337**	**223**	**-**	**-**	**-**	**1,071**	**3,753**	**47,433**
Standardised approach													
Australian and foreign governments	-	-	-	-	-	-	-	-	-	-	-	3,864	**3,864**
Bank	-	-	-	-	-	7,613	-	-	-	-	-	-	**7,613**
Residential mortgage	-	-	-	-	-	-	-	-	40,155	-	-	-	**40,155**
Corporate	1,858	2,952	3,694	6,658	1,058	836	2,709	82	-	3,020	1,041	5,892	**29,800**
Other	5	7	55	7	13	2	7	5,198	-	18	3	6,463	**11,778**
Total standardised approach	**1,863**	**2,959**	**3,749**	**6,665**	**1,071**	**8,451**	**2,716**	**5,280**	**40,155**	**3,038**	**1,044**	**16,219**	**93,210**
Total exposure (EaD)	**9,846**	**36,216**	**16,811**	**69,861**	**9,923**	**112,535**	**22,470**	**20,783**	**266,662**	**26,897**	**11,715**	**57,000**	**660,719**

Table 5.1F: Exposures by Maturity

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

	As at 31 Mar 11			
	<12 months	1 – 5 years	>5 years	No specified maturity [(1)]
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	74,669	77,457	20,148	5,297
Sovereign	15,549	6,910	4,341	113
Bank	44,839	6,572	6,677	135
Residential mortgage	48,306	8,180	182,129	425
Qualifying revolving retail	1	-	-	10,692
Retail SME	6,986	7,858	4,273	589
Other retail	203	962	1,285	2,092
Total IRB approach	**190,553**	**107,939**	**218,853**	**19,343**
Specialised lending (SL)	**18,684**	**22,979**	**3,806**	**1,373**
Standardised approach				
Australian and foreign governments	1,468	138	1,345	-
Bank	4,645	688	219	1,201
Residential mortgage	3,467	4,128	32,981	447
Corporate	12,406	8,529	5,914	1,216
Other	1,470	1,530	5,735	989
Total standardised approach	**23,456**	**15,013**	**46,194**	**3,853**
Total exposure (EaD)	**232,693**	**145,931**	**268,853**	**24,569**

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

	As at 30 Sep 10			
	<12 months	1 – 5 years	>5 years	No specified maturity
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	66,708	75,922	20,693	4,863
Sovereign	15,938	4,931	4,282	136
Bank	52,295	5,009	7,533	172
Residential mortgage	48,057	7,819	170,194	437
Qualifying revolving retail	1	-	-	10,276
Retail SME	7,107	8,106	4,384	584
Other retail	208	916	1,381	2,124
Total IRB approach	**190,314**	**102,703**	**208,467**	**18,592**
Specialised lending (SL)	**17,109**	**25,087**	**4,485**	**752**
Standardised approach				
Australian and foreign governments	628	1,746	1,490	-
Bank	4,184	1,853	353	1,223
Residential mortgage	3,508	4,241	31,864	542
Corporate	13,090	9,294	6,263	1,153
Other	1,351	2,650	6,684	1,093
Total standardised approach	**22,761**	**19,784**	**46,654**	**4,011**
Total exposure (EaD)	**230,184**	**147,574**	**259,606**	**23,355**

Credit Provisions and Losses

Table 5.1G: Provisions by Asset Class

The following tables set out information on credit risk provision by Basel II asset class, excluding non-lending assets, equities and securitisation exposures. Definitions of impairment and past due facilities are based on APRA Prudential Standard APS 220: Credit Quality and related guidance notes or return instructions. The determination of specific provisions is in accordance with APRA Guidance Note AGN 220.2: Impairment, Provisioning and the General Reserve for Credit Losses.

	As at 31 Mar 11			6 months ended 31 Mar 11	
	Impaired facilities (1)	Past due facilities ≥90 days	Specific provisions (2)	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	2,542	439	645	298	321
Sovereign	-	-	-	-	-
Bank	36	-	36	-	-
Residential mortgage	626	1,091	142	59	47
Qualifying revolving retail	-	64	-	88	90
Retail SME	160	152	79	32	37
Other retail	10	44	5	31	36
Total IRB approach	**3,374**	**1,790**	**907**	**508**	**531**
Specialised lending (SL)	**1,355**	**121**	**253**	**146**	**259**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	97	186	18	8	2
Corporate	1,329	212	214	187	157
Other (3)	103	232	23	90	81
Total standardised approach	**1,529**	**630**	**255**	**285**	**240**
Total	**6,258**	**2,541**	**1,415**	**939**	**1,030**
Additional regulatory specific provisions (2)			522		
General reserve for credit losses (4)			2,867		

(1) *Impaired facilities includes $212 million of restructured loans (September 2010: $239 million), which includes $24 million of restructured fair value assets (September 2010: nil).*

Impaired facilities includes $255 million of gross impaired fair value assets (September 2010: $284 million).

In the United States there is US$135million (September 2010: US$133 million) of "Other Real Estate Owned" assets where the Group assumed ownership or foreclosed in the settlement of debt. Of this amount, US$113 million (September 2010: US$ 111 million) is covered by the Federal Deposit Insurance Corporation ("FDIC") Loss Sharing Agreement, where the FDIC will absorb 80% of losses arising in recovery of these assets. The real estate assets are included in other assets on the Group's balance sheet and are not included as impaired facilities.

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

Specific provisions includes $120 million (September 2010: $115 million) of gross impaired fair value assets.

(3) *Past due facilities ≥ 90 days includes amounts relating to the acquisition of certain assets of TierOne Bank in June 2010. These amounts are reported gross of the FDIC loss sharing agreement, where the FDIC absorbs 80% of the credit losses arising on the majority of the acquired loan portfolio.*

(4) *The General Reserve for Credit Losses ("GRCL") at 31 March 2011 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,488*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(160)*
Less collective provisions reported as additional regulatory specific provisions	*(522)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,806*
Less tax effect	*(690)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,116*
Plus reserve created through a deduction from retained earnings	*751*
General reserve for credit losses (after-tax basis)	*2,867*

	As at 30 Sep 10			6 months ended 30 Sep 10	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	2,487	299	702	336	439
Sovereign	-	-	-	-	-
Bank	37	-	37	-	5
Residential mortgage	599	988	132	56	64
Qualifying revolving retail	-	60	-	94	103
Retail SME	165	132	89	43	54
Other retail	10	39	5	58	54
Total IRB approach	**3,298**	**1,518**	**965**	**587**	**719**
Specialised lending (SL)	**1,334**	**150**	**367**	**262**	**193**
Standardised approach					
Australian and foreign governments	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	76	191	13	6	2
Corporate	1,240	227	154	250	269
Other	71	280	21	52	39
Total standardised approach	**1,387**	**698**	**188**	**308**	**310**
Total	**6,019**	**2,366**	**1,520**	**1,157**	**1,222**
Additional regulatory specific provisions			471		
General reserve for credit losses [(1)]			2,826		

(1) *The General Reserve for Credit Losses at 30 September 2010 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,570*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(170)*
Less collective provisions reported as additional regulatory specific provisions	*(471)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,929*
Less tax effect	*(801)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,128*
Plus reserve created through a deduction from retained earnings	*698*
General reserve for credit losses (after-tax basis)	*2,826*

Factors Impacting Loss Experience in the Preceding Period

Non-Impaired facilities 90+ Days Past Due

90+ days past due facilities increased marginally during the March 2011 half year.

The increase in Corporate (including SME) 90+ days past due facilities from September 2010 was due to increased delinquencies in SME exposures and one large customer exposure in Australia.

An increase in 90+ days past due facilities was also evident within Residential Mortgages (IRB), mainly driven by an increase in delinquencies in the Australian mortgage portfolio.

In addition, there was a reduction in 90+ days past due facilities in 'Other', mainly due to a reduction in delinquency in Great Western Bank. The majority of 90+ days past due facilities relate to the TierOne Bank acquisition, reported gross of the loan loss sharing agreement with the Federal Deposit Insurance Corporation ("FDIC"). Excluding facilities relating to the TierOne Bank acquisition, the volume of 90+ days past due facilities at March 2011 are negligible.

Impaired facilities

Impaired facilities (inclusive of gross impaired fair value assets) increased marginally during the March 2011 half year, the majority of the increase concentrated in business lending facilities within Australia and the UK.

For Corporate (including SME), the increase in impaired facilities was mainly driven by impairments in the Australian SME sector.

The increase in impaired facilities in Specialised Lending was driven by further impairments within Australia, mainly in the commercial property sector, reduced by increased write-offs of impaired facilities.

Also, during the March 2011 half year, impaired facilities measured under the standardised approach have increased, reflecting the challenging economic conditions in the UK.

Charges for specific provisions

In the March 2011 half year, the total charge for specific provisions decreased when compared to the September 2010 half year. This was primarily due to lower charges for Corporate facilities in Australia and the UK and lower charges for Specialised Lending in Australia.

Net Write-Offs

Net write-offs decreased from $1,222 million for the September 2010 half year to $1,030 million for the March 2011 half year. The Group continues to manage bad debt write-offs to maintain a clean balance sheet. The gross 12 months rolling write-off rate for the Group's total retail portfolio has improved with the mortgage gross write off rate steady since September 2010. The increase in net write-offs in Specialised Lending was driven by further write-offs in Australia.

Table 5.1H: Loss Experience

This table represents the regulatory expected loss (which are forward-looking loss estimates based on the quality of the current portfolio) compared to the actual losses over the last 12 months. Actual losses (net write-offs) measured over the short-term will differ to regulatory expected loss estimates as actual losses are a lag indicator of the quality of the assets in prior periods. Other differences between these measures are:

- *Actual losses do not take into account modelled economic costs such as internal workout costs factored into estimates of loss;*
- *Regulatory expected loss is based on the quality of exposures at a point-in-time using long run PDs and stressed LGDs. In most years actual losses would be below the regulatory expected loss estimate; and*
- *Regulatory expected loss includes expected losses on non-defaulted assets which is a function of long-run PD and downturn stressed LGD. For defaulted exposures, regulatory expected loss is based on the best estimates of loss which represent the assessed provisions.*

	12 months ended 31 Mar 11	As at 31 Mar 10	12 months ended 30 Sep 10	As at 30 Sep 09
	Actual loss (net write-offs) $m	Regulatory expected loss $m	Actual loss (net write-offs) $m	Regulatory expected loss $m
IRB approach				
Corporate	760	2,934	889	2,950
Sovereign	-	2	-	3
Bank	5	83	34	83
Residential mortgage	111	740	112	734
Qualifying revolving retail	193	234	204	221
Retail SME	91	312	92	252
Other retail	90	186	111	182
Total IRB approach	**1,250**	**4,491**	**1,442**	**4,425**

	12 months ended 31 Mar 10	As at 31 Mar 09	12 months ended 30 Sep 09	As at 30 Sep 08
	Actual loss (net write-offs) $m	Regulatory expected loss $m	Actual loss (net write-offs) $m	Regulatory expected loss $m
IRB approach				
Corporate	1,164	2,833	836	2,057
Sovereign	-	-	-	-
Bank	29	12	-	18
Residential mortgage	166	711	144	655
Qualifying revolving retail	164	244	152	226
Retail SME [(1)]	61	-	23	-
Other retail	137	166	122	149
Total IRB approach	**1,721**	**3,966**	**1,277**	**3,105**

[(1)] *Effective 30 September 2009 the Group segmented the Retail SME portfolio classification (which was previously included in the Group's corporate portfolio) excluding BNZ which was approved to segment post 30 September 2009 by RBNZ. Hence there was no Retail SME regulatory expected loss as at 30 September 2008 or 31 March 2009.*

Table 5.1I: Provisions by Industry

This table shows provisioning information by industry. Industry classifications follow ANZSIC Level 1 classifications. The calculation of these balances is consistent with the corresponding disclosure requirements in Table 5.1G Provisions by Asset Class. Totals do not include amounts relating to non-lending assets, equities or securitisation.

	As at 31 Mar 11			6 months ended 31 Mar 11	
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**Charges for specific provisions**	**Net write-offs**
	$m	**$m**	**$m**	**$m**	**$m**
Industry sector					
Accommodation, cafes, pubs and restaurants	464	56	113	82	87
Agriculture, forestry, fishing and mining	915	94	184	59	45
Business services and property services	211	61	66	37	33
Commercial property	2,422	364	386	296	326
Construction	242	43	77	63	72
Finance and insurance	217	27	110	28	83
Manufacturing	204	57	58	18	28
Personal	20	156	12	172	195
Residential mortgages	723	1,277	160	67	49
Retail and wholesale trade	469	62	145	76	74
Transport and storage	48	16	12	(2)	7
Other	323	328	92	43	31
Total	**6,258**	**2,541**	**1,415**	**939**	**1,030**
Additional regulatory specific provision			522		

	As at 30 Sep 10			6 months ended 30 Sep 10	
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**Charges for specific provisions**	**Net write-offs**
	$m	**$m**	**$m**	**$m**	**$m**
Industry sector					
Accommodation, cafes, pubs and restaurants	393	40	97	79	124
Agriculture, forestry, fishing and mining	867	47	220	84	83
Business services and property services	180	62	92	70	47
Commercial property	2,340	410	421	351	273
Construction	258	42	45	60	15
Finance and insurance	475	12	166	43	57
Manufacturing	233	39	56	28	92
Personal	23	156	11	161	230
Residential mortgages	675	1,179	145	62	66
Retail and wholesale trade	273	89	131	89	48
Transport and storage	60	18	21	56	56
Other	242	272	115	74	131
Total	**6,019**	**2,366**	**1,520**	**1,157**	**1,222**
Additional regulatory specific provisions			471		

Table 5.1J: Provisions by Geography

	As at 31 Mar 11			
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**General reserve for credit losses**
	\$m	**\$m**	**\$m**	**\$m**
Geographic region				
Australia [(1)]	3,673	1,749	855	2,230
Europe	1,865	407	343	815
New Zealand	614	194	191	222
Other [(2)]	106	191	26	61
Total [(3)]	**6,258**	**2,541**	**1,415**	**3,328**
Regulatory specific provisions			522	(522)
Less tax effect				(690)
Plus reserve created through retained earnings				751
General reserve for credit losses				**2,867**

(1) *The Australian geography contains a central bad and doubtful debt provision against the current uncertain global environment.*

(2) *'Other' comprises United States of America and Asia.*

(3) *The GRCL balance allocated across geographic regions of \$3,328 million includes \$2,781 million of provisions on loans at amortised cost and \$547 million of provisions held on assets at fair value.*

	As at 30 Sep 10			
	Impaired facilities	**Past due facilities ≥90 days**	**Specific provisions**	**General reserve for credit losses**
		\$m	**\$m**	**\$m**
Geographic region				
Australia	3,539	1,556	1,012	2,161
Europe	1,813	434	300	955
New Zealand	591	148	184	215
Other	76	228	24	69
Total [(1)]	**6,019**	**2,366**	**1,520**	**3,400**
Regulatory specific provisions			471	(471)
Less tax effect				(801)
Plus reserve created through retained earnings				698
General reserve for credit losses				**2,826**

(1) *The GRCL balance allocated across geographic regions of \$3,400 million includes \$2,855 million of provisions on loans at amortised cost and \$545 million of provisions held on assets at fair value.*

Table 5.1K: Movement in Provisions

This table discloses the reconciliation of changes in provisions. It shows movements in the balance of provisions over the reporting period for both specific provisions and the general reserve for credit losses. Totals do not include amounts relating to non-lending assets, equities or securitisation.

	6 months ended 31 Mar 11	6 months ended 30 Sep 10
	$m	$m
General reserve for credit losses		
Collective provision balance at start of period	2,855	2,982
Total charge to income statement for impairment loss	914	1,043
Net transfer to specific provision	(939)	(1,157)
Recoveries	-	-
Balances written off	-	-
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(49)	(13)
Collective provision on loans at amortised cost	2,781	2,855
Plus provisions held on assets at fair value (1)	547	545
Less additional regulatory specific provisions	(522)	(471)
Less tax effect	(690)	(801)
Plus reserve created through retained earnings	751	698
General reserve for credit losses	**2,867**	**2,826**
Specific provisions		
Balance at start of period	1,405	1,470
Net transfer from general reserve for credit losses	939	1,157
Bad debts recovered	93	103
Bad debts written off	(1,123)	(1,325)
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(19)	-
Specific provisions excluding provisions for assets at fair value	1,295	1,405
Specific provisions held on assets at fair value	120	115
Additional regulatory specific provisions	522	471
Total regulatory specific provisions	**1,937**	**1,991**
Total provisions	**4,804**	**4,817**

(1) *Provisions held on assets at fair value are presented gross of $7 million regulatory specific provisions for assets held at fair value (September 2010: $9 million).*

5.2 Standardised and Supervisory Slotting Portfolios

Table 5.2A: Standardised Exposures by Risk Weight

The following table shows the credit exposure amount before and after risk mitigation [(1)] in each risk category, subject to the standardised approach. For the purposes of this disclosure, an ADI's outstandings represent its exposure (drawn balances plus EaD on undrawn) after risk mitigation.

	As at 31 Mar 11		As at 30 Sep 10	
	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Standardised approach – risk weights				
0%	7,341	7,339	8,918	8,915
20%	2,785	2,295	3,373	2,935
35%	23,976	23,948	20,621	20,593
50%	6,224	6,222	6,061	6,058
75%	3,342	3,340	4,257	4,255
100%	43,269	42,156	48,376	47,215
150%	1,579	1,571	1,604	1,596
Total standardised approach (EaD) [(1)]	**88,516**	**86,871**	**93,210**	**91,567**

(1) *The Group recognises the mitigation of credit risk as a result of eligible financial collateral and mitigation providers. Eligible financial collateral, under the Standardised approach, when used to reduce levels of exposure refers to cash and cash equivalents as defined in APRA Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk ("APS 112").*

Table 5.2B: Standardised Exposures by Risk Grade

	As at 31 Mar 11		As at 30 Sep 10	
Asset class by rating grade	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	2,943	2,761	3,659	3,637
Credit rating grade 2	-	-	205	-
Credit rating grade 3	-	-	-	-
Unrated	8	8	-	-
Sub-total	2,951	2,769	3,864	3,637
Bank				
Credit rating grade 1	5,420	5,704	6,180	6,600
Credit rating grade 2	23	23	31	31
Unrated	1,310	246	1,402	163
Sub-total	6,753	5,973	7,613	6,794
Residential mortgage				
Unrated	41,023	40,953	40,155	40,072
Sub-total	41,023	40,953	40,155	40,072
Corporate				
Credit rating grade 2	32	32	-	-
Credit rating grade 4	-	-	20	20
Unrated	28,033	27,484	29,780	29,340
Sub-total	28,065	27,516	29,800	29,360
Other				
Unrated	9,724	9,660	11,778	11,704
Sub-total	9,724	9,660	11,778	11,704
Total standardised approach (EaD)	**88,516**	**86,871**	**93,210**	**91,567**

Table 5.2C: Supervisory Slotting by Risk Weight

The following table shows the credit exposure after risk mitigation amount in each risk bucket, subject to the supervisory risk weights in IRB (any Specialised Lending products subject to supervisory slotting), where the aggregate exposure in each risk bucket is disclosed. For the purposes of this disclosure, an ADI's outstandings represent its exposure (drawn balances plus a credit conversion factor on undrawn balances) after risk mitigation.

	As at	
	31 Mar 11	**30 Sep 10**
	Exposure after risk mitigation	**Exposure after risk mitigation**
	$m	**$m**
IRB supervisory slotting – unexpected loss risk weights		
70%	17,578	19,593
90%	17,562	17,893
115%	7,046	6,078
250%	2,168	1,519
Default	2,303	2,247
Total IRB supervisory slotting (EaD) [(1) (2)]	**46,657**	**47,330**
IRB equity exposure – risk weights		
300%	56	106
400%	343	256
Total IRB equity exposure (EaD)	**399**	**362**

(1) *Exposures are reported after credit risk mitigation and net of any specific provisions.*

(2) *Refinement of the credit model methodology in the commercial property model was a key factor driving the movements within risk weightings.*

5.3 Internal Ratings Based Portfolios

Portfolios Subject to IRB Approach

Table 5.3A: Non-Retail Exposure by Risk Grade

This table provides a break down of gross non-retail credit exposures by PD risk grade for on- and off-balance sheet combined, categorised into bands that broadly correspond to externally recognised risk grades. Moody's risk grades have been included as a reference point. Exposures have been categorised into PD grades as assessed by the Group's own internal ratings system and exclude non-lending assets, equities, securitisation and specialised lending.

	As at 31 Mar 11						
	PD risk grade mapping						
External credit rating equivalent	**Aa3 and above**	**A1, A2, A3**	**Baa1, Baa2, Baa3**	**Ba1, Ba2, Ba3**	**B1, B2**	**B2 and below**	**Default**
	0≤0.03%	**0.03≤0.15%**	**0.15≤0.5%**	**0.5≤3.0%**	**3.0≤10.0%**	**10.0≤100%**	**100%**
IRB approach	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Total exposure (1)							
Corporate	1,528	26,869	49,845	67,927	23,912	2,177	5,313
Sovereign	23,767	3,076	28	28	14	-	-
Bank	33,017	20,738	4,000	377	19	-	72
Total exposure (EaD)	**58,312**	**50,683**	**53,873**	**68,332**	**23,945**	**2,177**	**5,385**
Undrawn commitments							
Corporate	728	10,021	13,684	10,336	2,899	194	334
Sovereign	414	187	7	7	5	-	-
Bank	382	475	97	6	-	-	2
Total undrawn commitments (2)	**1,524**	**10,683**	**13,788**	**10,349**	**2,904**	**194**	**336**

IRB approach							
Exposure weighted average EaD ($m) (3)							
Corporate	1.39	0.91	0.58	0.29	0.22	0.35	0.59
Sovereign	12.44	1.24	0.16	0.04	0.24	-	-
Bank	2.56	1.31	1.97	0.89	0.37	-	5.13
Exposure weighted average LGD (%)							
Corporate	50.2%	43.4%	39.6%	33.7%	36.1%	42.0%	47.8%
Sovereign	5.7%	27.9%	44.4%	44.2%	44.9%	-	-
Bank	33.4%	39.1%	29.3%	55.1%	35.8%	-	59.6%
Exposure weighted average risk weight (%)							
Corporate	18.4%	26.6%	44.0%	66.6%	100.1%	217.4%	244.4%
Sovereign	0.9%	24.4%	48.0%	95.7%	149.9%	-	-
Bank	7.7%	11.5%	31.5%	112.6%	143.2%	-	9.3%

(1) *Gross credit exposures are defined in Table 5.1A, 'Credit Risk Exposures Summary', on page 9 of this report.*

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

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

	As at 30 Sep 10						
	PD risk grade mapping						
External credit rating equivalent	Aa3 and above	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3	B1, B2	B2 and below	Default
	0≤0.03%	0.03≤0.15%	0.15≤0.5%	0.5≤3.0%	3.0≤10.0%	10.0≤100%	100%
IRB approach	$m	$m	$m	$m	$m	$m	$m
Total exposure							
Corporate	1,549	27,485	41,216	66,120	24,694	2,085	5,037
Sovereign	22,268	2,947	32	27	12	-	1
Bank	34,205	27,226	3,000	484	23	-	71
Total exposure (EaD)	**58,022**	**57,658**	**44,248**	**66,631**	**24,729**	**2,085**	**5,109**
Undrawn commitments							
Corporate	408	10,222	12,067	9,633	3,094	106	329
Sovereign	524	181	9	9	3	-	-
Bank	277	689	24	15	-	-	2
Total undrawn commitments	**1,209**	**11,092**	**12,100**	**9,657**	**3,097**	**106**	**331**

IRB approach							
Exposure weighted average EaD ($m)							
Corporate	0.64	0.89	0.49	0.28	0.23	0.37	0.60
Sovereign	12.12	1.20	0.14	0.03	0.20	-	0.04
Bank	3.09	1.53	1.09	0.98	0.45	-	8.92
Exposure weighted average LGD (%)							
Corporate	45.5%	45.6%	41.9%	34.3%	36.4%	44.5%	48.1%
Sovereign	5.9%	29.8%	44.1%	44.1%	44.6%	-	39.0%
Bank	27.0%	30.0%	29.3%	35.1%	59.6%	-	59.6%
Exposure weighted average risk weight (%)							
Corporate	14.1%	26.8%	47.0%	69.5%	105.5%	229.1%	245.3%
Sovereign	1.0%	25.9%	49.6%	96.1%	158.0%	-	225.1%
Bank	5.8%	9.2%	32.0%	70.6%	218.9%	-	3.5%

Table 5.3B: Retail Exposure by Risk Grade

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

	As at 31 Mar 11						
	PD risk grade mapping						
	0≤0.1%	0.1≤0.3%	0.3≤0.5%	0.5≤3.0%	3.0≤10.0%	10.0≤100%	100%
IRB approach	$m	$m	$m	$m	$m	$m	$m
Total exposure [(1)]							
Residential mortgage [(2)]	34,882	66,342	30,406	88,254	14,735	2,463	1,958
Qualifying revolving retail	3,243	2,216	1,105	2,259	1,379	431	60
Retail SME	86	2,983	628	10,629	4,544	270	566
Other retail	719	763	262	1,328	1,074	323	73
Total exposure (EaD)	**38,930**	**72,304**	**32,401**	**102,470**	**21,732**	**3,487**	**2,657**
Undrawn commitments							
Residential mortgage	11,418	12,027	4,370	5,587	224	11	7
Qualifying revolving retail	2,498	1,322	676	537	168	29	1
Retail SME	18	878	222	1,844	511	17	51
Other retail	513	257	68	208	81	53	1
Total undrawn commitments [(3)]	**14,447**	**14,484**	**5,336**	**8,176**	**984**	**110**	**60**

IRB approach							
Exposure weighted average EaD ($m)							
Residential mortgage	0.04	0.25	0.23	0.24	0.28	0.32	0.19
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.05	0.03	0.04	0.04	0.04	0.04	0.03
Other retail	small	0.01	small	0.01	0.01	small	small
Exposure weighted average LGD (%)							
Residential mortgage	20.0%	20.0%	19.9%	20.3%	19.9%	20.0%	21.2%
Qualifying revolving retail	83.4%	84.2%	84.6%	86.4%	87.2%	87.4%	88.6%
Retail SME	25.7%	32.1%	26.8%	33.9%	35.2%	37.3%	43.4%
Other retail	79.4%	78.2%	78.6%	78.2%	77.1%	66.4%	70.6%
Exposure weighted average risk weight (%)							
Residential mortgage	3.5%	8.2%	15.0%	27.7%	66.1%	105.2%	172.1%
Qualifying revolving retail	3.9%	8.5%	17.4%	42.7%	113.5%	225.6%	297.6%
Retail SME	5.8%	16.2%	18.9%	38.9%	54.1%	85.0%	275.8%
Other retail	12.4%	29.4%	54.7%	91.8%	120.6%	151.7%	326.7%

(1) *Gross credit exposures are defined in Table 5.1A, 'Credit Risk Exposures Summary', on page 9 of this report.*

(2) *RBNZ has approved calibration changes to the models for calculating credit risk exposures for residential mortgages. This was a key factor driving the movements in the 0.1≤0.3%, 0.3≤0.5% and 0.5≤3.0% PD risk grades.*

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

IRB approach	As at 30 Sep 10 PD risk grade mapping 0≤0.1% $m	0.1≤0.3% $m	0.3≤0.5% $m	0.5≤3.0% $m	3.0≤10.0% $m	10.0≤100% $m	100% $m
Total exposure							
Residential mortgage	32,452	68,337	36,150	72,325	12,816	2,597	1,830
Qualifying revolving retail	3,100	2,196	1,001	2,175	1,328	416	61
Retail SME	143	3,016	611	10,829	4,742	258	582
Other retail	737	803	263	1,360	1,106	292	68
Total exposure (EaD)	**36,432**	**74,352**	**38,025**	**86,689**	**19,992**	**3,563**	**2,541**
Undrawn commitments							
Residential mortgage	11,121	12,387	4,303	4,722	169	16	9
Qualifying revolving retail	2,437	1,340	620	565	162	27	1
Retail SME	35	845	187	1,809	534	13	70
Other retail	529	272	70	220	84	30	2
Total undrawn commitments	**14,122**	**14,844**	**5,180**	**7,316**	**949**	**86**	**82**

IRB approach							
Exposure weighted average EaD ($m)							
Residential mortgage	0.04	0.21	0.20	0.30	0.32	0.26	0.18
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.06	0.03	0.04	0.04	0.04	0.04	0.03
Other retail	small	0.01	small	0.01	0.01	small	0.01
Exposure weighted average LGD (%)							
Residential mortgage	20.0%	20.1%	20.3%	20.2%	20.2%	20.7%	21.4%
Qualifying revolving retail	83.4%	84.1%	84.4%	86.1%	86.9%	87.3%	89.0%
Retail SME	24.3%	31.2%	26.4%	33.1%	34.8%	36.1%	44.4%
Other retail	80.8%	79.0%	79.9%	77.9%	77.3%	72.5%	65.2%
Exposure weighted average risk weight (%)							
Residential mortgage	3.5%	8.1%	15.6%	29.9%	66.7%	110.1%	192.0%
Qualifying revolving retail	3.9%	8.5%	17.1%	41.4%	112.4%	223.7%	308.3%
Retail SME	5.5%	15.7%	18.7%	38.1%	53.5%	82.0%	293.3%
Other retail	12.7%	29.9%	55.8%	92.2%	121.3%	163.3%	290.6%

5.4 Credit Risk Mitigation

Table 5.4A: Mitigation by Eligible Collateral

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

	As at 31 Mar 11	
	Total exposure	of which is covered by eligible financial collateral [1]
	$m	$m
Specialised lending (SL)	**46,842**	**185**
Standardised approach		
Australian and foreign governments	2,951	182
Bank	6,753	780
Residential mortgage	41,023	70
Corporate	28,065	549
Other	9,724	64
Total standardised approach	**88,516**	**1,645**

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

	As at 30 Sep 10	
	Total exposure	of which is covered by eligible financial collateral
	$m	$m
Specialised lending (SL)	**47,433**	**103**
Standardised approach		
Australian and foreign governments	3,864	227
Bank	7,613	819
Residential mortgage	40,155	83
Corporate	29,800	440
Other	11,778	74
Total standardised approach	**93,210**	**1,643**

Table 5.4B: Mitigation by Guarantees and Credit Derivatives

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

	As at 31 Mar 11		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	177,571	18,300	-
Sovereign	26,913	2	-
Bank	58,223	223	1,020
Residential mortgage	239,040	-	-
Qualifying revolving retail	10,693	-	-
Retail SME	19,706	-	-
Other retail	4,542	-	-
Total IRB approach	**536,688**	**18,525**	**1,020**
Specialised lending (SL)	**46,842**	**-**	**-**
Standardised approach			
Australian and foreign governments	2,951	-	-
Bank	6,753	285	-
Residential mortgage	41,023	-	-
Corporate	28,065	-	-
Other	9,724	-	-
Total standardised approach	**88,516**	**285**	**-**

	As at 30 Sep 10		
	Total exposure	of which is covered by guarantees	of which is covered by credit derivatives
	$m	$m	$m
IRB approach			
Corporate (including SME)	168,186	16,457	271
Sovereign	25,287	2	-
Bank	65,009	417	1,230
Residential mortgage	226,507	-	-
Qualifying revolving retail	10,277	-	-
Retail SME	20,181	-	-
Other retail	4,629	-	-
Total IRB approach	**520,076**	**16,876**	**1,501**
Specialised lending (SL)	**47,433**	**-**	**-**
Standardised approach			
Australian and foreign governments	3,864	-	-
Bank	7,613	419	-
Residential mortgage	40,155	-	-
Corporate	29,800	1	-
Other	11,778	-	-
Total standardised approach	**93,210**	**420**	**-**

6. Securitisation

6.1 Third Party Securitisation

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

Table 6.1A: Total Securitisation Exposures

This table is the sum of tables 'Traditional Securitisation Exposures' (Table 6.1B) and 'Synthetic Securitisation Exposures' (Table 6.1C) on the following pages. It shows the amounts by facility and provides an indication of the relative extent to which the Group has exposure to each type of asset within the securitisation SPV. These tables do not provide information on Group assets that have been sold to securitisations.

	As at 31 Mar 11				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	6,752	59	-	900	2,286
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	195	-	-	127	-
CDOs/CLOs	1,452	397	-	-	1,479
Commercial loans	-	61	-	-	-
Commercial mortgages	78	-	-	-	608
Corporate bonds	-	-	-	-	1,010
Other	921	-	-	-	600
Total underlying asset	**9,398**	**517**	**-**	**1,027**	**5,983**

	As at 30 Sep 10				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	4,932	59	-	900	3,049
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	270	-	-	150	8
CDOs/CLOs	1,503	424	-	-	1,556
Commercial loans	-	65	-	-	-
Commercial mortgages	110	-	-	-	647
Corporate bonds	-	-	-	-	1,018
Other	500	-	-	-	1,468
Total underlying asset	**7,315**	**548**	**-**	**1,050**	**7,746**

Table 6.1B: Traditional Securitisation Exposures

Traditional securitisations are those in which the pool of assets is assigned to an SPV, usually by a sale. The table below shows the amounts by facility and provides an indication of the relative extent to which the Group has exposure.

	As at 31 Mar 11				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	6,752	59	-	900	2,286
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	195	-	-	127	-
CDOs/CLOs	-	-	-	-	1,479
Commercial loans	-	61	-	-	-
Commercial mortgages	78	-	-	-	608
Corporate bonds	-	-	-	-	1,010
Other	921	-	-	-	600
Total underlying asset	**7,946**	**120**	**-**	**1,027**	**5,983**

	As at 30 Sep 10				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	4,932	59	-	900	3,049
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	270	-	-	150	8
CDOs/CLOs	2	-	-	-	1,556
Commercial loans	-	65	-	-	-
Commercial mortgages	110	-	-	-	647
Corporate bonds	-	-	-	-	1,018
Other	500	-	-	-	1,468
Total underlying asset	**5,814**	**124**	**-**	**1,050**	**7,746**

Table 6.1C: Synthetic Securitisation Exposures

Synthetic securitisations are those in which the risk of the pool of assets is transferred to an SPV through a derivative, usually a credit default swap.

	As at 31 Mar 11				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	-	-	-	-	-
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
CDOs/CLOs	1,452	397	-	-	-
Commercial loans	-	-	-	-	-
Commercial mortgages	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**1,452**	**397**	**-**	**-**	**-**

	As at 30 Sep 10				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	-	-	-	-	-
Credit cards and other personal loans	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
CDOs/CLOs	1,501	424	-	-	-
Commercial loans	-	-	-	-	-
Commercial mortgages	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**1,501**	**424**	**-**	**-**	**-**

Table 6.1D: Type of Exposure

The table below breaks down the securitisation exposures by type of facility as defined in the Glossary.

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Securitisation exposure type		
Liquidity facilities	1,218	2,060
Warehouse facilities	10,961	10,922
Credit enhancements	61	66
Derivative transactions	185	150
Securities	38	98
Credit derivatives transactions	1,452	1,501
Other	3,026	2,110
Total securitisation exposures	**16,941**	**16,907**

Table 6.1E: New Facilities Provided

The table below shows new securitisation facilities provided in the six months to 31 March 2011.

	6 months ended 31 Mar 11	6 months ended 30 Sep 10
	Notional amount of facilities provided	
	$m	$m
Securitisation exposure type		
Liquidity facilities	22	123
Warehouse facilities	263	617
Credit enhancements	-	-
Derivative transactions	137	-
Securities	-	-
Credit derivatives transactions	-	-
Other	1,211	1,874
Total new facilities provided	**1,633**	**2,614**

Table 6.1F: Exposures by Risk Weight

This table shows the risk weights for securitisation exposures as calculated under APS 120, predominately using the Internal Assessment Approach.

	As at 31 Mar 11		As at 30 Sep 10	
	Exposure	RWA	Exposure	RWA
	$m	$m	$m	$m
Risk weight bands				
≤10%	7,149	514	6,143	444
> 10% ≤ 25%	4,205	640	4,266	666
> 25% ≤ 35%	236	82	253	87
> 35% ≤ 50%	972	486	991	495
> 50% ≤ 75%	349	250	378	270
> 75% ≤ 100%	1,769	1,769	2,226	2,226
> 100% ≤ 650%	2,041	6,468	2,150	6,915
Deductions	204	-	252	-
Total securitisation exposures	**16,925**	**10,209**	**16,659**	**11,103**

Table 6.1G: Exposures Deducted from Capital

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

	As at 31 Mar 11						
	Deductions relating to ADI-originated assets securitised					Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Auto and equipment finance	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital [(1)]							
Deductions from Tier 1 capital	-	-	-	30	-	72	102
Deductions from Tier 2 capital	-	-	-	30	-	72	102
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**60**	**-**	**144**	**204**

(1) *These exposures fall into three categories:*
- *Exposures that have an internal rating below an equivalent Standard & Poor's rating of BB- or are unrated (deducted 50/50 from Tier 1 and Tier 2 capital).*
- *First loss facilities (deducted 50/50 from Tier 1 and Tier 2 capital).*
- *Capitalised securitisation start up costs (deducted from Tier 1 capital).*

All exposures are net of specific provisions.

	As at 30 Sep 10						
	Deductions relating to ADI-originated assets securitised					Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Auto and equipment finance	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital							
Deductions from Tier 1 capital	-	-	-	33	-	93	126
Deductions from Tier 2 capital	-	-	-	33	-	93	126
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**66**	**-**	**186**	**252**

6.2 Group Owned Securitised Assets

This section provides information about assets that the Group has securitised. The Group may or may not retain an exposure to securitisation SPVs to which the Group has sold assets. As such the information in this section is not related to the information in *Section 6.1 Third Party Securitisation*.

This section does not include information about the Group's internal securitisation pools of residential mortgage backed securities. These securities have been developed as a source of contingent liquidity to further support the Group's liquid asset holdings.

Table 6.2A: Assets Securitised by the Group

This table shows the classes of assets that have been securitised by the Group.

	As at 31 Mar 11				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset [(1)]					
Residential mortgage	4,161	-	17	42	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	1,557	-	-	-
Other	-	-	-	-	-
Total underlying asset	**4,161**	**1,557**	**17**	**42**	**-**

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

	As at 30 Sep 10				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	4,780	-	19	46	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	1,666	-	-	-
Other	-	-	-	-	-
Total underlying asset	**4,780**	**1,666**	**19**	**46**	**-**

Table 6.2B: Recent Securitisation Activity

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

	6 months ended 31 Mar 11			6 months ended 30 Sep 10		
	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale
	$m	$m	$m	$m	$m	$m
Underlying asset						
Residential mortgage	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**-**	**-**	**-**	**-**	**-**	**-**

Table 6.2C: Securitisation Subject to Early Amortisation

Attachment G of APS 120 provides for specific regulatory treatment for securitisations of certain types of assets. None of these securitisations have been undertaken by the Group.

	As at 31 Mar 11					
	Aggregate drawn exposure attributed to:		Aggregate IRB capital charge against ADI's retained shares from:		Aggregate IRB capital charge against the ADI from investors' shares of:	
	Seller interest $m	Investor interest $m	Drawn balances $m	Undrawn lines $m	Drawn balances $m	Undrawn lines $m
Recent securitisation activity						
Residential mortgage	-	-	-	-	-	-
Commercial mortgage	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
CDOs	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total recent securitisation activity	**-**	**-**	**-**	**-**	**-**	**-**

	As at 30 Sep 10					
	Aggregate drawn exposure attributed to:		Aggregate IRB capital charge against ADI's retained shares from:		Aggregate IRB capital charge against the ADI from investors' shares of:	
	Seller interest $m	Investor interest $m	Drawn balances $m	Undrawn lines $m	Drawn balances $m	Undrawn lines $m
Recent securitisation activity						
Residential mortgage	-	-	-	-	-	-
Commercial mortgage	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
CDOs	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total recent securitisation activity	**-**	**-**	**-**	**-**	**-**	**-**

7. Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Risk-Weighted Assets		
Interest rate risk	1,674	1,238
Equity position risk	3	309
Foreign exchange risk	217	159
Commodity risk	37	-
Total risk-weighted assets - standard method [(1)]	**1,931**	**1,706**

[(1)] *The following products are currently covered by the standard method: equities, CPI products, carbon trading, and specific market risk capital for all applicable products.*

Table 7.1B: Total Risk-Weighted Assets

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Market risk		
Standard method	1,931	1,706
Internal model approach	1,228	1,373
Total market risk RWA	**3,159**	**3,079**
% of total Group (level 2) RWA	0.9%	0.9%

Table 7.1C: Internal Model Approach Value at Risk

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

	6 months ended 31 Mar 11			As at
	Mean value	Minimum value	Maximum value	31 Mar 11
	$m	$m	$m	$m
Value at risk at a 99% confidence level [(1)]				
Foreign exchange risk	3	1	7	2
Interest rate risk	9	5	15	10
Volatility risk	1	1	2	1
Commodities risk	1	-	2	1
Credit risk	7	4	9	6
Inflation risk	1	-	1	-
Diversification benefit	(10)	n/a	n/a	(8)
Total value at risk for physical and derivative positions	**12**	**7**	**23**	**12**

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

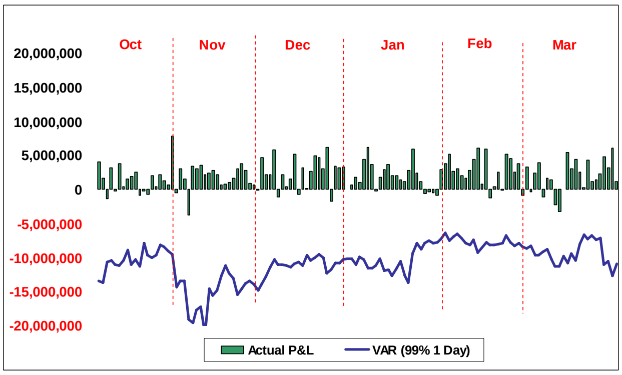
	6 months ended 30 Sep 10			As at
	Mean value	Minimum value	Maximum value	30 Sep 10
	$m	$m	$m	$m
Value at risk at a 99% confidence level				
Foreign exchange risk	4	1	9	3
Interest rate risk	9	5	14	7
Volatility risk	1	1	1	1
Commodities risk	1	-	2	-
Credit risk	7	5	10	5
Inflation risk	-	-	1	1
Diversification benefit	(9)	n/a	n/a	(6)
Total value at risk for physical and derivative positions	**13**	**8**	**18**	**11**

Table 7.1D: Back-testing Results

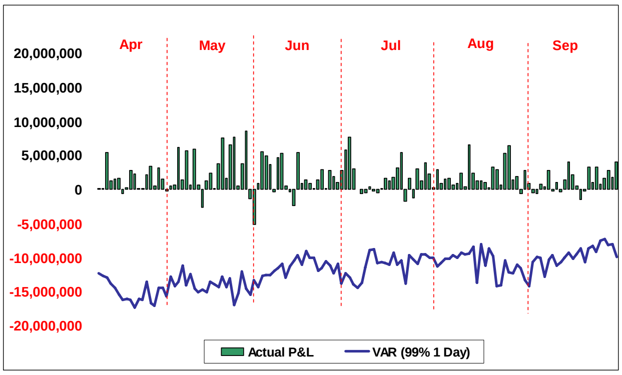
Comparison of value at risk estimates to actual gains/losses	6 months ended 31 Mar 11	6 months ended 30 Sep 10
Number of "outliers" incurred for the trading portfolio	-	-

The following graph compares the Group's daily VaR estimates against actual trading profit and loss.

6 months ended 31 Mar 11



6 months ended 30 Sep 10



Back-testing Outliers

There were no back-testing exceptions against actual P&L incurred during the six-month period to 31 March 2011, or during the previous six-month period to 30 September 2010.

8. Operational Risk

Table 8A: Total Risk-Weighted Assets

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Operational risk		
Standardised approach	4,065	4,302
Advanced measurement approach	17,797	17,932
Total operational risk RWA	**21,862**	**22,234**
% of total Group (level 2) RWA	6.3%	6.5%

9. Non-Traded Market Risk

9.1 Interest Rate Risk in the Banking Book

Table 9.1A: Interest Rate Risk in the Banking Book

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

	As at 31 Mar 11		As at 30 Sep 10	
	200 bp parallel increase $m	200 bp parallel decrease $m	200 bp parallel increase $m	200 bp parallel decrease $m
Change in economic value [(1)]				
AUD	122	(115)	(22)	32
CAD	-	-	-	-
CHF	-	-	-	-
EUR	(27)	28	(3)	4
GBP	(61)	68	(35)	37
HKD	2	(1)	-	-
JPY	(1)	1	(1)	1
NZD	68	(70)	59	(60)
SGD	-	-	-	-
USD	(19)	19	(12)	12
Other	-	-	-	-
Total change in economic value	**84**	**(70)**	**(14)**	**26**

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

Table 9.1B: Total Risk-Weighted Assets

	As at	
	31 Mar 11 $m	30 Sep 10 $m
IRRBB risk-weighted assets	8,565	7,000
% of total Group (level 2) RWA	2.5%	2.0%

All components of IRRBB regulatory capital are calculated using a historical VaR simulation using at least eight years of historical data at a 99% confidence level, one-year investment term of capital, and a 12-month holding period.

9.2 Equities Banking Book Position

Table 9.2A: Equities Banking Book Position

This table provides the value of investments disclosed in the balance sheet, as well as the fair value of those investments.

	As at 31 Mar 11		As at 30 Sep 10	
	Carrying value [(1)]	Fair value [(2)]	Carrying value	Fair value
	$m	$m	$m	$m
Total listed equities (publicly traded)	56	56	106	106
Total unlisted equities	343	343	256	256

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

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

Table 9.2B: Gains and Losses on Equity Investments

This table provides the realised (actual) gains/losses arising from sales and liquidations in the reporting period recognised through the profit and loss account. Unrealised (expected) gains/losses included in Tier 1 and Tier 2 capital are gains/losses recognised in the balance sheet but not through the profit and loss account.

	6 months ended	
	31 Mar 11	30 Sep 10
	$m	$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	5	18
Total unrealised gains (losses)	10	10
Total unrealised gains (losses) included in Tier 1/Tier 2 capital	4	5

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

This table shows RWA by equity asset class. Equity investments subject to a 300% risk-weight are those exposures that fall within the equity IRB asset class that are not deducted from capital and that are listed on a recognised exchange. Equity investments subject to a 400% risk-weight are those exposures that fall within the equity IRB asset class that are not deducted from capital and that are not listed on a recognised exchange.

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Risk-weighted Assets		
Equities subject to 300% RW	167	318
Equities subject to 400% RW	1,374	1,024
Total risk-weighted assets	**1,541**	**1,342**

Table 9.2D: Equity Investments Subject to Grandfathering Provision

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

	As at	
	31 Mar 11	30 Sep 10
	$m	$m
Total equity investments	-	-

10. Glossary

Term	Description
ADI	Authorised Deposit-taking Institution ("ADI") as defined by APRA, and authorised by APRA to take deposits from customers.
Advanced IRB approach	The advanced Internal Ratings Based ("IRB") approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the PD, LGD and EaD models.
AMA	Advanced Measurement Approach ("AMA") is the risk estimation process used for the Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
APRA	The Australian Prudential Regulation Authority ("APRA") is the prudential regulator of the Australian financial services industry. APRA has defined its Basel II requirements in a series of ADI Prudential Standards ("APS").
Back testing	Back-testing refers to the process undertaken to monitor performance of the Group's risk models. Historical data is used to compare the actual outcomes to the expected outcomes.
BIPRU	BIPRU refers to the UK Financial Services Authority's requirements and guidance for accreditation under Basel II. It refers to the Prudential Sourcebook for Banks, Building Societies and Investment Firms.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the Group is exposed to, and the capital that the Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
CDO	Collateralised Debt Obligation.
CLO	Collateralised Loan Obligation.
Company	National Australia Bank Limited ABN 12 004 044 937
Credit derivatives	Credit derivatives include single-name credit default and certain total rate of return swaps, cash funded credit linked notes and first-to-default and second-to-default credit derivative basket products. ADIs may also recognise any more complex credit derivatives that do not fall into the list above, that have been approved by APRA.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
The Credit Risk function	All areas reporting directly to the Chief Credit Officer including Credit Strategy, Credit Frameworks, Credit Metrics, Counterparty Credit and Strategic Business Services.
CSA	Credit Support Annex
Derivative transactions	Derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
EaD	Exposure at Default ("EaD") is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the Group would incur in the event of a default. It is used in the calculation of regulatory capital.
Economic capital	Economic capital represents the Group's internal assessment of the amount of capital required to protect against potential unexpected future losses arising from its business activities, in line with its target credit rating.
ELE	The Extended License Entity ("ELE") comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in APS 110.
Eligible financial collateral	Eligible financial collateral, under the standardised approach, will be the amount of cash collateral, netting and eligible bonds and equities. Eligible financial collateral, under the IRB approach, for corporate, sovereign and bank portfolios, is limited to the collateral items detailed in paragraphs 4 and 23 of Attachment G of *APS 112*. Recognition of eligible financial collateral is subject to the minimum conditions detailed in that same Attachment, paragraph 6.
Economic value sensitivities	Economic value sensitivities ("EVS") refers to a modelling technique whereby the value of an asset is assessed through a number of different scenarios, such as different interest rates or period in time for loan repayment. This allows the Group to establish a price with some degree of certainty across the various scenarios and develop risk management techniques to protect the assets value.
Foundation IRB	Foundation Internal Ratings Based ("FIRB") approach refers to an alternative approach to Advanced IRB for non-retail credit risk defined under Basel II where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.
Group	The Level 2 Group, being the Company and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application*.
Guarantees	Guarantors under the standardised approach are recognised according to *APS 112 Attachment F paragraph 3*. The secured portion of an exposure is weighted according to the risk weight appropriate to the guarantor and the unsecured portion is weighted according to the risk weight applicable to the original counterparty (Refer to Attachment A for the appropriate risk weights). Under the IRB approach, for corporate, sovereign and bank portfolios, the ADI may recognise credit risk mitigation in the form of guarantees and credit derivatives according to the FIRB substitution approach where an ADI uses supervisory estimates of LGD (refer to *APS 113 Attachment B* paragraph 49), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to APS 113 Attachment B paragraph 60) and, for certain exposures, a double default approach (refer to APS 113 Attachment B paragraph 67). An ADI may decide, separately for each eligible exposure, to apply either the relevant substitution approach or the double default approach. For retail portfolios there are two approaches for the recognition of credit risk mitigation in the form of guarantees and credit derivatives under the retail IRB approach, a substitution approach (refer to *APS 113 Attachment C* paragraph 19) and, for certain exposures, a double default approach (refer to *APS 113 Attachment C* paragraph 28). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
ICAAP	Internal Capital Adequacy Assessment Process (ICAAP) is the mechanism developed and used by the Group to determine capital requirements as outlined under Basel II. It results in the Group identifying and assessing all risks to which it is exposed and allocating an appropriate level of capital to each.
ISDA	International Swaps & Derivatives Association

Term	Description
IMA	Internal Model Approach ("IMA") describes the approach used in the assessment of traded market risk. The Group uses, under approval from APRA, the IMA to calculate general market risk for all transactions in the trading book other than those covered by the Standard Method.
Impaired facilities	Impaired facilities consist of Retail loans (excluding unsecured portfolio-managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and arrears of interest revenue. Unsecured portfolio managed facilities are classified as impaired assets when they become 180 days past due (if not written off) as per ARF 220 instructions; Non-retail loans that are contractually 90 days or more past due and/or sufficient doubt exists about the ultimate ability to collect principal and interest; and Impaired off-balance sheet credit exposures, where current circumstances indicate that losses may be incurred.
IRB	Internal Ratings Based ("IRB") describes the approach used in the assessment of credit risk. Within this document it is used interchangeably with the term advanced Internal Ratings Based approach. This reflects the Group's development of internal credit risk estimation models covering both retail and non-retail credit.
IRRBB	Interest rate risk in the banking book arises from changes in market interest rates that adversely affect the Group's financial condition in terms of its earnings (net interest income) or the economic value of its Balance Sheet. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings or economic value due to the interest rate risk profile of the balance sheet.
Level 3 Conglomerate Group	Contains APRA-regulated entities with material operations across more than one APRA-regulated industry and/or in unregulated entities.
LGD	Loss Given Default ("LGD") is an estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default. It is used in the calculation of RWA.
LGR	Loss Given Realisation ("LGR") is a parameter used for estimating LGD.
Liquidity facilities	Liquidity facilities are provided by the Group to an SPV for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the SPV (asset liquidity facilities), or to cover the inability of the SPV to roll over ABCP (standby liquidity facilities).
Loan to value ratio	Loan to Value Ratio ("LVR") is the ratio between the loan and value of the security provided.
Masterscale	Masterscale is a consistent series of grades applied to credit exposures that allows the Group to place every credit exposure into a specific grade or range that represents the likelihood of a credit default. This allows comparison of customers and portfolios.
NAB	National Australia Bank Limited ABN 12 004 044 937
Net write-offs	Write-offs on loans at amortised cost net of recoveries.
Non-retail credit	Non-retail credit broadly refers to credit exposure to business customers. It excludes retail credit defined below.
Non-traded book	Non-traded book refers to the investment in securities held by the Group through to maturity.
The Operational Risk function	All areas reporting directly to the General Manager, Operational Risk.
Past due facilities ≥ 90 days	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
PD	Probability of Default ("PD") is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the Group in the next 12 months.
Point in time	Point in Time ("PiT") within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the current economic conditions.
Principal Board	Principal Board of Directors of the National Australia Bank Group.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
Regulatory capital	Regulatory capital is the total capital held by the Group as a buffer against potential losses arising from the business the Group operates in. Unlike economic capital, it is calculated based on guidance and standards provided by the Group's regulators, including APRA. It is designed to support stability in the banking system and protect depositors.
Regulatory expected loss	Regulatory Expected Loss ("EL") is a calculation of the estimated loss that may be experienced by the Group over the next 12 months. Regulatory EL calculations are based on the PD, LGD and EAD values of the portfolio at the time of the estimate, which include stressed LGDs for economic conditions. As such, regulatory EL is not an estimate of long-run average expected loss (as was the case previously under dynamic provisioning).
Retail credit	For the purposes of managing credit, two broad categories are used: retail credit and non-retail credit. This reflects the different approaches to the sales and ongoing management of credit and is consistent with the approach taken by Basel II. Retail credit refers to the credit provided to retail or personal customers. For the purposes of regulatory capital, retail credit is categorised into four groups: residential mortgages, credit cards (or qualifying revolving credit), retail SME and other.
Risk appetite	Risk appetite defines the level of risk the Group is prepared to accept as part of its business. The resulting level of risk is a direct input into the Group's capital requirements.
RWA	Risk-Weighted Assets
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
SME	Small and medium-sized entities.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation; all collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stress testing	Stress testing refers to a technique whereby the Group's capital position is assessed against a number of different scenarios used to determine the movement on expected losses and subsequent impact on capital.
Through the cycle	Through the Cycle ("TtC") within this document refers to risk models that estimate the likelihood of default and resulting loss over a 12-month period having regard to the impact of an economic downturn.
Tier 1 capital	Tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: provide a permanent and unrestricted commitment of funds; are freely available to absorb losses; do not impose any unavoidable servicing charge against earnings; and rank behind the claims of depositors and other creditors in the event of winding-up.

Term	Description
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an entity as a going concern. It is divided into: Upper Tier 2 capital comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument; and Lower Tier 2 capital comprising components of capital that are not permanent.
Traded book	Traded book refers to the Group’s investment portfolio that is traded or exchanged in the market from time to time that reflects market opportunities.
Value at Risk	Value at Risk (“VaR”) is a mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio’s losses will exceed a certain amount. Using a minimum of one year’s historical data, VaR calculates the potential loss in earnings from adverse market movements, over a one-day time horizon, using a 99% confidence level.
Warehouse facilities	Warehouse facilities are lending facilities provided by the Group to an SPV for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.

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