

DISCLOSURES FOR THE IDENTIFICATION OF POTENTIAL GLOBAL SYSTEMICALLY IMPORTANT BANKS (G-SIBs)

30 September 2018



"It's been an extraordinary relationship and if it wasn't for NAB, we wouldn't be where we are now."

Campbells Wines,
NAB customer



Jane Campbell



Colin Campbell

Disclosures for the identification of potential Global Systemically Important Banks (G-SIBs)

Under the international framework for addressing the risks posed by G-SIBs, a large sample of international banks report twelve indicators that the Basel Committee on Banking Supervision (BCBS) uses to identify those banks that are systemically important on a global scale. The indicators are designed to reflect the size of banks, their interconnectedness, the lack of readily available substitutes or financial institution infrastructure for the services they provide, their complexity and their global (cross-jurisdictional) activity.

This indicator-based measurement approach supported by supervisory judgement provides a framework for periodically reviewing the G-SIB status of a given bank. Should a bank qualify as a G-SIB, it will be subject to a greater higher loss absorbency (HLA) requirement depending on how systemically important the bank is. Any G-SIB HLA requirement is to be met with Common Equity Tier 1 capital.

The Australian Prudential Regulation Authority (APRA) has determined that National Australia Bank Limited, along with Australia and New Zealand Banking Corporation, Commonwealth Bank of Australia and Westpac Banking Corporation, are Domestic Systemically Important Banks (D-SIBs) in Australia and are required to hold an additional 1% HLA buffer, which is equivalent to the requirement for a bucket 1 or lowest level G-SIB.

This report has been prepared to meet the disclosure obligations under APRA Prudential Standard APS 330 *Public Disclosure*.

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|--|---|------------------|
| | | \$m |
| Size | | |
| 1 | Total exposures | 905,975 |
| Interconnectedness | | |
| 2 | Intra-financial system assets | 93,582 |
| 3 | Intra-financial system liabilities | 86,119 |
| 4 | Securities outstanding | 315,430 |
| Substitutability / Financial Institution Infrastructure | | |
| 5 | Payments made in the reporting year (excluding intragroup payments) | 22,702,271 |
| 6 | Assets under custody | 621,016 |
| 7 | Underwritten transactions in debt and equity markets | 4,621 |
| Complexity | | |
| 8 | Notional amount of over-the-counter (OTC) derivatives | 7,452,766 |
| 9 | Trading and available-for-sale securities | 21,928 |
| 10 | Level 3 assets | 912 |
| Cross-Jurisdictional Activity | | |
| 11 | Cross-jurisdictional claims | 211,047 |
| 12 | Cross-jurisdictional liabilities | 294,976 |

Disclosures for the identification of potential Global Systemically Important Banks (G-SIBs)

Glossary

| Term | Description |
|---|--|
| Assets under custody | The value of assets held as a custodian on behalf of customers, including other financial institutions. |
| Cross-jurisdictional claims | The value of claims over all sectors that, on an ultimate-risk basis, are cross-border claims or local claims of foreign affiliates. Claims include deposits and balances placed with other banks, loans and advances to banks and non-banks and holdings of securities and participations. Claims exclude positions in derivative contracts. |
| Cross-jurisdictional liabilities | The value of foreign liabilities including deposits by banks and customers, trading portfolio liabilities, repurchase agreements and various debt securities, excluding liabilities from positions in derivative contracts. |
| Financial institutions | Financial institutions include banks and other deposit-taking institutions, bank holding companies, securities dealers, insurance companies, superannuation funds, central counterparties (CCPs), and exclude central banks, other public sector bodies (such as multilateral development banks) and stock exchanges. |
| Intra-financial system assets | A measure of the exposure to financial institutions, including funds deposited or lent, the unused portion of committed lines extended, holdings of debt and equity securities issued by financial institutions, securities financing transactions and over-the-counter derivatives. |
| Intra-financial system liabilities | A measure of obligations to financial institutions, including funds deposited by or borrowed, the unused portion of committed lines obtained, securities financing transactions and over-the-counter derivatives. |
| Level 2 Group | National Australia Bank Limited and the entities it controls, excluding superannuation and funds management entities, insurance subsidiaries and securitisation vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 <i>Securitisation</i> . |
| Level 3 assets | The carrying amount of assets measured at fair value on the balance sheet where the valuation has one or more significant inputs that are not based on observable market data (i.e. a level 3 measurement input in a three-level fair value hierarchy). |
| Payments made in the reporting year (excluding intragroup payments) | The gross value of cash payments sent via large value payment systems, along with the gross value of cash payments sent through an agent or correspondent bank (e.g. using a correspondent or nostro account) in the reporting year. |
| Securities outstanding | The value of outstanding debt and equity securities issued by, or on behalf of, the Level 2 Group. The value excludes debt securities where the reporting entity does not back the performance of underlying assets, such as securitisation notes. The value of debt securities (excluding convertible preference shares and notes) is measured at their carrying amount on the balance sheet. The value of convertible preference shares and notes and equity securities is measured at fair value. |
| Total exposures | Total exposures (prior to regulatory adjustments) as defined for use in the leverage ratio. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures. |
| Trading and available-for-sale securities | The value of securities measured at fair value (either through profit or loss or through other comprehensive income) less the subset of those securities that meet the definition of level 1 and level 2 assets as defined in the liquidity coverage ratio (LCR). The indicator is designed to capture the value of securities that, if sold quickly during periods of severe market stress, are more likely to incur larger discounts or haircuts. |
| Underwritten transactions in debt and equity markets | The value of unsold securities the Level 2 Group was obligated to purchase during the reporting year from underwriting transactions (public and private) in debt and equity markets. |

