



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

## **Public Section of 2021 §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 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, an Australian company that is incorporated under the Corporations Act (Australia), is a global financial services organization with approximately U.S. \$668 billion in assets as of September 30, 2021. 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 an international financial services organization with more than 32,000 colleagues, over 618,000 shareholders and serving approximately eight million customers. 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. In the United States, NAB Ltd operates primarily through its federally licensed New York Branch.

NAB’s brands share a commitment to provide customers with quality products and services. NAB’s relationships are based on the principles of help, guidance and advice to achieve better financial outcomes for its customers. In the September 2021 full year, the NAB Group operated the following divisions:

- **Business and Private Banking** focuses on NAB’s priority small and medium (SME) customer segments. This includes the leading NAB Business franchise, specialised Agriculture, Health,

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



Government, Education and Community services, along with Private Banking and JBWere, as well as the micro and small business segments.

- **Personal Banking** provides customers with products and services through proprietary networks in NAB, as well as third party and mortgage brokers. Customers are served through the Personal Banking network to secure home loans or manage personal finances through deposit, credit or personal loan facilities. The network also provides servicing support to individuals and business customers.
- **Corporate and Institutional Banking** provides a range of products and services including client coverage, corporate finance, markets, asset servicing, transactional banking and enterprise payments. The division services its customers in Australia and globally, including branches in the United Kingdom, United States and Asia, with specialised industry relationships and product teams. It includes Bank of New Zealand's Markets Trading operations.
- **New Zealand Banking** provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing retail, business and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth and Insurance franchises operating under the 'Bank of New Zealand' brand but excludes the Bank of New Zealand's Markets Trading operations.
- **Corporate Functions and Other** division includes UBank, 86 400 and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Strategy and Innovation, Support Units and eliminations.

### **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 sheet<sup>2</sup> as of the end of its 2021 fiscal year.

As at 30 September	Note	Group		Company	
		2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Assets</b>					
Cash and liquid assets	8	<b>50,832</b>	64,388	<b>50,336</b>	63,555
Due from other banks <sup>(1)</sup>	8	<b>107,546</b>	47,333	<b>98,207</b>	44,185
Collateral placed <sup>(1)</sup>		<b>6,430</b>	8,579	<b>5,919</b>	7,413
Trading securities <sup>(1)</sup>	9	<b>50,020</b>	64,937	<b>42,916</b>	54,924
Debt instruments	10	<b>41,878</b>	40,355	<b>41,849</b>	40,324
Other financial assets	11	<b>2,794</b>	3,860	<b>3,305</b>	3,885
Derivative assets <sup>(1)</sup>	18	<b>27,474</b>	34,744	<b>26,811</b>	34,214
Loans and advances <sup>(1)</sup>	12	<b>621,156</b>	583,962	<b>529,546</b>	502,819
Current tax assets		<b>36</b>	-	<b>36</b>	-
Due from controlled entities <sup>(1)</sup>		-	-	<b>38,599</b>	41,847
Deferred tax assets	6	<b>2,953</b>	3,647	<b>2,454</b>	2,895
Property, plant and equipment		<b>2,814</b>	2,374	<b>1,838</b>	1,486
Investments in controlled entities		-	-	<b>4,402</b>	3,806
Goodwill and other intangible assets	22	<b>4,113</b>	3,809	<b>1,757</b>	1,757
Other assets <sup>(1)</sup>	23	<b>7,922</b>	7,098	<b>6,858</b>	6,164
Assets held for sale	37	-	1,479	-	1,837
<b>Total assets</b>		<b>925,968</b>	866,565	<b>854,833</b>	811,111
<b>Liabilities</b>					
Due to other banks <sup>(1)</sup>	8	<b>74,160</b>	46,773	<b>68,715</b>	44,449
Collateral received <sup>(1)</sup>		<b>4,664</b>	5,327	<b>4,120</b>	4,721
Other financial liabilities	16	<b>27,046</b>	29,971	<b>7,136</b>	8,911
Derivative liabilities <sup>(1)</sup>	18	<b>24,031</b>	32,276	<b>26,178</b>	35,171
Deposits and other borrowings	13	<b>605,043</b>	546,176	<b>535,551</b>	484,338
Current tax liabilities		<b>271</b>	192	<b>115</b>	150
Provisions	24	<b>2,834</b>	3,820	<b>2,620</b>	3,628
Due to controlled entities <sup>(1)</sup>		-	-	<b>38,682</b>	41,467
Bonds, notes and subordinated debt	14	<b>109,154</b>	126,384	<b>102,501</b>	120,297
Other debt issues	15	<b>6,831</b>	6,191	<b>6,831</b>	6,191
Deferred tax liabilities	6	<b>29</b>	25	-	-
Other liabilities <sup>(1)</sup>	25	<b>9,126</b>	7,916	<b>7,925</b>	7,146
Liabilities directly associated with assets held for sale	37	-	221	-	-
<b>Total liabilities</b>		<b>863,189</b>	805,272	<b>800,374</b>	756,469
<b>Net assets</b>		<b>62,779</b>	61,293	<b>54,459</b>	54,642
<b>Equity</b>					
Contributed equity	27	<b>43,247</b>	45,476	<b>42,461</b>	44,690
Reserves	28	<b>550</b>	99	<b>99</b>	34
Retained profits		<b>18,982</b>	15,717	<b>11,899</b>	9,918
Total equity (parent entity interest)		<b>62,779</b>	61,292	<b>54,459</b>	54,642
Non-controlling interest in controlled entities		-	1	-	-
<b>Total equity</b>		<b>62,779</b>	61,293	<b>54,459</b>	54,642

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



## I.F. Derivative and Hedging Activities

### Hedging strategy

The Group's hedging strategy is to manage its exposure to interest rate risk on a net variable basis in Australian dollars. For Australian denominated exposures this requires the Group to enter into interest rate swaps where the exposure is to a fixed interest rate. In some instances, cash flow hedges of interest rate risk are also used to arrive at a net variable rate position. Foreign currency exposures are swapped to Australian dollars using cross-currency interest rate swaps. These may be float-to-float or fixed-to-float cross currency swaps depending on whether the underlying interest rate exposure is floating or fixed, respectively.

Not all exposures are automatically managed under the above strategy. Where a risk is within acceptable limits the Group may decide not to apply hedge accounting to that risk. Instead, the Group will manage its exposure under broader risk management processes.

### Hedging instruments

The table below<sup>3</sup> sets out hedging derivative assets and liabilities by the hedged risk and type of hedge relationship in which they are designated. The Group may designate separate derivatives to hedge different risk components of one hedged item. In such scenario the notional amount of hedging derivatives will, in sum, exceed the notional amount of the hedged item. In the case of cross-currency swaps the Group will often designate a single instrument to hedge both interest rate risk in a fair value hedge and currency risk in a cash flow hedge.

	Hedging instrument	Risk	Group				Company			
			2021		2020		2021		2020	
			Carrying amount \$m	Notional \$m						
<b>Derivative assets</b>										
Cash flow hedges	Interest rate swaps	Interest	-	137,799	10	112,785	-	127,152	9	106,602
Cash flow hedges	Cross-currency swaps	Currency	2,609	103,037	2,620	95,600	1,788	79,426	2,098	88,825
Cash flow hedges	Foreign exchange contracts	Currency	49	6,340	273	11,972	49	6,340	273	11,972
Fair value hedges	Interest rate swaps	Interest	209	72,029	379	57,912	137	58,868	266	44,031
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	352	5,530	547	9,757	178	2,646	241	5,191
Cash flow hedges	Futures <sup>(i)</sup>	Interest	1	3,092	1	663	1	1,221	1	32
<b>Derivative liabilities</b>										
Cash flow hedges	Interest rate swaps	Interest	15	106,774	29	54,817	15	99,476	29	49,853
Cash flow hedges	Cross-currency swaps	Currency	1,288	64,408	1,222	65,451	1,072	55,180	1,199	63,594
Cash flow hedges	Foreign exchange contracts	Currency	7	1,492	145	5,449	7	1,492	145	5,449
Fair value hedges	Interest rate swaps	Interest	19	58,864	82	40,418	12	46,290	80	23,892
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	618	8,643	772	7,505	124	4,366	263	3,990
Cash flow hedges	Futures <sup>(i)</sup>	Interest	-	1,047	5	2,990	-	1,047	5	2,527

<sup>3</sup> All figures are in Australian dollars unless otherwise noted.



## 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/Inform	Settlement
Bank of NY/BDC	Settlement
FICC/GSD	Settlement
Citibank	Clearing
CITI Securities CDS	Settlement
Fedwire Funds	Payment
Fedwire Securities	Settlement
GMM	Payment
SWIFT	Payment

## I.H. Description of Foreign Operations

The Group 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<sup>4</sup> is based on the geographical location in which transactions are booked.

	Group			
	Income <sup>(1)(2)</sup>		Non-current assets <sup>(3)</sup>	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Australia	13,206	13,859	6,363	5,618
New Zealand	2,741	2,431	982	862
Other International	843	929	97	133
Total before inter-geographic eliminations	16,790	17,219	7,442	6,613
Elimination of inter-geographic items	(61)	(83)	-	-
<b>Total</b>	<b>16,729</b>	<b>17,136</b>	<b>7,442</b>	<b>6,613</b>

(1) Comparative information has been restated to align to the presentation in the current period. Refer to Note 1 Basis of preparation.

(2) Comparative information has been restated to reflect product reclassification in the Group's BNZ Life business.

(3) Consists of goodwill and other intangible assets, property, plant and equipment and investments in joint ventures and associates.

<sup>4</sup> All figures are in Australian dollars unless otherwise noted.



### **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 ("APRA"). 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
Ross McEwan	Group Chief Executive Officer
Gary Lennon	Group Chief Financial Officer
Sharon Cook	Group Executive, Legal and Commercial Services
David Gall	Group Executive, Corporate and Institutional Banking
Angela Mantis	Group Chief Digital, Data and Analytics Officer
Patrick Wright	Group Executive, Technology and Enterprise Operations
Rachel Slade	Group Executive, Personal Banking
Shaun Dooley	Group Chief Risk Officer
Susan Ferrier	Group Executive, People and Culture
Nathan Goonan	Group Executive, Strategy and Innovation
Andrew Irvine	Group Executive, Business and Private Banking
Les Matheson	Group Chief Operating Officer

### **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 Risk Management Committee and Group Chief Risk Officer by the Chief Risk Officer of the New York Branch.



### **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.