



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

## **Public Section of 2014 §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”) <sup>1</sup> 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 “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 and

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<sup>1</sup> 12 C.F.R. Part 243



Great Western Bank. The New York Branch's activities are primarily within the *Wholesale Banking* division of NAB Ltd. Great Western Bank is an insured depository headquartered in Sioux Falls, SD, has approximately 1,500 employees, and has a rich history serving customers throughout Arizona, Colorado, Iowa, Kansas, Missouri, Nebraska, and South Dakota since its founding in 1907.

NAB Ltd, an Australian company that is incorporated under the Corporations Act (Australia), is a global financial services organization with approximately U.S. \$775 billion in assets as of December 31, 2013. 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 going concern 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 sheet<sup>2</sup> as of the end of its 2014 fiscal year.

As at 30 September	Note	Group		Company	
		2014 \$m	2013 <sup>(1)</sup> \$m	2014 \$m	2013 <sup>(1)</sup> \$m
<b>Assets</b>					
Cash and liquid assets	9	41,034	35,666	34,665	29,834
Due from other banks	10	39,088	43,193	28,318	31,628
Trading derivatives	11	57,389	39,214	58,001	39,778
Trading securities	12	44,212	32,996	40,470	29,132
Investments - available for sale	13	43,386	34,886	39,273	31,309
Investments - held to maturity	14	2,919	4,758	1,668	3,163
Investments relating to life insurance business	15	85,032	77,587	-	-
Other financial assets at fair value	16	84,488	75,756	55,830	49,038
Hedging derivatives	11	5,488	3,926	5,413	3,839
Loans and advances	17	434,725	412,301	340,814	324,460
Due from customers on acceptances		23,437	29,319	23,427	29,311
Current tax assets	23	-	63	74	-
Property, plant and equipment	20	1,952	1,993	506	709
Due from controlled entities		-	-	87,053	64,152
Investments in controlled entities	21	-	-	19,691	18,720
Goodwill and other intangible assets	22	7,720	7,641	1,546	1,431
Deferred tax assets	23	1,617	1,624	1,343	1,720
Other assets	24	10,814	8,947	8,293	6,200
<b>Total assets</b>		<b>883,301</b>	<b>809,870</b>	<b>746,385</b>	<b>664,424</b>
<b>Liabilities</b>					
Due to other banks		45,204	34,623	41,677	32,648
Trading derivatives	11	55,858	41,749	55,803	40,475
Other financial liabilities at fair value	25	28,973	26,431	6,594	5,841
Hedging derivatives	11	3,445	3,431	4,374	3,942
Deposits and other borrowings	26	476,208	445,042	374,538	347,829
Liability on acceptances		61	3,228	52	3,220
Life policy liabilities	27	71,701	64,509	-	-
Current tax liabilities	28	729	922	718	933
Provisions	29	2,914	1,636	809	812
Due to controlled entities		-	-	93,860	69,935
Bonds, notes and subordinated debt	30	118,165	110,717	109,010	101,605
Other debt issues	31	4,686	2,944	4,106	2,365
Defined benefit superannuation plan liabilities	32	12	354	-	-
External unitholders' liability		14,123	14,077	-	-
Other liabilities	33	13,314	13,831	6,647	8,190
<b>Total liabilities</b>		<b>835,393</b>	<b>763,494</b>	<b>698,188</b>	<b>617,795</b>
<b>Net assets</b>		<b>47,908</b>	<b>46,376</b>	<b>48,197</b>	<b>46,629</b>
<b>Equity</b>					
Contributed equity	34	28,380	27,944	27,856	27,297
Reserves	35	(866)	(1,420)	811	668
Retained profits	36	20,377	19,793	19,530	18,664
Total equity (parent entity interest)		47,891	46,317	48,197	46,629
Non-controlling interest in controlled entities		17	59	-	-
<b>Total equity</b>		<b>47,908</b>	<b>46,376</b>	<b>48,197</b>	<b>46,629</b>

<sup>2</sup> All figures are in Australian dollars unless otherwise noted.

## **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 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**

	Company					
	Notional principal 2014 \$m	Fair value assets 2014 \$m	Fair value liabilities 2014 \$m	Notional principal 2013 \$m	Fair value assets 2013 \$m	Fair value liabilities 2013 \$m
<b>Foreign exchange rate-related contracts</b>						
Spot and forward contracts	467,474	8,528	7,490	363,101	5,891	6,379
Cross currency swaps	685,646	20,430	21,046	531,348	10,216	11,282
Options/swaptions purchased	12,143	161	74	16,136	211	111
Options/swaptions written	9,080	39	120	12,468	72	140
<b>Total foreign exchange rate-related contracts</b>	<b>1,174,343</b>	<b>29,158</b>	<b>28,730</b>	<b>923,053</b>	<b>16,390</b>	<b>17,912</b>
<b>Interest rate-related contracts</b>						
Forward rate agreements	75,471	9	5	208,473	12	16
Swaps	3,057,581	27,473	25,448	2,305,810	22,439	21,370
Futures	1,673,036	484	669	1,242,401	161	362
Options/swaptions purchased	62,234	334	204	39,846	327	77
Options/swaptions written	63,879	149	265	39,581	34	183
<b>Total interest rate-related contracts</b>	<b>4,932,201</b>	<b>28,449</b>	<b>26,591</b>	<b>3,836,111</b>	<b>22,973</b>	<b>22,008</b>
Credit derivatives	33,866	85	235	31,173	117	222
Commodity derivatives	2,255	169	156	2,005	66	126
Other derivatives	2,600	140	91	2,429	232	207
<b>Total trading derivative financial instruments</b>	<b>6,145,265</b>	<b>58,001</b>	<b>55,803</b>	<b>4,794,771</b>	<b>39,778</b>	<b>40,475</b>

**Hedging derivative financial instruments**

	Company					
	Notional principal 2014 \$m	Fair value assets 2014 \$m	Fair value liabilities 2014 \$m	Notional principal 2013 \$m	Fair value assets 2013 \$m	Fair value liabilities 2013 \$m
<b>Derivatives held for hedging - fair value hedges</b>						
Foreign exchange rate-related contracts						
Spot and forward contracts	551	-	9	-	-	-
Cross currency swaps	55,286	4,308	1,715	58,473	2,404	1,863
<b>Total foreign exchange rate-related contracts</b>	<b>55,837</b>	<b>4,308</b>	<b>1,724</b>	<b>58,473</b>	<b>2,404</b>	<b>1,863</b>
Interest rate-related contracts						
Swaps	54,900	552	2,163	41,787	707	1,515
<b>Total interest rate-related contracts</b>	<b>54,900</b>	<b>552</b>	<b>2,163</b>	<b>41,787</b>	<b>707</b>	<b>1,515</b>
<b>Total derivatives held for hedging - fair value hedges</b>	<b>110,737</b>	<b>4,860</b>	<b>3,887</b>	<b>100,260</b>	<b>3,111</b>	<b>3,378</b>
<b>Derivatives held for hedging - cash flow hedges</b>						
Interest rate-related contracts						
Swaps	87,190	553	487	75,213	728	564
<b>Total interest rate-related contracts</b>	<b>87,190</b>	<b>553</b>	<b>487</b>	<b>75,213</b>	<b>728</b>	<b>564</b>
<b>Total derivatives held for hedging - cash flow hedges</b>	<b>87,190</b>	<b>553</b>	<b>487</b>	<b>75,213</b>	<b>728</b>	<b>564</b>
<b>Total hedging derivative financial instruments</b>	<b>197,927</b>	<b>5,413</b>	<b>4,374</b>	<b>175,473</b>	<b>3,839</b>	<b>3,942</b>

**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 <sup>a</sup>	
	2014 \$m	2013 <sup>(2)</sup> \$m	2014 \$m	2013 \$m
Australia	14,120	13,953	8,687	8,537
Europe	2,357	1,930	878	856
New Zealand	1,932	1,554	567	610
United States	635	633	918	893
Asia	256	208	17	34
Total before inter-geographic eliminations	19,300	18,278	11,067	10,930
Elimination of inter-geographic items	(52)	(75)	-	-
<b>Total</b>	<b>19,248</b>	<b>18,203</b>	<b>11,067</b>	<b>10,930</b>

### **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. Great Western Bank is primarily regulated by the South Dakota Banking Department as well as the Federal Deposit Insurance Corporation.

### **I.J. Identities of Principal Officers**

The following people are the members of National Australia Bank's Executive Committee

<b>Name</b>	<b>Role/Title</b>
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 Healy	Managing Director & Chief Executive Officer Bank of New Zealand
Craig Drummond	Group Executive, Finance & Strategy
Michaela Healey	Group Executive, People, Communications & Governance
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. Efforts included the formation of a U.S. Resolution Planning project team, which reports to the U.S. Resolution Planning Steering Committee for a first-level review. The plan was in turn reviewed by the Group Enterprise Risk Function, and approved by the Group Chief Risk Officer through a formal delegation from the Principal Board.

### **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.