



National Australia Bank Ltd. (“NAB Ltd.”)

Public Section of 2015 §165(d) Resolution Plan

Public Section

I.A. Introduction

To promote financial stability, Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the related rule (the “Rule”)¹ require each nonbank financial company supervised by the Board of Governors of the Federal Reserve System (the “FRB”) and each bank holding company with total consolidated assets of \$50 billion or more (each a “Covered Company”) to periodically submit to the FRB a plan for such company’s rapid and orderly resolution in the event of material financial distress or failure. Included in Covered Companies are foreign-based covered companies, which are defined in the Rule as “any covered company that is not incorporated or organized under the laws of the United States.” National Australia Bank Ltd (“NAB Ltd”) is considered a “Covered Company” under the Rule and must file this Resolution Plan with the FRB.

Under the requirements of the Rule, Covered Companies are required to assess their U.S. banking operations for the presence of Material Entities, Critical Operations, and Core Business Lines. NAB Ltd. assessed its U.S. operations and determined there are no Material Entities, Critical Operations, or Core Business Lines as defined in the Rule. Therefore, the focus of this Resolution Plan is the orderly resolution of NAB Ltd’s New York Branch, which conducts the vast majority of the Covered Company’s U.S. operations.

I.B. Background

NAB Ltd is an international financial services organization with over 12,700,000 customers, 42,000 employees, and more than 1,700 stores and business banking centers. The majority of our financial service businesses operate in Australia and New Zealand, with other businesses located in Asia, the UK and the US. Our brands share a commitment to provide customers with quality products and services with fair fees and charges. Our relationships are based on the principles of help, guidance and advice to achieve better financial outcomes for our customers. Our portfolio includes:

- *Australian Banking*, including Personal Banking and Business Banking, offers a range of banking products and services to retail and business customers, ranging from small and medium enterprises through to Australia’s largest institutions. Our personal banking products can be accessed through various channels including NAB, nab Broker, nabtrade and UBank. Our business banking products cater to customers’ needs with specialist expertise in agribusiness, property, health, government, education and community. Australian Banking also comprises Fixed Income, Currencies and Commodities (FICC), Specialised Finance, Debt Markets, Asset Servicing and Treasury.
- *NAB Wealth* provides superannuation, investment and insurance solutions to retail, corporate and institutional clients. It operates one of the largest networks of financial advisers in Australia under brands which include MLC, JBWere, JANA and Plum.
- *NZ Banking* comprises the Retail, Business, Corporate and Insurance franchises in New Zealand, operating under the Bank of New Zealand (BNZ) brand. It excludes BNZ’s market operations, which form part of Australian Banking. *UK Banking* operates under the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for personal and business customers through retail branches, Business and Private Banking Centres, direct banking and brokers.
- *UK Banking* operates under the Clydesdale and Yorkshire Bank brands offering a range of banking services for both personal and business customers. These services are delivered through a network of retail branches, business and private banking centres, direct banking and broker-based channels.

In the United States, NAB Ltd operates primarily through its federally licensed New York Branch. During

¹ 12 C.F.R. Part 243



the financial year to 30 September 2015, NAB divested its investment in Great Western Bancorp, Inc. (GWB), a US based subsidiary of NAB. The overall divestment of GWB was achieved in stages commencing with an initial and secondary public offering and a final offering in which the NAB lost control over and deconsolidated its subsidiary. Total net consideration proceeds realized from these transactions was \$1,464 million and resulted in an overall \$406 million loss being recognized.

NAB Ltd, an Australian company that is incorporated under the Corporations Act (Australia), is a global financial services organization with approximately U.S. \$669 billion in assets as of September 30, 2015. While the vast majority of its operations are in Australia, NAB Ltd and its subsidiaries (collectively, "NAB Group") also operate in New Zealand, Asia, the United Kingdom and the United States. NAB Ltd is a foreign-based Covered Company under the Rule, and is required to submit a resolution plan under the Dodd-Frank Act and the Rule. NAB has developed a Resolution Plan ("Plan") that sets forth a detailed analysis of how NAB's U.S. operations could be resolved in a rapid and orderly manner without creating adverse effects on the financial stability of the United States.

I.C. Material Entities

As it was determined that NAB Ltd. does not have any Core Business Lines or Critical Operations as defined by the Rule, there are no Material Entities. NAB Ltd. has however, as an extension of the Covered Company and the entity through which the majorities of U.S. operations are carried out, analyzed the NY Branch and provided a strategy for winding down its affairs in an orderly fashion.

I.D. Core Business Lines

All of NAB Ltd's U.S. business lines are viewed by management as providing ongoing strategic value to the bank. Management performed qualitative and quantitative assessments and determined that the cessation of any one of its U.S. business lines would not result in a material loss of revenue, profit, or franchise value relative to NAB Ltd's global operations. Thus, as defined by the Rule, NAB Ltd. does not have any Core Business Lines.

I.E. Consolidated Financial Information

The following is NAB Ltd's global balance sheet² as of the end of its 2015 fiscal year.

As at 30 September	Note	Group		Company	
		2015 ⁽¹⁾ \$m	2014 \$m	2015 ⁽¹⁾ \$m	2014 \$m
Assets					
Cash and liquid assets	9	30,934	41,034	24,308	34,665
Due from other banks	10	50,595	39,088	37,698	28,318
Trading derivatives	11	78,384	57,389	79,149	58,001
Trading securities	12	42,937	44,212	38,512	40,470
Debt instruments at fair value through other comprehensive income	14	45,189	-	41,944	-
Investments - available for sale	13	-	43,388	-	39,273
Investments - held to maturity	15	-	2,919	-	1,668
Investments relating to life insurance business	16	89,350	85,032	-	-
Other financial assets at fair value	17	29,696	84,488	19,304	55,830
Hedging derivatives	11	11,599	5,488	11,219	5,413
Loans and advances	18	532,784	434,725	413,989	340,814
Due from customers on acceptances		19,437	23,437	19,428	23,427
Property, plant and equipment	21	1,741	1,952	533	506
Due from controlled entities		-	-	110,241	87,053
Investments in controlled entities	22	-	-	20,434	19,691
Goodwill and other intangible assets	23	7,347	7,720	1,855	1,546
Deferred tax assets	24	2,141	1,617	1,257	1,343
Other assets ⁽²⁾	25	12,918	10,814	9,832	8,367
Total assets		955,052	883,301	829,703	746,385
Liabilities					
Due to other banks		54,405	45,204	51,938	41,677
Trading derivatives	11	74,442	55,858	73,459	55,803
Other financial liabilities at fair value	26	30,046	28,973	6,958	6,594
Hedging derivatives	11	4,539	3,445	8,564	4,374
Deposits and other borrowings	27	489,010	476,208	391,785	374,538
Life policy liabilities	28	76,311	71,701	-	-
Current tax liabilities	29	1,114	729	996	718
Provisions	30	3,575	2,914	917	809
Due to controlled entities		-	-	106,703	93,860
Bonds, notes and subordinated debt	31	130,518	118,165	119,136	109,010
Other debt issues	32	6,292	4,686	5,652	4,106
External unitholders' liability		14,520	14,123	-	-
Other liabilities ⁽²⁾	34	14,767	13,387	8,378	6,699
Total liabilities		899,539	835,393	774,486	698,188
Net assets		55,513	47,908	55,217	48,197
Equity					
Contributed equity	35	34,651	28,380	34,407	27,856
Reserves	36	(362)	(866)	340	811
Retained profits	37	21,205	20,377	20,470	19,530
Total equity (parent entity interest)		55,494	47,891	55,217	48,197
Non-controlling interest in controlled entities		19	17	-	-
Total equity		55,513	47,908	55,217	48,197

I.F. Derivative and Hedging Activities

Derivative financial instruments held or issued for trading purposes

The Group maintains trading positions in a variety of derivative financial instruments and acts primarily in the market by satisfying the needs of its customers through foreign exchange, interest rate-related and credit-related contracts. In addition, the Group takes positions on its own account, and carries an inventory of capital market instruments. Derivatives, except for those that are specifically designated as

² All figures are in Australian dollars unless otherwise noted.

effective hedging instruments, are classified as held for trading. The held for trading classification therefore includes those derivatives used for risk management purposes which for various reasons do not meet the qualifying criteria for hedge accounting.

Derivative financial instruments held for hedging purposes

The operations of the Group are subject to risk of interest rate fluctuations to the extent of the repricing profile of the Group's balance sheet. Derivative financial instruments are held or issued for the purpose of managing existing or anticipated interest rate risk from this source which is primarily in the Group's banking operations. The Group monitors this non-trading interest rate risk by simulating future net interest income requirements, through the application of a range of possible future interest rate scenarios to its projected balance sheet. The Group also holds or issues derivative financial instruments for the purpose of hedging foreign exchange risk. Foreign exchange derivatives are used predominantly to hedge borrowings and anticipated cash flows in currencies other than the Australian dollar.

(a) Fair value hedges

The Group applies fair value hedge accounting to hedge movements in the value of fixed interest rate assets and liabilities subject to interest rate risk, as well as assets and liabilities subject to foreign exchange risk.

(b) Cash flow hedges

The Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to interest rate risk on variable rate assets and liabilities, and assets and liabilities subject to foreign exchange risk.

The tables below set out the fair value of both trading and hedging derivatives including notional principal values:

Trading derivative financial instruments

	Notional principal 2015 \$m	Fair value assets 2015 \$m	Fair value liabilities 2015 \$m	Company		
				Notional principal 2014 \$m	Fair value assets 2014 \$m	Fair value liabilities 2014 \$m
Foreign exchange rate-related contracts						
Spot and forward contracts	592,538	9,522	7,801	467,474	8,528	7,490
Cross currency swaps	771,213	25,369	23,965	685,646	20,430	21,046
Options/swaptions purchased	13,844	273	97	12,143	161	74
Options/swaptions written	10,706	64	156	9,080	39	120
Total foreign exchange rate-related contracts	1,388,301	35,228	32,019	1,174,343	29,158	28,730
Interest rate-related contracts						
Forward rate agreements	103,801	23	26	75,471	9	5
Swaps	3,670,838	41,482	38,965	3,057,581	27,473	25,448
Futures	1,920,181	969	1,165	1,673,036	484	669
Options/swaptions purchased	70,228	332	107	62,234	334	204
Options/swaptions written	72,541	420	588	63,879	149	265
Total interest rate-related contracts	5,837,589	43,226	40,851	4,932,201	28,449	26,591
Credit derivatives	36,524	139	130	33,866	85	235
Commodity derivatives	2,552	334	277	2,255	169	156
Other derivatives	3,028	222	182	2,600	140	91
Total trading derivative financial instruments	7,267,994	79,149	73,459	6,145,265	58,001	55,803

Hedging derivative financial instruments

	Notional principal 2015 \$m	Fair value assets 2015 \$m	Fair value liabilities 2015 \$m	Company		Fair value liabilities 2014 \$m
				Notional principal 2014 \$m	Fair value assets 2014 \$m	
Derivatives held for hedging - fair value hedges						
Foreign exchange rate-related contracts						
Spot and forward contracts	977	2	-	551	-	9
Cross currency swaps	45,683	9,649	5,510	55,286	4,308	1,715
Total foreign exchange rate-related contracts	46,660	9,651	5,510	55,837	4,308	1,724
Interest rate-related contracts						
Swaps	52,783	856	2,421	54,900	552	2,163
Total interest rate-related contracts	52,783	856	2,421	54,900	552	2,163
Total derivatives held for hedging - fair value hedges	99,443	10,507	7,931	110,737	4,860	3,887
Derivatives held for hedging - cash flow hedges						
Interest rate-related contracts						
Swaps	104,837	712	633	87,190	553	487
Total interest rate-related contracts	104,837	712	633	87,190	553	487
Total derivatives held for hedging - cash flow hedges	104,837	712	633	87,190	553	487
Total hedging derivative financial instruments	204,280	11,219	8,564	197,927	5,413	4,374

I.G. Payment, Clearing, and Settlement Systems

The following is a table outlining the payment, clearing, and settlement systems used in conjunction with NAB Ltd's U.S. operations.

System Name	System Type
Bank of NY	Settlement
DTC	Settlement
Citibank	Payment
FICC/GSD	Settlement
Fedwire Securities Service	Payment
Fedwire Funds Service	Payment
GMM	Payment
SWIFT	Payment

I.H. Description of Foreign Operations

NAB Ltd has operations in Australia (the Company's country of domicile), Europe, New Zealand, the United States and Asia. The allocation of income and non-current assets is based on the geographical location in which transactions are booked.

	Income		Non-current assets ⁽¹⁾	
	2015 ⁽²⁾ \$m	2014 ⁽²⁾ \$m	2015 \$m	2014 \$m
Australia	14,887	14,120	9,454	8,687
Europe	2,471	2,357	880	878
New Zealand	2,235	1,932	557	567
United States	366	243	1	918
Asia	284	256	19	17
Total from continuing operations before inter-geographic eliminations	20,243	18,908	10,911	11,067
Elimination of inter-geographic items	(67)	(52)	-	-
Total	20,176	18,856	10,911	11,067

I.I. Material Supervisory Authorities

In Australia, the lead authority responsible for safety and soundness of authorized deposit-taking institutions like NAB Ltd is the Australian Prudential Regulatory Authority. In the United States, the New York Branch is primarily regulated by its licensing authority, the Office of the Comptroller of the Currency (“OCC”), and the Federal Reserve Bank of New York.

I.J. Identities of Principal Officers

The following people are the members of National Australia Bank’s Executive Leadership Team.

Name	Role/Title
Andrew Thorburn	Group Chief Executive Officer
Antony Cahill	Group Executive, Product & Markets
Andrew Hagger	Group Executive, NAB Wealth
Angela Mentis	Group Executive, Business Banking
Gavin Slater	Group Executive, Personal Banking
Anthony Healey	Managing Director & Chief Executive Officer Bank of New Zealand
Craig Drummond	Group Executive, Finance & Strategy
Michaela Healey	Group Executive, Governance and Reputation
David Gall	Group Chief Risk Officer
Renee Roberts	Group Executive, Enterprise Services and Transformation

I.K. Corporate Governance Structure and Processes Related to Resolution Planning

NAB Ltd has developed and implemented comprehensive processes, including robust internal controls, and incorporated Resolution Planning into its Global Risk Management Framework. Regular updates on the development of the Resolution Plans are provided to the Compliance Steering Committee by the Head of Risk New York Branch. The Plan is provided to the Office of the Chief Compliance Officer for review. The Group Chief Risk Officer has approved the Resolution Plan under delegation from the Principal Board, under advice from the Office of the Chief Compliance Officer.

I.L. Description of Material Management Information Systems

NAB Ltd’s management information systems (“MIS”) are applications that aggregate, analyze, and report financial data necessary for prudent decision making and risk management. The applications consist of third-party and in-house platform technologies and user interfaces that staff use to generate reports on



both a periodic and ad-hoc basis. The key MIS at NAB Ltd generate numerous reports used in the normal course of business to monitor the financial health, risks, and operations of NAB Ltd.

The ability of NAB Ltd's MIS to aggregate and analyze data locally and globally is robust. Additionally, NAB Ltd maintains detailed business continuity plans with respect to all technology platforms, including its MIS.

I.M. High level Description of the Resolution Strategy for the Covered Company

The New York Branch will be resolved by the OCC through a receivership pursuant to the governing provisions of the International Banking Act of 1978 and the National Banking Act. The receivership will include liquidation of NAB Ltd's U.S. assets to satisfy the claims of New York Branch creditors to the fullest extent possible. Pursuant to this strategy, the plan outlines the asset sales that could occur during the resolution process. These plans include assessments as to the marketability and liquidity of the various classes of New York Branch assets.