2012 RISK & CAPITAL REPORT

Incorporating the requirements of APS 330

Half Year Update
as at 31 March 2012

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 that 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 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).

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

Capital Ratio Summary

The Group's Tier 1 capital ratio of 10.17% at 31 March 2012 is consistent with the Group's objective of maintaining a strong capital position.

Capital ratios	As at 31 Mar 12 %	30 Sep 11 %
Level 2 Tier 1 capital ratio	10.17%	9.70%
Level 2 total capital ratio	11.52%	11.26%

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

1.1 The Group's Basel II Methodologies

National Australia Bank Limited and its controlled entities (the National Australia Bank Group) operate in Australia, Asia, New Zealand, the United Kingdom and North America. The following table sets out the approach to Basel II which is applied across the Group as at 31 March 2012.

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	Standardised and IMA
Clydesdale Bank PLC	Standardised	Standardised	IRRBB	n/a
Great Western Bank	Standardised	Standardised	IRRBB	n/a

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

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

The National Australia Bank 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 regulatory requirements. Credit risk exposures consolidated in this Report are calculated under APRA requirements.

Great Western Bank (GWB) is regulated in the United States of America by the South Dakota Division of Banking, the Federal Deposit Insurance Corporation and the Federal Reserve System.

GWB Credit Risk and Operational Risk risk weighted assets (RWA) are subject to APRA Basel II Standardised methodology. Interest Rate Risk in the Banking Book (IRRBB) RWA relating to GWB was calculated using an interim approach as at 30 September 2011. From 31 December 2011, IRRBB for GWB was calculated using the IRRBB internal model. The net impact of the change was not material.

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 National Australia Bank Group policies.

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

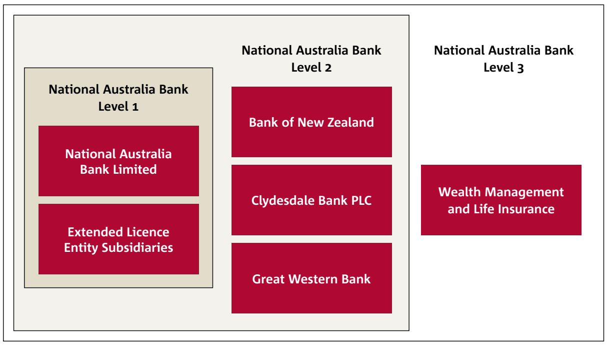
2. Scope of Application

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

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

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

National Australia Bank Group Consolidation for Regulatory Purposes



The controlled entities in the 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.

Differences in Consolidation Arising Between the Regulatory and Accounting Approaches

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

A list of material controlled entities included in the consolidated National Australia Bank Group for financial reporting purposes can be found in the National Australia Bank Limited 30 September 2011 Annual Financial Report.

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 National Australia Bank Group Capital Policy which requires that contagion risk be managed under regulatory requirements *(Prudential Standard APS 222 Associations with Related Entities*) and the Board's risk appetite for intra-group exposures.

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

Disclosure 2A: Scope of Application

There were no capital deficiencies in non-consolidated subsidiaries of the Group as at 31 March 2012 or 30 September 2011.

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 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). Basel II disclosures for BNZ are published under the Disclosure Statement regime applicable to banks incorporated in New Zealand.

3. Regulatory Environment

Basel Regulatory Reforms

In July 2009, the Basel Committee on Banking Supervision (BCBS) released a package of measures to enhance the Basel II Framework (Basel 2.5).

In support of the Basel II enhancements, APRA amended *Prudential Standards APS 111 Capital Adequacy: Measurement of Capital, APS 116 Capital Adequacy Market Risk, APS120 Securitisation, APS 330 Capital Adequacy: Public Disclosure of Prudential Information, and APS 310: Audit and Related Matters,* effective 1 January 2012.

The BCBS has also released its reform package for both capital and liquidity (Basel III).

Capital Reforms

In September 2011, APRA released a discussion paper outlining its proposed implementation of the Basel III capital reforms. This was followed by a Basel III response paper and updated draft capital standards in late March 2012. APRA's broad approach to capital adequacy remains unchanged after the update. The proposals may be subject to amendment prior to final implementation.

As currently drafted, the reforms are estimated to have a net impact on the Group's Core Tier 1 position of approximately 45 basis points as at 31 March 2012. The impact will vary on each balance date mainly due to accrued earnings and dividend payment dates. Further consultation is expected over 2012. APRA proposes to phase in changes to minimum capital levels from 1 January 2013.

Liquidity Reforms

APRA released its draft liquidity standard and discussion paper on the implementation of the Basel III liquidity reforms in Australia during November 2011. Consultation between APRA, industry and market participants continues.

The Group will gradually transition to the proposed liquidity metrics, including the Liquidity Coverage Ratio (LCR) by January 2015 and the Net Stable Funding Ratio (NSFR) by January 2018. In order to transition to Basel III, the Group will increasingly focus on the quality of the liquidity and stability of the funding that underpins these measures.

In addition, the RBA announced details of its Committed Liquidity Facility (CLF), which is designed to address the shortfall of Level 1 liquid assets within Australia. The CLF will cost participants a fee of 15bps for both drawn and undrawn commitments.

Other Reform Proposals

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

- APRA's Level 3 Conglomerate Supervision proposals, which consider capital requirements for the consolidated Banking and Wealth Management Group.
- APRA's proposed changes to capital adequacy for life and general insurance businesses.
- The potential impacts of the US Dodd-Frank bill on the Group's US operations and businesses with US connections.
- The UK Independent Commission on Banking, which may affect the structure of banks and the amount of capital held in the UK business.

4. Capital

Table 4.1A: RWA

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

	As at 31 Mar 12 RWA $m	30 Sep 11 RWA $m
Credit risk (1)		
IRB approach		
Corporate (including SME)	109,312	112,620
Sovereign	1,290	1,170
Bank	8,179	7,617
Residential mortgage (2)	56,351	51,620
Qualifying revolving retail	4,055	4,377
Retail SME	7,318	8,227
Other retail	3,652	3,594
Total IRB approach	**190,157**	**189,225**
Specialised lending (SL)	**45,439**	**41,752**
Standardised approach		
Australian and foreign governments	81	76
Bank	205	163
Residential mortgage (2)	18,823	23,202
Corporate	29,979	32,863
Other	3,165	3,618
Total standardised approach	**52,253**	**59,922**
Other		
Securitisation (3)	4,314	9,049
Equity	2,006	1,949
Other (4)	6,016	6,751
Total other	**12,336**	**17,749**
Total credit risk	**300,185**	**308,648**
Market risk (5)	5,277	2,968
Operational risk	23,810	22,255
Interest rate risk in the banking book	6,281	7,198
Total risk-weighted assets	**335,553**	**341,069**

(1) *Risk Weighted Assets 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) *As at 31 December 2011, the Advantedge portfolio was calculated under the APRA Basel II Advanced IRB approach. This resulted in RWA being reclassified from Standardised 'Residential Mortgage' to Advanced IRB 'Residential Mortgage'.*

(3) *Following a change in treatment, the RWA percentages applied to the credit wrapped ABS exposures have been amended resulting in a reduction of RWA by $3.2 billion. The termination of the remaining two sold protection SCDO derivative exposures reduced RWA by $1.5 billion.*

(4) *'Other' includes non-lending asset exposures that are not covered in the above categories. Non-lending assets are specifically excluded from credit risk exposures shown on pages 10 to 31 of this report.*

(5) *The increase in Market Risk RWA as at 31 March 2012 was predominantly driven by the implementation of the revised Prudential Standard APS 116, Capital Adequacy: Market Risk, which became effective 1 January 2012.*

Table 4.1B: Capital Ratios

The table below provides the key capital ratios for each significant ADI or overseas bank subsidiary.

	As at	
	31 Mar 12	30 Sep 11
Capital ratios [1]	%	%
Level 2 Tier 1 capital ratio	10.17 %	9.70%
Level 2 total capital ratio	11.52 %	11.26%
Level 1 National Australia Bank Tier 1 capital ratio	11.70 %	11.45%
Level 1 National Australia Bank total capital ratio	12.93 %	12.78%
Significant subsidiaries		
Clydesdale Bank PLC Tier 1 capital ratio	10.26 %	9.85%
Clydesdale Bank PLC total capital ratio	15.07 %	15.36%
Bank of New Zealand Tier 1 capital ratio	9.59 %	8.99%
Bank of New Zealand total capital ratio	12.39 %	11.84%
Great Western Bank Tier 1 capital ratio	13.71 %	14.28%
Great Western Bank total capital ratio	14.96 %	15.54%

(1) Level 1 Group represents the extended licenced 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. 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.

4.2 Capital Structure

Table 4.2A: Capital Structure [1]

	As at 31 Mar 12 $m	30 Sep 11 $m
Tier 1 capital		
Paid-up ordinary share capital	22,361	21,470
Reserves	(2,310)	(1,612)
Retained earnings including current year earnings	16,282	15,972
Minority interests	38	20
Innovative Tier 1 capital	4,411	4,495
Non-innovative Tier 1 capital	2,742	2,742
Gross Tier 1 capital	**43,524**	**43,087**
Deductions from Tier 1 capital		
Banking goodwill	1,321	1,695
Wealth management goodwill and other intangibles	4,230	4,253
Deferred tax assets	794	990
Other deductions from Tier 1 capital only	1,815	1,840
50/50 deductions from Tier 1 capital		
Investment in non-consolidated controlled entities	827	801
Expected loss in excess of eligible provisions	282	348
Other	142	85
Total Tier 1 capital deductions	**9,411**	**10,012**
Net Tier 1 capital	**34,113**	**33,075**
Tier 2 capital		
Upper Tier 2 capital	710	909
Lower Tier 2 capital	5,173	5,733
Gross Tier 2 capital	**5,883**	**6,642**
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	827	801
Expected loss in excess of eligible provisions	282	348
Other	142	85
Total Tier 2 capital deductions	**1,326**	**1,309**
Net Tier 2 capital	**4,557**	**5,333**
Total capital	**38,670**	**38,408**

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

5. Credit Risk

Table 5.1A: Credit Risk Exposures Summary

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The 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 12					6 months ended 31 Mar 12
	Total exposure (EaD) (1)	Risk-weighted Assets	Regulatory expected loss	Impaired facilities (2)	Specific provisions (3)	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	193,723	109,312	3,437	2,163	667	490
Sovereign	43,882	1,290	2	-	-	-
Bank	78,607	8,179	87	35	34	-
Residential mortgage	270,525	56,351	997	669	161	53
Qualifying revolving retail	11,100	4,055	231	-	-	96
Retail SME	19,212	7,318	340	179	92	35
Other retail	4,591	3,652	137	12	3	47
Total IRB approach	**621,640**	**190,157**	**5,231**	**3,058**	**957**	**721**
Specialised lending (SL)	**54,330**	**45,439**	**1,802**	**1,352**	**249**	**133**
Standardised approach						
Australian and foreign governments	4,248	81	-	-	-	-
Bank	9,661	205	-	-	-	-
Residential mortgage	34,963	18,823	-	100	22	14
Corporate	30,424	29,979	-	1,565	398	240
Other	3,648	3,165	-	9	4	47
Total standardised approach	**82,944**	**52,253**	**-**	**1,674**	**424**	**301**
Total	**758,914**	**287,849**	**7,033**	**6,084**	**1,630**	**1,155**
Additional regulatory specific provisions (3)					513	
General reserve for credit losses (4)					2,694	

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

(2) *Impaired facilities includes $235 million of restructured loans (September 2011: $235 million) which includes $nil million of restructured fair value assets (September 2011: $16 million).*

Impaired facilities includes $174 million of gross impaired fair value assets (September 2011: $186 million).

In the United States there is US$96 million (September 2011: US$100 million) of "Other Real Estate Owned" assets where the Group assumed ownership or foreclosed in the settlement of debt. Of this amount, US$69 million (September 2011: US$83 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.

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

Specific provisions includes $82 million (September 2011: $71 million) of specific provisions on gross impaired fair value assets.

(4) *The General Reserve for Credit Losses (GRCL) at 31 March 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,058*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*-*
Less collective provisions reported as additional regulatory specific provisions	*(513)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,545*
Less tax effect	*(561)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*1,984*
Plus reserve created through a deduction from retained earnings	*710*
General reserve for credit losses (after-tax basis)	*2,694*

	As at 30 Sep 11					6 months ended 30 Sep 11
	Total exposure (EaD)	Risk-weighted Assets	Regulatory expected loss	Impaired facilities	Specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach						
Corporate (including SME)	189,882	112,620	3,345	2,430	691	255
Sovereign	35,881	1,170	41	-	-	-
Bank	71,438	7,617	88	34	34	-
Residential mortgage	250,960	51,620	828	667	161	69
Qualifying revolving retail	10,978	4,377	240	-	-	96
Retail SME	19,656	8,227	352	177	87	43
Other retail	4,590	3,594	143	9	4	50
Total IRB approach	**583,385**	**189,225**	**5,037**	**3,317**	**977**	**513**
Specialised lending (SL)	**49,406**	**41,752**	**1,703**	**1,463**	**287**	**192**
Standardised approach						
Australian and foreign governments	4,412	76	-	-	-	-
Bank	10,508	163	-	-	-	-
Residential mortgage	45,533	23,202	-	117	31	10
Corporate	33,202	32,863	-	1,472	243	221
Other	4,095	3,618	-	8	4	22
Total standardised approach	**97,750**	**59,922**	**-**	**1,597**	**278**	**253**
Total	**730,541**	**290,899**	**6,740**	**6,377**	**1,542**	**958**
Additional regulatory specific provisions					454	
General reserve for credit losses [(1)]					2,805	

[(1)] *The General Reserve for Credit Losses (GRCL) at 30 September 2011 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,398*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(160)*
Less collective provisions reported as additional regulatory specific provisions	*(454)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,784*
Less tax effect	*(695)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,089*
Plus reserve created through a deduction from retained earnings	*716*
General reserve for credit losses (after-tax basis)	*2,805*

Credit Exposures by Measurement Approach

Table 5.1B: Total and Average Credit Risk Exposures

This table provides the amount of credit risk exposures subject to the Standardised and Advanced IRB approaches. Exposures exclude non-lending assets, equities and securitisation. 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.

	As at 31 Mar 12				6 months ended 31 Mar 12
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**		**$m**	**$m**
IRB approach					
Corporate (including SME)	117,718	45,742	30,263	**193,723**	**191,803**
Sovereign	28,033	693	15,156	**43,882**	**39,881**
Bank	31,549	935	46,123	**78,607**	**75,023**
Residential mortgage	233,896	36,629	-	**270,525**	**260,742**
Qualifying revolving retail	5,682	5,418	-	**11,100**	**11,039**
Retail SME	15,267	3,945	-	**19,212**	**19,434**
Other retail	3,376	1,215	-	**4,591**	**4,591**
Total IRB approach	**435,521**	**94,577**	**91,542**	**621,640**	**602,513**
Specialised lending (SL)	**45,865**	**6,959**	**1,506**	**54,330**	**51,868**
Standardised approach					
Australian and foreign governments	4,077	171	-	**4,248**	**4,330**
Bank	9,160	26	475	**9,661**	**10,084**
Residential mortgage	32,648	2,315	-	**34,963**	**40,248**
Corporate	26,269	3,732	423	**30,424**	**31,813**
Other	3,479	169	-	**3,648**	**3,872**
Total standardised approach	**75,633**	**6,413**	**898**	**82,944**	**90,347**
Total	**557,019**	**107,949**	**93,946**	**758,914**	**744,728**

	As at 30 Sep 11				6 months ended 30 Sep 11
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**		**$m**	**$m**
IRB approach					
Corporate (including SME)	115,493	45,225	29,164	**189,882**	**183,727**
Sovereign	27,104	631	8,146	**35,881**	**31,397**
Bank	27,995	920	42,523	**71,438**	**64,831**
Residential mortgage	217,224	33,736	-	**250,960**	**245,000**
Qualifying revolving retail	5,597	5,381	-	**10,978**	**10,835**
Retail SME	15,696	3,960	-	**19,656**	**19,681**
Other retail	3,376	1,214	-	**4,590**	**4,566**
Total IRB approach	**412,485**	**91,067**	**79,833**	**583,385**	**560,037**
Specialised lending (SL)	**42,389**	**5,516**	**1,501**	**49,406**	**48,124**
Standardised approach					
Australian and foreign governments	4,215	197	-	**4,412**	**3,681**
Bank	8,841	13	1,654	**10,508**	**8,631**
Residential mortgage	42,904	2,629	-	**45,533**	**43,278**
Corporate	28,278	4,370	554	**33,202**	**30,634**
Other	3,918	177	-	**4,095**	**6,909**
Total standardised approach	**88,156**	**7,386**	**2,208**	**97,750**	**93,133**
Total	**543,030**	**103,969**	**83,542**	**730,541**	**701,294**

Table 5.1C: Exposures by Geography

This table provides the total Exposure at Default by booking office where the exposure was transacted. Exposures exclude non-lending assets, equities and securitisation.

	As at 31 Mar 12				
Exposure type	Australia $m	United Kingdom $m	New Zealand $m	Other [(1)] $m	Total exposure $m
IRB approach					
Corporate (including SME)	143,925	19,630	23,427	6,741	**193,723**
Sovereign	27,179	2,742	3,910	10,051	**43,882**
Bank	47,491	18,171	2,817	10,128	**78,607**
Residential mortgage	246,385	-	24,140	-	**270,525**
Qualifying revolving retail	11,100	-	-	-	**11,100**
Retail SME	17,444	-	1,768	-	**19,212**
Other retail	2,514	-	2,077	-	**4,591**
Total IRB approach	**496,038**	**40,543**	**58,139**	**26,920**	**621,640**
Specialised lending (SL)	**47,141**	**1,455**	**4,364**	**1,370**	**54,330**
Standardised approach					
Australian and foreign governments	-	1,774	-	2,474	**4,248**
Bank	-	9,405	-	256	**9,661**
Residential mortgage	1,158	31,798	5	2,002	**34,963**
Corporate	3,985	22,079	21	4,339	**30,424**
Other	1,131	2,337	-	180	**3,648**
Total standardised approach	**6,274**	**67,393**	**26**	**9,251**	**82,944**
Total exposure (EaD)	**549,453**	**109,391**	**62,529**	**37,541**	**758,914**

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

	As at 30 Sep 11				
Exposure type	Australia $m	United Kingdom $m	New Zealand $m	Other $m	Total exposure $m
IRB approach					
Corporate (including SME)	139,772	21,228	23,469	5,413	**189,882**
Sovereign	22,839	2,002	3,756	7,284	**35,881**
Bank	41,480	17,534	3,128	9,296	**71,438**
Residential mortgage	227,342	-	23,618	-	**250,960**
Qualifying revolving retail	10,978	-	-	-	**10,978**
Retail SME	17,821	-	1,835	-	**19,656**
Other retail	2,527	-	2,063	-	**4,590**
Total IRB approach	**462,759**	**40,764**	**57,869**	**21,993**	**583,385**
Specialised lending (SL)	**43,073**	**1,553**	**3,407**	**1,373**	**49,406**
Standardised approach					
Australian and foreign governments	-	1,983	-	2,429	**4,412**
Bank	-	10,181	-	327	**10,508**
Residential mortgage	11,970	31,637	4	1,922	**45,533**
Corporate	4,074	24,819	23	4,286	**33,202**
Other	1,217	2,685	-	193	**4,095**
Total standardised approach	**17,261**	**71,305**	**27**	**9,157**	**97,750**
Total exposure (EaD)	**523,093**	**113,622**	**61,303**	**32,523**	**730,541**

Table 5.1D: 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 12												
	Accommodation cafes, pubs and restaurants	**Agriculture, forestry, fishing and mining**	**Business services and property services**	**Commercial property**	**Construction**	**Finance and insurance**	**Manufacturing**	**Personal**	**Residential mortgages**	**Retail and wholesale trade**	**Transport and storage**	**Other [(2)]**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	7,811	33,468	11,230	13,335	7,097	42,983	19,098	388	-	23,371	11,170	23,772	**193,723**
Sovereign	-	-	-	-	-	25,798	-	-	-	-	-	18,084	**43,882**
Bank	-	-	-	-	-	77,703	-	-	-	-	-	904	**78,607**
Residential mortgage	-	-	-	-	-	-	-	-	270,525	-	-	-	**270,525**
Qualifying revolving retail	-	-	-	-	-	-	-	11,100	-	-	-	-	**11,100**
Retail SME	1,058	3,975	2,163	2,261	1,950	757	1,118	106	-	3,286	858	1,680	**19,212**
Other retail	-	-	-	-	-	-	-	4,591	-	-	-	-	**4,591**
Total IRB approach	**8,869**	**37,443**	**13,393**	**15,596**	**9,047**	**147,241**	**20,216**	**16,185**	**270,525**	**26,657**	**12,028**	**44,440**	**621,640**
Specialised lending (SL)	**-**	**423**	**132**	**47,162**	**503**	**125**	**167**	**-**	**-**	**-**	**1,560**	**4,258**	**54,330**
Standardised approach													
Australian and foreign governments	-	-	-	19	-	1,768	-	-	-	-	-	2,461	**4,248**
Bank	-	-	-	-	-	9,661	-	-	-	-	-	-	**9,661**
Residential mortgage	-	-	-	-	-	-	-	-	34,963	-	-	-	**34,963**
Corporate	2,095	3,938	3,104	5,904	834	971	2,919	44	-	3,324	1,201	6,090	**30,424**
Other	3	5	18	3	9	1	6	3,536	-	13	2	52	**3,648**
Total standardised approach	**2,098**	**3,943**	**3,122**	**5,926**	**843**	**12,401**	**2,925**	**3,580**	**34,963**	**3,337**	**1,203**	**8,603**	**82,944**
Total exposure (EaD)	**10,967**	**41,809**	**16,647**	**68,684**	**10,393**	**159,767**	**23,308**	**19,765**	**305,488**	**29,994**	**14,791**	**57,301**	**758,914**

(1) *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 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**	**Total**
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach													
Corporate (including SME)	7,684	32,363	10,629	17,120	7,076	40,883	18,944	430	-	22,122	10,314	22,317	**189,882**
Sovereign	-	-	-	-	-	16,323	-	-	-	-	-	19,558	**35,881**
Bank	-	-	-	-	-	70,583	-	-	-	-	-	855	**71,438**
Residential mortgage	-	-	-	-	-	-	-	-	250,960	-	-	-	**250,960**
Qualifying revolving retail	-	-	-	-	-	-	-	10,978	-	-	-	-	**10,978**
Retail SME	1,088	3,999	2,213	2,430	1,984	726	1,138	111	-	3,390	880	1,697	**19,656**
Other retail	-	-	-	-	-	-	-	4,590	-	-	-	-	**4,590**
Total IRB approach	**8,772**	**36,362**	**12,842**	**19,550**	**9,060**	**128,515**	**20,082**	**16,109**	**250,960**	**25,512**	**11,194**	**44,427**	**583,385**
Specialised lending (SL)	**3**	**239**	**233**	**42,789**	**286**	**198**	**173**	**-**	**-**	**-**	**1,218**	**4,267**	**49,406**
Standardised approach													
Australian and foreign governments	-	-	-	36	-	1,536	-	-	-	-	-	2,840	**4,412**
Bank	-	-	-	-	-	10,508	-	-	-	-	-	-	**10,508**
Residential mortgage	-	-	-	-	-	-	-	-	45,533	-	-	-	**45,533**
Corporate	2,314	4,112	3,399	7,087	1,015	1,004	3,257	60	-	3,513	1,257	6,184	**33,202**
Other	1	2	5	4	3	1	1	3,973	-	5	1	99	**4,095**
Total standardised approach	**2,315**	**4,114**	**3,404**	**7,127**	**1,018**	**13,049**	**3,258**	**4,033**	**45,533**	**3,518**	**1,258**	**9,123**	**97,750**
Total exposure (EaD)	**11,090**	**40,715**	**16,479**	**69,466**	**10,364**	**141,762**	**23,513**	**20,142**	**296,493**	**29,030**	**13,670**	**57,817**	**730,541**

Table 5.1E: Exposures by Maturity

This table sets out the residual contractual maturity breakdown of gross credit risk exposures, excluding non-lending assets, equities 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 12			
	<12 months	1 – 5 years	>5 years	No specified maturity [(1)]
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	78,373	88,050	21,807	5,493
Sovereign	29,204	6,077	8,520	81
Bank	60,167	10,314	7,694	432
Residential mortgage	48,770	7,858	213,418	479
Qualifying revolving retail	1	-	-	11,099
Retail SME	6,664	7,692	4,239	617
Other retail	206	1,059	1,129	2,197
Total IRB approach	**223,385**	**121,050**	**256,807**	**20,398**
Specialised lending (SL)	**21,543**	**26,647**	**4,554**	**1,586**
Standardised approach				
Australian and foreign governments	492	268	3,488	-
Bank	8,149	246	108	1,158
Residential mortgage	3,896	4,660	26,019	388
Corporate	13,137	10,302	6,350	635
Other	1,285	1,273	208	882
Total standardised approach	**26,959**	**16,749**	**36,173**	**3,063**
Total exposure (EaD)	**271,887**	**164,446**	**297,534**	**25,047**

(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 11			
	<12 months	1 – 5 years	>5 years	No specified maturity
Exposure type	**$m**	**$m**	**$m**	**$m**
IRB approach				
Corporate (including SME)	78,838	83,939	21,715	5,390
Sovereign	19,899	8,850	7,045	87
Bank	52,577	9,133	9,581	147
Residential mortgage	49,691	7,808	192,995	466
Qualifying revolving retail	1	-	-	10,977
Retail SME	6,958	7,758	4,267	673
Other retail	202	997	1,222	2,169
Total IRB approach	**208,166**	**118,485**	**236,825**	**19,909**
Specialised lending (SL)	**19,565**	**23,575**	**4,832**	**1,434**
Standardised approach				
Australian and foreign governments	633	289	3,490	-
Bank	8,905	226	163	1,214
Residential mortgage	3,362	4,631	36,970	570
Corporate	14,375	10,797	7,090	940
Other	1,395	1,482	240	978
Total standardised approach	**28,670**	**17,425**	**47,953**	**3,702**
Total exposure (EaD)	**256,401**	**159,485**	**289,610**	**25,045**

Credit Provisions and Losses

Table 5.1F: 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 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 12			6 months ended 31 Mar 12	
	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)	2,163	332	667	484	490
Sovereign	-	-	-	-	-
Bank	35	-	34	-	-
Residential mortgage	669	1,226	161	60	53
Qualifying revolving retail	-	68	-	93	96
Retail SME	179	129	92	37	35
Other retail	12	47	3	45	47
Total IRB approach	**3,058**	**1,802**	**957**	**719**	**721**
Specialised lending (SL)	**1,352**	**118**	**249**	**95**	**133**
Standardised approach					
Australian and foreign governments (3)	-	23	-	-	-
Bank	-	-	-	-	-
Residential mortgage	100	134	22	7	14
Corporate	1,565	269	398	381	240
Other	9	27	4	47	47
Total standardised approach	**1,674**	**453**	**424**	**435**	**301**
Total	**6,084**	**2,373**	**1,630**	**1,249**	**1,155**
Additional regulatory specific provisions (2)			513		
General reserve for credit losses (4)			2,694		

(1) *Impaired facilities includes $235 million of restructured loans (September 2011: $235 million) which includes $nil million of restructured fair value assets (September 2011: $16 million).*

Impaired facilities includes $174 million of gross impaired fair value assets (September 2011: $186 million).

In the United States there is US$96 million (September 2011: US$100 million) of "Other Real Estate Owned" assets where the Group assumed ownership or foreclosed in the settlement of debt. Of this amount, US$69 million (September 2011: US$83 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 $82 million (September 2011: $71 million) of specific provisions on 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 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,058*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*-*
Less collective provisions reported as additional regulatory specific provisions	*(513)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,545*
Less tax effect	*(561)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*1,984*
Plus reserve created through a deduction from retained earnings	*710*
General reserve for credit losses (after-tax basis)	*2,694*

	As at 30 Sep 11			6 months ended 30 Sep 11	
	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)	2,430	350	691	330	255
Sovereign	-	-	-	-	-
Bank	34	-	34	-	-
Residential mortgage	667	1,006	161	90	69
Qualifying revolving retail	-	65	-	96	96
Retail SME	177	135	87	43	43
Other retail	9	38	4	53	50
Total IRB approach	**3,317**	**1,594**	**977**	**612**	**513**
Specialised lending (SL)	**1,463**	**83**	**287**	**201**	**192**
Standardised approach					
Australian and foreign governments	-	89	-	-	-
Bank	-	-	-	-	-
Residential mortgage	117	183	31	28	10
Corporate	1,472	168	243	245	221
Other	8	33	4	30	22
Total standardised approach	**1,597**	**473**	**278**	**303**	**253**
Total	**6,377**	**2,150**	**1,542**	**1,116**	**958**

Additional regulatory specific provisions	454
General reserve for credit losses [(1)]	2,805

[(1)] *The General Reserve for Credit Losses (GRCL) at 30 September 2011 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,398*
Less collective provisions for securitisation and management overlay for conduit assets and derivatives	*(160)*
Less collective provisions reported as additional regulatory specific provisions	*(454)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,784*
Less tax effect	*(695)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,089*
Plus reserve created through a deduction from retained earnings	*716*
General reserve for credit losses (after-tax basis)	*2,805*

Factors Impacting Loss Experience in the Preceding Period

Non-Impaired facilities 90+ Days Past Due

90+ days past due facilities increased modestly during the March 2012 half year, and volumes increased across most divisions.

The increase in 90+ days past due facilities was evident within the IRB Residential Mortgages portfolio, mainly within the Australian geography. The increase was partially driven by the transfer of Advantedge (mortgages) from Basel II Standardised to the Advanced IRB approach.

An increase in 90+ days past due facilities was also observed in the Standardised Corporate portfolio predominately due to the default of UK Banking commercial property facilities.

There was a reduction in 90+ days past due facilities in the Standardised Australian and Foreign Governments portfolio due to the continued work-out strategies and the run-off of the acquired TierOne Bank assets in GWB. All of the 90+ days past due facilities relate to the acquired TierOne Bank assets which are covered by the loss share agreement with the Federal Deposit Insurance Corporation (FDIC).

Impaired facilities

Impaired facilities decreased during the March 2012 half year. The decrease was mainly across all divisions, apart from UK Banking, while Wholesale Banking remained stable.

The largest decrease was experienced in the IRB Corporate (including SME) portfolio predominately driven by the write-offs of large specific defaults in Specialised Group Assets (SGA), Business Banking and BNZ, combined with loans returning to performing or repaid in SGA.

A decrease in impaired facilities was observed in the Specialised Lending portfolio, mainly due to the large write-off and repayment of property facilities in Business Banking and in NAB Wealth.

In the Standardised Corporate portfolio, the increase in impaired facilities reflected the weak market conditions in the UK economy, which have continued to adversely impact the UK property sector.

Charges for specific provisions

In the March 2012 half year, the total charge for specific provisions was higher when compared to the September 2011 half year. This was primarily due to the difficult conditions in the UK economy which has adversely affected performance in the Standardised Corporate and IRB Corporate (including SME) portfolio.

Net Write-Offs

Net write-offs increased from $958 million for the September 2011 half year to $1,155 million for the March 2012 half year. This was largely due to UK related facilities under the IRB Corporate (including SME) portfolio.

Table 5.1G: Loss Experience

This table represents the regulatory expected loss (which are forward-looking loss estimates) compared to the realised actual losses calculated as an exposure weighted average since Basel II advanced accreditation at 30 September 2008. The table is calculated on an annual basis in the September full year disclosures.

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 Bank's best estimate of expected loss.*

	30 Sep 11	
	Exposure weighted average actual loss (net write-offs) [(1)]	**Exposure weighted average regulatory expected loss** [(2)]
	$m	**$m**
IRB approach		
Corporate	780	2,620
Sovereign	-	2
Bank	9	55
Residential mortgage	123	712
Qualifying revolving retail	179	222
Retail SME	85	293
Other retail	104	164
Total IRB approach	**1,280**	**4,068**

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

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

Table 5.1H: Provisions by Industry

This table shows provisioning information by industry. Industry classifications follow ANZSIC Level 1 classifications. Totals do not include amounts relating to non-lending assets, equities or securitisation.

	As at 31 Mar 12			6 months ended 31 Mar 12	
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	Charges for specific provisions	Net write-offs
	$m	$m	$m	$m	$m
Industry sector					
Accommodation, cafes, pubs and restaurants	305	63	78	65	63
Agriculture, forestry, fishing and mining	727	84	148	42	33
Business services and property services	234	67	102	39	51
Commercial property	2,564	380	552	410	277
Construction	171	38	58	36	67
Finance and insurance	192	21	101	31	18
Manufacturing	220	43	60	101	107
Personal	20	145	9	172	191
Residential mortgages	769	1,360	183	67	67
Retail and wholesale trade	428	75	187	133	140
Transport and storage	141	38	51	44	37
Other	313	59	101	109	104
Total	**6,084**	**2,373**	**1,630**	**1,249**	**1,155**
Additional regulatory specific provision			513		

	As at 30 Sep 11			6 months ended 30 Sep 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	322	49	79	90	83
Agriculture, forestry, fishing and mining	706	111	141	(17)	(1)
Business services and property services	270	60	98	81	80
Commercial property	2,656	275	450	323	309
Construction	263	44	93	81	41
Finance and insurance	197	100	97	5	6
Manufacturing	218	37	65	29	11
Personal	17	143	10	163	198
Residential mortgages	784	1,189	192	118	79
Retail and wholesale trade	535	81	190	136	79
Transport and storage	110	24	44	40	10
Other	299	37	83	67	63
Total	**6,377**	**2,150**	**1,542**	**1,116**	**958**
Additional regulatory specific provision			454		

Table 5.1I: Provisions by Geography

	As at 31 Mar 12			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	3,687	1,751	991	1,723
United Kingdom	1,827	408	463	1,033
New Zealand	417	169	152	239
Other [(1)]	153	45	24	63
Total	**6,084**	**2,373**	**1,630**	**3,058**
Regulatory specific provisions			513	(513)
Less tax effect				(561)
Plus reserve created through retained earnings				710
General reserve for credit losses [(2)]				**2,694**

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

(2) *The GRCL balance allocated across geographic regions of $3,058 million includes $2,333 million of provisions on loans at amortised cost and $725 million of provisions held on assets at fair value.*

	As at 30 Sep 11			
	Impaired facilities	Past due facilities ≥90 days	Specific provisions	General reserve for credit losses
	$m	$m	$m	$m
Geographic region				
Australia	3,836	1,547	942	2,069
United Kingdom	1,869	318	397	865
New Zealand	516	158	178	226
Other	156	127	25	78
Total	**6,377**	**2,150**	**1,542**	**3,238**
Regulatory specific provisions			454	(454)
Less tax effect				(695)
Plus reserve created through retained earnings				716
General reserve for credit losses [(1)]				**2,805**

(1) *The GRCL balance allocated across geographic regions of $3,238 million includes $2,505 million of provisions on loans at amortised cost and $733 million of provisions held on assets at fair value.*

Table 5.1J: Movement in Provisions

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

	6 months ended 31 Mar 12	6 months ended 30 Sep 11
	$m	$m
General reserve for credit losses		
Collective provision balance at start of period	2,505	2,781
Total charge to income statement for impairment loss	1,107	819
Net transfer to specific provision	(1,249)	(1,116)
Recoveries	-	-
Balances written off	-	-
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(30)	21
Collective provision on loans at amortised cost	2,333	2,505
Plus provisions held on assets at fair value (1)	725	733
Less additional regulatory specific provisions	(513)	(454)
Less tax effect	(561)	(695)
Plus reserve created through retained earnings	710	716
General reserve for credit losses	**2,694**	**2,805**
Specific provisions		
Balance at start of period	1,471	1,295
Net transfer from general reserve for credit losses	1,249	1,116
Bad debts recovered	79	91
Bad debts written off	(1,234)	(1,049)
Acquisition of controlled entities	-	-
Foreign currency translation and other adjustments	(17)	18
Specific provisions excluding provisions for assets at fair value	1,548	1,471
Specific provisions held on assets at fair value	82	71
Additional regulatory specific provisions	513	454
Total regulatory specific provisions	**2,143**	**1,996**
Total provisions	**4,837**	**4,801**

(1) *Provisions held on assets at fair value are presented gross of $10 million regulatory specific provisions for assets held at fair value (September 2011: $18 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 in each risk category, subject to the standardised approach.

	As at 31 Mar 12		As at 30 Sep 11	
	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%	12,132	12,668	12,550	12,543
20%	1,394	1,370	2,849	1,924
35%	21,363	21,077	27,991	27,965
50%	4,389	4,277	6,957	6,955
75%	2,770	2,762	3,512	3,510
100%	39,440	38,228	42,288	41,241
150%	1,456	1,442	1,603	1,598
Total standardised approach (EaD) [1]	**82,944**	**81,824**	**97,750**	**95,736**

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

Table 5.2B: Standardised Exposures by Risk Grade

	As at 31 Mar 12		As at 30 Sep 11	
Asset class by rating grade	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m	Credit exposure before risk mitigation $m	Credit exposure after risk mitigation $m
Australian and foreign governments				
Credit rating grade 1	3,652	4,020	3,702	4,241
Credit rating grade 2	47	47	12	12
Unrated	549	8	698	9
Sub-total	4,248	4,075	4,412	4,262
Bank				
Credit rating grade 1	9,018	9,025	9,294	9,171
Credit rating grade 2	386	315	19	19
Credit rating grade 3	39	39	10	10
Unrated	218	24	1,185	161
Sub-total	9,661	9,403	10,508	9,361
Residential mortgage				
Unrated	34,963	34,893	45,533	45,457
Sub-total	34,963	34,893	45,533	45,457
Corporate				
Credit rating grade 2	48	48	35	35
Unrated	30,376	29,824	33,167	32,591
Sub-total	30,424	29,872	33,202	32,626
Other				
Unrated	3,648	3,581	4,095	4,030
Sub-total	3,648	3,581	4,095	4,030
Total standardised approach (EaD)	**82,944**	**81,824**	**97,750**	**95,736**

Table 5.2C: Supervisory Slotting by Risk Weight

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

	As at	
	31 Mar 12	**30 Sep 11**
	Exposure after risk mitigation $m	**Exposure after risk mitigation $m**
IRB supervisory slotting – unexpected loss risk weights		
70%	23,637	20,001
90%	20,525	19,161
115%	5,656	6,204
250%	1,480	1,282
Default	2,522	2,380
Total IRB supervisory slotting (EaD)	**53,820**	**49,028**

Equity exposures are also applied a supervisory risk weight under *APS 113*. Further information on the Group's equity exposures can be found in *Section 9.2 Equities Banking Book Position*.

5.3 Internal Ratings Based Portfolios

Portfolios Subject to IRB Approach

Table 5.3A: Non-Retail Exposure by Risk Grade

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

	As at 31 Mar 12						
	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	1,734	37,153	59,468	70,513	18,594	1,252	5,009
Sovereign	39,856	3,917	71	25	13	-	-
Bank	30,323	44,245	2,736	1,203	20	9	71
Total exposure (EaD)	**71,913**	**85,315**	**62,275**	**71,741**	**18,627**	**1,261**	**5,080**
Undrawn commitments							
Corporate	1,119	10,189	14,358	11,407	1,990	80	278
Sovereign	417	242	20	7	2	-	-
Bank	359	326	89	21	-	-	-
Total undrawn commitments (1)	**1,895**	**10,757**	**14,467**	**11,435**	**1,992**	**80**	**278**

IRB approach							
Exposure weighted average EaD ($m) (2)							
Corporate	0.71	1.24	0.59	0.28	0.23	0.18	0.58
Sovereign	24.71	1.64	0.40	0.04	0.19	-	-
Bank	3.81	1.85	1.55	1.98	0.33	5.68	5.88
Exposure weighted average LGD (%)							
Corporate	51.0 %	39.7 %	35.6 %	33.6 %	34.7 %	38.9 %	45.5 %
Sovereign	4.4 %	27.2 %	53.9 %	44.2 %	44.4 %	-	-
Bank	36.7 %	27.4 %	35.6 %	21.0 %	42.0 %	-	59.6 %
Exposure weighted average risk weight (%)							
Corporate	20.9 %	25.4 %	42.6 %	67.5 %	97.6 %	189.9 %	120.7 %
Sovereign	0.9 %	21.9 %	65.8 %	95.6 %	154.5 %	-	-
Bank	8.2 %	9.3 %	40.7 %	34.8 %	164.8 %	-	2.3 %

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

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

	As at 30 Sep 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							
Corporate	1,229	32,353	58,105	70,078	21,352	1,868	4,897
Sovereign	32,414	3,326	17	27	10	-	87
Bank	26,864	39,683	4,183	589	40	9	70
Total exposure (EaD)	**60,507**	**75,362**	**62,305**	**70,694**	**21,402**	**1,877**	**5,054**
Undrawn commitments							
Corporate	374	10,496	14,147	10,626	2,475	197	245
Sovereign	381	234	3	6	-	-	1
Bank	367	363	103	8	-	-	-
Total undrawn commitments	**1,122**	**11,093**	**14,253**	**10,640**	**2,475**	**197**	**246**

IRB approach							
Exposure weighted average EaD ($m)							
Corporate	0.55	1.03	0.60	0.28	0.25	0.25	0.56
Sovereign	20.69	1.37	0.10	0.04	0.17	-	3.02
Bank	2.37	1.90	2.18	1.33	0.81	1.96	4.14
Exposure weighted average LGD (%)							
Corporate	52.4 %	43.0 %	34.7 %	34.2 %	36.3 %	40.1 %	46.1 %
Sovereign	4.9 %	34.1 %	44.5 %	44.2 %	44.6 %	-	45.0 %
Bank	38.3 %	28.9 %	30.8 %	40.6 %	59.6 %	-	59.6 %
Exposure weighted average risk weight (%)							
Corporate	19.7 %	27.0 %	40.7 %	68.5 %	103.6 %	195.7 %	126.5 %
Sovereign	1.0 %	24.3 %	45.0 %	97.0 %	154.7 %	-	-
Bank	8.4 %	8.6 %	34.1 %	76.9 %	188.5 %	-	2.6 %

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 12						
	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	$m
Total exposure							
Residential mortgage	51,950	76,596	32,513	85,720	17,535	3,939	2,272
Qualifying revolving retail	3,499	2,617	744	2,396	1,436	341	67
Retail SME	131	821	3,109	11,382	2,729	463	577
Other retail	796	809	310	1,451	953	204	68
Total exposure (EaD)	**56,376**	**80,843**	**36,676**	**100,949**	**22,653**	**4,947**	**2,984**
Undrawn commitments							
Residential mortgage	14,147	12,674	4,570	4,889	327	16	6
Qualifying revolving retail	2,687	1,696	311	538	165	20	1
Retail SME	105	234	1,022	1,841	242	26	55
Other retail	562	261	73	215	92	11	1
Total undrawn commitments (1)	**17,501**	**14,865**	**5,976**	**7,483**	**826**	**73**	**63**
IRB approach							
Exposure weighted average EaD ($m) (2)							
Residential mortgage	0.05	0.25	0.26	0.24	0.29	0.32	0.19
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.01	0.04	0.04	0.04	0.03	0.04	0.03
Other retail	small	0.01	0.01	0.01	0.01	small	0.01
Exposure weighted average LGD (%)							
Residential mortgage	20.0 %	20.0 %	19.9 %	20.4 %	20.0 %	20.0 %	20.8 %
Qualifying revolving retail	83.4 %	84.1 %	85.4 %	86.5 %	87.1 %	87.4 %	89.1 %
Retail SME	30.5 %	22.4 %	26.9 %	30.5 %	32.5 %	34.7 %	41.9 %
Other retail	83.1 %	80.8 %	80.8 %	79.2 %	77.8 %	76.8 %	75.4 %
Exposure weighted average risk weight (%)							
Residential mortgage	3.6 %	7.8 %	14.7 %	27.9 %	67.1 %	105.9 %	169.5 %
Qualifying revolving retail	3.9 %	9.0 %	18.0 %	41.6 %	112.2 %	230.2 %	228.7 %
Retail SME	6.3 %	10.9 %	19.5 %	33.8 %	50.5 %	78.3 %	178.2 %
Other retail	12.7 %	30.0 %	56.5 %	92.9 %	121.2 %	176.6 %	397.2 %

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

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

	As at 30 Sep 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							
Residential mortgage	36,895	75,579	30,323	89,625	14,411	2,145	1,982
Qualifying revolving retail	3,300	2,276	1,079	2,343	1,444	478	58
Retail SME	70	505	2,897	11,932	3,246	455	551
Other retail	771	803	270	1,366	1,068	249	63
Total exposure (EaD)	**41,036**	**79,163**	**34,569**	**105,266**	**20,169**	**3,327**	**2,654**
Undrawn commitments							
Residential mortgage	11,459	12,644	3,671	5,727	224	4	7
Qualifying revolving retail	2,570	1,356	669	570	182	33	1
Retail SME	13	161	985	1,972	312	28	52
Other retail	549	267	71	212	86	28	1
Total undrawn commitments	**14,591**	**14,428**	**5,396**	**8,481**	**804**	**93**	**61**

IRB approach							
Exposure weighted average EaD ($m)							
Residential mortgage	0.04	0.26	0.23	0.25	0.30	0.36	0.19
Qualifying revolving retail	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Retail SME	0.04	0.04	0.04	0.04	0.03	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 %	20.0 %	19.9 %	20.3 %	19.9 %	20.0 %	21.1 %
Qualifying revolving retail	83.4 %	84.2 %	84.6 %	86.5 %	87.2 %	87.6 %	88.4 %
Retail SME	24.2 %	26.4 %	30.3 %	33.2 %	34.9 %	36.8 %	43.4 %
Other retail	79.8 %	78.4 %	78.8 %	78.3 %	76.7 %	71.4 %	66.2 %
Exposure weighted average risk weight (%)							
Residential mortgage	3.6 %	8.2 %	14.9 %	27.4 %	66.1 %	105.9 %	163.5 %
Qualifying revolving retail	4.0 %	8.5 %	17.1 %	42.0 %	112.7 %	226.9 %	297.1 %
Retail SME	5.7 %	13.5 %	22.1 %	36.8 %	54.2 %	83.4 %	177.9 %
Other retail	12.4 %	29.5 %	54.8 %	92.0 %	119.9 %	161.6 %	276.2 %

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 12	
	Total exposure	of which is covered by eligible financial collateral [1]
	$m	$m
Specialised lending (SL)	**54,330**	**510**
Standardised approach		
Australian and foreign governments	4,248	173
Bank	9,661	258
Residential mortgage	34,963	70
Corporate	30,424	552
Other	3,648	67
Total standardised approach	**82,944**	**1,120**

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

	As at 30 Sep 11	
	Total exposure	of which is covered by eligible financial collateral
	$m	$m
Specialised lending (SL)	**49,406**	**378**
Standardised approach		
Australian and foreign governments	4,412	150
Bank	10,508	1,147
Residential mortgage	45,533	76
Corporate	33,202	576
Other	4,095	65
Total standardised approach	**97,750**	**2,014**

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 12		
	Total exposure $m	of which is covered by guarantees $m	of which is covered by credit derivatives $m
IRB approach			
Corporate (including SME)	193,723	23,003	-
Sovereign	43,882	2	-
Bank	78,607	221	713
Residential mortgage	270,525	-	-
Qualifying revolving retail	11,100	-	-
Retail SME	19,212	-	-
Other retail	4,591	-	-
Total IRB approach	**621,640**	**23,226**	**713**
Specialised lending (SL)	**54,330**	**-**	**-**
Standardised approach			
Australian and foreign governments	4,248	541	-
Bank	9,661	195	-
Residential mortgage	34,963	-	-
Corporate	30,424	-	-
Other	3,648	-	-
Total standardised approach	**82,944**	**736**	**-**

	As at 30 Sep 11		
	Total exposure $m	of which is covered by guarantees $m	of which is covered by credit derivatives $m
IRB approach			
Corporate (including SME)	189,882	21,277	-
Sovereign	35,881	2	-
Bank	71,438	264	1,331
Residential mortgage	250,960	-	-
Qualifying revolving retail	10,978	-	-
Retail SME	19,656	-	-
Other retail	4,590	-	-
Total IRB approach	**583,385**	**21,543**	**1,331**
Specialised lending (SL)	**49,406**	**-**	**-**
Standardised approach			
Australian and foreign governments	4,412	689	-
Bank	10,508	227	-
Residential mortgage	45,533	-	-
Corporate	33,202	-	-
Other	4,095	-	-
Total standardised approach	**97,750**	**916**	**-**

6. Securitisation

The format of this section has been updated since 30 September 2011 to reflect the requirements of the revised Prudential Standard APS 330 which became effective 1 January 2012.

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

6.1 Third Party Securitisation

This section provides information about assets that the 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 shows the amount of securitisation exposures 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. This table does not provide information on Group assets that have been sold to securitisations.

	As at 31 Mar 12				
	Total outstanding exposures				
	Non-originating ADI exposures	Originating ADI			
		Directly originated assets	Indirectly originated assets	ABCP facilities provided	Other (manager services)
	$m	$m	$m	$m	$m
Underlying asset					
Residential mortgage	10,018	25	-	1,006	1,535
Credit cards and other personal loans	-	-	-	47	-
Auto and equipment finance	668	-	-	13	-
CDOs/CLOs [(1)]	-	-	-	-	1,317
Commercial loans	-	-	-	-	-
Commercial mortgages	22	-	-	-	513
Corporate bonds	-	-	-	-	716
Other	650	-	-	-	461
Total underlying asset	**11,358**	**25**	**-**	**1,066**	**4,542**

(1) *As at 31 March 2012, all exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

	As at 30 Sep 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	9,609	60	-	1,210	1,915
Credit cards and other personal loans	-	-	-	47	-
Auto and equipment finance	154	-	-	23	-
CDOs/CLOs [(1)]	600	-	-	-	1,528
Commercial loans	-	-	-	-	-
Commercial mortgages	54	-	-	-	587
Corporate bonds	-	-	-	-	714
Other	1,096	-	-	-	606
Total underlying asset	**11,513**	**60**	**-**	**1,280**	**5,350**

(1) *The CDO/CLO non-originating ADI exposures are synthetic securitisations, where the risk of the pool of assets is transferred to an SPV through a derivative, usually a credit default swap. These exposures were terminated in March 2012. All other exposures are traditional securitisations, where the pool of assets is assigned to an SPV, usually by a sale.*

Table 6.1B: Type of Exposure

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

	As at 31 Mar 12			As at 30 Sept 11		
	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Securitisation exposure type						
Liquidity facilities	23	1,944	1,967	41	1,556	1,597
Warehouse facilities	9,952	1,002	10,954	10,200	1,495	11,695
Credit enhancements	12	56	68	-	-	-
Derivative transactions	236	-	236	133	-	133
Securities	32	-	32	278	-	278
Credit derivatives transactions	-	-	-	600	-	600
Other	3,764	-	3,764	3,235	699	3,934
Total securitisation exposures	**14,019**	**3,002**	**17,021**	**14,487**	**3,750**	**18,237**

Table 6.1C: New Facilities Provided

The table below shows new securitisation facilities provided in the six months to reporting date.

	Notional amount of facilities provided	
	6 months ended 31 Mar 12 $m	6 months ended 30 Sep 11 $m
Securitisation exposure type		
Liquidity facilities	23	133
Warehouse facilities	815	1,949
Credit enhancements	66	-
Derivative transactions	104	14
Securities	-	231
Credit derivatives transactions	-	-
Other	932	1,347
Total new facilities provided	**1,940**	**3,674**

Table 6.1D: Exposures by Risk Weight

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

Securitisation Exposures by Risk Weight

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

	As at 31 Mar 12 [1]	
Risk weight bands	**Exposure $m**	**RWA $m**
RBA		
≤10%	5,862	409
> 10% ≤ 25%	308	41
> 25% ≤ 35%	-	-
> 35% ≤ 50%	-	-
> 50% ≤ 75%	-	-
> 75% ≤ 100%	-	-
> 100% ≤ 650%	-	-
Deductions	-	-
RBA sub-total	**6,170**	**450**
IAA		
≤10%	1,987	144
> 10% ≤ 25%	4,536	642
> 25% ≤ 35%	48	16
> 35% ≤ 50%	14	7
> 50% ≤ 75%	193	142
> 75% ≤ 100%	244	244
> 100% ≤ 650%	14	56
Deductions	1	-
IAA sub-total	**7,037**	**1,251**
Other		
≤10%	-	-
> 10% ≤ 25%	232	37
> 25% ≤ 35%	49	17
> 35% ≤ 50%	302	152
> 50% ≤ 75%	231	162
> 75% ≤ 100%	806	806
> 100% ≤ 650%	48	215
Deductions	154	-
Other sub-total	**1,822**	**1,389**
Total	**15,029**	**3,090**

(1) *There are no prior period comparatives disclosed for this table. The distinction between securitisation and resecuritisation exposures has applied since 1 January 2012 when the revised Prudential Standard APS 120: Securitisation became effective.*

Resecuritisation Exposures by Risk Weight

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

	As at 31 Mar 12 [(1)]	
Risk weight bands	**Exposure $m**	**RWA $m**
RBA		
≤10%	-	-
> 10% ≤ 25%	-	-
> 25% ≤ 35%	-	-
> 35% ≤ 50%	-	-
> 50% ≤ 75%	-	-
> 75% ≤ 100%	-	-
> 100% ≤ 650%	-	-
Deductions	-	-
RBA sub-total	**-**	**-**
IAA		
≤10%	-	-
> 10% ≤ 25%	213	43
> 25% ≤ 35%	160	48
> 35% ≤ 50%	-	-
> 50% ≤ 75%	4	3
> 75% ≤ 100%	-	-
> 100% ≤ 650%	16	78
Deductions	-	-
IAA sub-total	**393**	**172**
Other		
≤10%	72	3
> 10% ≤ 25%	10	1
> 25% ≤ 35%	-	-
> 35% ≤ 50%	891	357
> 50% ≤ 75%	-	-
> 75% ≤ 100%	474	474
> 100% ≤ 650%	45	217
Deductions	77	-
Other sub-total	**1,569**	**1,052**
Total	**1,962**	**1,224**

(1) *There are no prior period comparatives disclosed for this table. The distinction between securitisation and resecuritisation exposures has applied since 1 January 2012 when the revised Prudential Standard APS 120: Securitisation became effective.*

Total Exposures by Risk Weight

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

	As at 31 Mar 12		As at 30 Sep 11	
Risk weight bands (1)	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
RBA				
≤10%	5,862	409	6,245	437
> 10% ≤ 25%	308	41	311	37
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
Deductions	-	-	-	-
RBA sub-total	**6,170**	**450**	**6,556**	**474**
IAA				
≤10%	1,987	144	1,782	126
> 10% ≤ 25%	4,749	685	4,646	658
> 25% ≤ 35%	208	64	38	12
> 35% ≤ 50%	14	7	14	7
> 50% ≤ 75%	197	145	235	168
> 75% ≤ 100%	244	244	249	249
> 100% ≤ 650%	30	134	20	55
Deductions	1	-	5	-
IAA sub-total	**7,430**	**1,423**	**6,989**	**1,275**
Other				
≤10%	72	3	-	-
> 10% ≤ 25%	242	38	844	167
> 25% ≤ 35%	49	17	134	47
> 35% ≤ 50%	1,193	509	901	452
> 50% ≤ 75%	231	162	176	130
> 75% ≤ 100%	1,280	1,280	1,298	1,298
> 100% ≤ 650%	93	432	1,170	5,206
Deductions	231	-	135	-
Other sub-total	**3,391**	**2,441**	**4,658**	**7,300**
Total	**16,991**	**4,314**	**18,203**	**9,049**

(1) *31 March 2012 balances are calculated under the revised Prudential Standard APS 120: Securitisation, which became effective 1 January 2012. 30 September 2011 prior period comparatives are calculated under the previous version of Prudential Standard APS 120: Securitisation.*

Table 6.1E: Exposures Deducted from Capital

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

	As at 31 Mar 12					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital (1) (2)						
Deductions from Tier 1 capital	-	-	-	116	-	**116**
Deductions from Tier 2 capital	-	-	-	116	-	**116**
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**232**	**-**	**232**

(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.

(2) *A change in treatment of the credit wrapped ABS exposure resulted in an increase in deductions of $229 million. This was partially offset by the sale of the remaining ABS CDO in March 2012, which reduced deductions by $116 million.*

	As at 30 Sep 11					
	Deductions relating to ADI-originated assets securitised				Deductions relating to other securitisation exposures	Total
	Residential mortgage	Credit cards and other personal loans	Commercial loans	Other		
	$m	$m	$m	$m	$m	$m
Securitisation exposures deducted from capital						
Deductions from Tier 1 capital	-	-	-	-	70	**70**
Deductions from Tier 2 capital	-	-	-	-	70	**70**
Total securitisation exposures deducted from capital	**-**	**-**	**-**	**-**	**140**	**140**

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.

As a result of the revised *Prudential Standard APS 330* becoming effective January 2012, this section has been updated to include assets securitised regardless of whether there is a capital charge under *Prudential Standard APS 120: Securitisation*. This includes securitisations undertaken solely for funding and liquidity purposes and not for capital relief.

Table 6.2A: Assets Securitised by the Group

This table shows the classes of assets that have been securitised by the Group. This table includes assets originated by the NAB in which NAB acts as a sponsor. There are no third party securitisation exposures where NAB acts only as a sponsor.

	As at 31 Mar 12				
	Total outstanding exposures securitised assets originated by ADI		Impaired assets relating to exposures securitised	Total past due assets from exposures securitised	ADI recognised loss from exposures securitised
	Traditional	Synthetic			
	$m	$m	$m	$m	$m
Underlying asset [(1)]					
Residential mortgage	31,427	-	42	59	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**31,427**	**-**	**42**	**59**	**-**

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

	As at 30 Sep 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	32,282	-	50	68	-
Credit cards	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-
Commercial loans	-	-	-	-	-
Other	-	-	-	-	-
Total underlying asset	**32,282**	**-**	**50**	**68**	**-**

(1) *30 September 2011 prior period comparatives have been re-presented to include own asset securitisation exposures, regardless of whether there is a capital charge under Prudential Standard APS 120: Securitisation.*

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 12			6 months ended 30 Sep 11		
	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale	Amount securitised during period directly originated	Amount securitised during period indirectly originated	Recognised gain or loss on sale
	$m	$m	$m	$m	$m	$m
Underlying asset [(1) (2)]						
Residential mortgage	2,857	-	-	3,096	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**2,857**	**-**	**-**	**3,096**	**-**	**-**

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

(2) *30 September 2011 prior period comparatives have been re-presented to include own asset securitisation exposures, regardless of whether there is a capital charge under Prudential Standard APS 120: Securitisation.*

Disclosure 6.2C: Securitisation Subject to Early Amortisation

Attachment G of *APS 120* provides for specific regulatory treatment for securitisations of certain types of assets. As at 31 March 2012 and 30 September 2011 none of these securitisations have been undertaken by the Group.

Disclosure 6.2D: Forthcoming Securitisation Activity by the Group

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

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

As at 31 March 2012, there are no exposures identified for specific external securitisation deals in the next six months.

Disclosure 6.2E: Credit Risk Mitigation and Guarantors

APS 330 Table 9n requires disclosure of resecuritisation exposures retained or purchased, broken down according to the application of credit risk mitigation and exposures to guarantors. As at 31 March 2012, the Group did not have any resecuritisation exposures to which credit risk mitigation is applied or exposures to guarantors.

7. Market Risk

Table 7.1A: Standard Method Risk-Weighted Assets

	As at 31 Mar 12 $m	As at 30 Sep 11 $m
Risk-Weighted Assets		
Interest rate risk	1,136	1,488
Equity position risk	456	79
Foreign exchange risk	237	150
Commodity risk	1	-
Total risk-weighted assets - standard method	**1,830**	**1,717**

Table 7.1B: Total Risk-Weighted Assets

	As at 31 Mar 12 $m	As at 30 Sep 11 $m
Market risk		
Standard method	1,830	1,717
Internal model approach	3,447	1,251
Total market risk RWA (1)	**5,277**	**2,968**

(1) Commencing 1 January 2012, the Total Market Risk RWA as at 31 March 2012 is calculated under the revised Prudential Standard APS 116, Capital Adequacy: Market Risk, and includes a Stressed VaR.

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

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

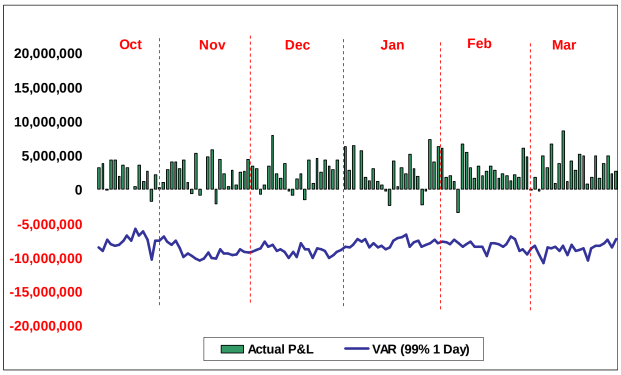
	6 months ended 30 Sep 11			As at 30 Sep 11
	Mean value $m	Minimum value $m	Maximum value $m	$m
Value at risk at a 99% confidence level				
Foreign exchange risk	2	-	6	2
Interest rate risk	6	4	12	5
Volatility risk	1	1	2	1
Commodities risk	1	-	2	-
Credit risk	8	5	10	9
Inflation risk	-	-	1	-
Diversification benefit	(8)	n/a	n/a	(9)
Total value at risk for physical and derivative positions	**10**	**7**	**16**	**8**

Table 7.1D: Back-testing Results

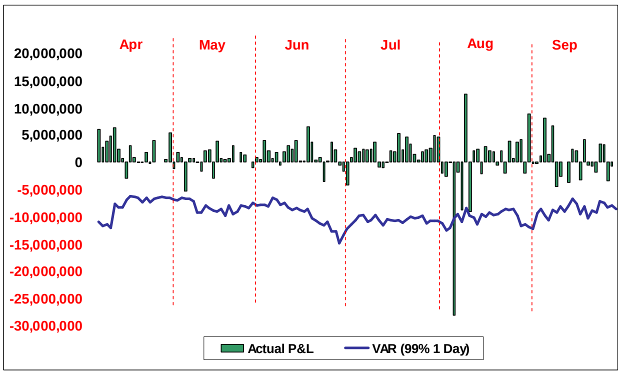
Comparison of value at risk estimates to actual gains/losses	**6 months ended 31 Mar 12**	**6 months ended 30 Sep 11**
Number of "outliers" incurred for the trading portfolio	-	2

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

6 months ended 31 Mar 12



6 months ended 30 Sep 11



Back-testing Outliers

Back-testing, carried out by comparing the Group's daily VaR estimate against actual P&L numbers, identified no exceptions during the six month period to 31 March 2012, and two during the previous six-month period to 30 September 2011. This remains within the model parameters and indicates acceptable operation of the VaR model within APRA's Guidelines.

8. Operational Risk

Table 8A: Total Risk-Weighted Assets

	As at	
	31 Mar 12	30 Sep 11
	$m	$m
Operational risk		
Standardised approach	4,091	4,274
Advanced measurement approach	19,719	17,981
Total operational risk RWA	**23,810**	**22,255**

9. Non-Traded Market Risk

9.1 Interest Rate Risk in the Banking Book

Table 9.1A: Interest Rate Risk in the Banking Book

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

	As at 31 Mar 12		As at 30 Sep 11	
	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	12	(6)	56	(46)
CAD	-	-	-	-
CHF	-	-	-	-
EUR	(4)	4	(4)	5
GBP	(2)	8	3	4
HKD	1	-	1	(1)
JPY	(1)	1	(1)	1
NZD	35	(37)	(12)	13
USD	59	(66)	(10)	10
Other	19	(21)	6	(6)
Total change in economic value	**119**	**(117)**	**39**	**(20)**

[(1)] *The Group's 9 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 12 $m	As at 30 Sep 11 $m
IRRBB risk-weighted assets	6,281	7,198

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 12		As at 30 Sep 11	
	Carrying value (1)	Fair value (2)	Carrying value	Fair value
	$m	$m	$m	$m
Total listed equities (publicly traded)	68	68	55	55
Total unlisted equities	502	502	446	446

(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 12	30 Sep 11
	$m	$m
Gains (losses) on equity investments		
Cumulative realised gains (losses) in reporting period	2	39
Total unrealised gains (losses)	7	20
Total unrealised gains (losses) included in Tier 1/Tier 2 capital	3	9

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 12	30 Sep 11
	$m	$m
Risk-weighted Assets		
Equities subject to 300% RW	205	166
Equities subject to 400% RW	1,801	1,783
Total risk-weighted assets	**2,006**	**1,949**

Disclosure 9.2D: Equity Investments Subject to Grandfathering Provision

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

10. Glossary

Term	Description
ADI	Authorised Deposit-taking Institution (ADI).
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	Australian Prudential Regulation Authority (APRA).
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. Theoretical (or hypothetical) back-testing refers to the process whereby the trading positions at the end of the preceding day are revalued using the end-of-day rates for that day and then again at the succeeding day's closing rates. The difference between the two mark-to-market values of the portfolio which represents the profit and loss that would have occurred had there been no transactions on the day, is compared with the VaR. VaR is also compared with the actual daily traded profit and loss as a cross-check of the reasonableness of the theoretical portfolio movement.
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.
Board	Principal Board of Directors of NAB
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 many more complex credit derivatives that do not fall into the list above, that have been approved by APRA.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the 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 Insight & Appetite, Credit Frameworks, Credit Oversight, Counterparty Credit and Strategic Business Services.
Derivative transactions	In relation to securitisation exposures, derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
EaD	Exposure at Default (EaD) is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the Group would incur in the event of a default. It is used in the calculation of RWA.
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) refer 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 (FIRB)	Foundation Internal Ratings Based (FIRB) approach refers to an alternative approach to advanced IRB 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* of this report.
Guarantees	Guarantors under the standardised approach are recognised according to *APS 112 Attachment F paragraph 3*. The secured portion of an exposure is weighted according to the risk weight appropriate to the guarantor and the unsecured portion is weighted according to the risk weight applicable to the original counterparty (Refer to Attachment A for the appropriate risk weights). Under the IRB approach, for corporate, sovereign and bank portfolios, the ADI may recognise credit risk mitigation in the form of guarantees and credit derivatives according to the FIRB substitution approach where an ADI uses supervisory estimates of LGD (refer to *APS 113 Attachment B* paragraph 49), an AIRB substitution approach where the ADI has approval from APRA to use its own estimates of LGD (refer to APS 113 Attachment B paragraph 60) and, for certain exposures, a double default approach (refer to APS 113 Attachment B paragraph 67). An ADI may decide, separately for each eligible exposure, to apply either the relevant substitution approach or the double default approach. For retail portfolios there are two approaches for the recognition of credit risk mitigation in the form of guarantees and credit derivatives under the retail IRB approach, a substitution approach (refer to *APS 113 Attachment C* paragraph 19) and, for certain exposures, a double default approach (refer to *APS 113 Attachment C* paragraph 28). An ADI may decide separately for each eligible exposure to apply either the substitution approach or the double default approach.
IAA	Internal Assessment Approach.

Term	Description
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.
IFRS	International Financial Reporting Standards.
ISDA	International Swaps & Derivatives Association.
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 (IRRBB).
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
National Australia Bank Group	NAB and its controlled entities
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 Executive 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.
Qualifying revolving retail exposures	For the purposes of regulatory reporting, credit cards are referred to as qualifying revolving retail.
RBA	Ratings-Based Approach.
Regulatory capital	Regulatory capital is the total capital held by the 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).
Resecuritisation	Resecuritisation exposures are securitisation exposures in which the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure.
Retail credit	For the purposes of managing credit, two broad categories are used: retail credit and non-retail credit. This reflects the different approaches to the sales and ongoing management of credit and is consistent with the approach 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 enterprises
SGA	Specialised Group Assets
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.
Sponsor	The entity that establishes the securitisation SPVs including ABCP conduits and often provides other services.
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.

Term	Description
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.
Tier 1 capital ratio	Tier 1 regulatory capital, as defined by APRA, divided by RWA.
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.
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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(1) Trading book securitisation exposures are not separately disclosed within this document as they are not material at a Group level.

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