



Thursday, 18 November 2016

ASX Announcement

NATIONAL AUSTRALIA BANK LIMITED (NAB) RELEASES 2016 SUPPLEMENTAL INFORMATION

NAB today releases its 2016 Supplemental Information report which provides certain statistical information regarding NAB. The Supplemental Information voluntarily continues the disclosure of some of the information NAB previously disclosed to the U.S. market in its U.S. periodic reports filed with the U.S. Securities Exchange Commission (SEC) when NAB was an SEC registrant.

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Supplemental Information Regarding National Australia Bank Limited 2016



National
Australia
Bank



Neville Mock,
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2016 Supplemental Information Regarding National Australia Bank Limited

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Presentation of information

Basis of presentation

This report is prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards issued by the International Accounting Standards Board. Certain differences exist between Australian Accounting Standards, International Financial Reporting Standards and the Generally Accepted Accounting Principles applicable in the United States of America (US GAAP) which might be material to the financial information herein.

The Group, being NAB and its controlled entities, has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between Australian Accounting Standards, International Financial Reporting Standards and US GAAP. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of these differences, and if they affect the financial information herein.

Discontinued Operations

During the financial year to 30 September 2016, the Group sold 80% of NAB Wealth's life insurance business to Nippon Life Insurance Company (Nippon Life) and completed the demerger and initial public offering (IPO) of CYBG PLC (CYBG), each of which has been included in discontinued operations. Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal. Continuing operations are the components of the Group which are not discontinued operations. Information is presented on a continuing operations basis including restatement for 2015 where noted in the report. 2014 was previously restated for the disinvestment of Great Western Bank (GWB), but has not been restated for the sale of the life insurance business or the demerger and IPO of CYBG. No other prior periods have been restated.

Currency of presentation

All currency amounts are expressed in Australian dollars unless otherwise stated. All amounts have been rounded to the nearest million dollars, except where indicated. This report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US\$0.7667 = A\$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2016.

Certain definitions

The Group's fiscal year ends on September 30. The fiscal year ended September 30, 2016 is referred to as 2016 and other fiscal years are referred to in a corresponding manner. The abbreviations \$m and \$bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

The information presented in this report has been derived from the US Debt Funding Information for the fiscal years 2012 through to 2016.

Other information herein has been derived from the audited annual financial report of the Group for each fiscal year. Where certain items are not shown in the Group's annual financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the annual financial report.

Forward-looking statements

This report contains certain forward-looking statements within the meaning of section 21E of the United States *Securities Exchange Act* 1934. The United States *Private Securities Litigation Reform Act* 1995 provides a safe harbour for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation, so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Accordingly, the words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', and other similar expressions are intended to identify forward-looking statements. Indications of, guidance on, future earnings and financial position and performance are also forward-looking statements.

In this report, forward-looking statements may, without limitation, relate to statements regarding:

- Economic and financial forecasts, including but not limited to such statements in the business overview.
- Anticipated implementation of certain control systems and programs, including, but not limited to those described in risk management.
- Certain plans, strategies and objectives of management.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements contained in this report. For example:

- The economic and financial forecasts contained in this report will be affected by movements in interest and foreign currency exchange rates, which may vary significantly from current levels; movements and conditions in capital markets; the competitive environment in each of the Group's operating markets; as well as by general economic conditions worldwide and, in particular, in each of the Group's major markets. Such variations may materially impact the Group's financial condition and results of operations.
- The implementation of control systems and risk management programs will be dependent on such factors as the Group's ability to acquire or develop necessary technology or systems, its ability to attract, retain and properly train qualified personnel and the response of customers and third parties such as vendors.
- The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which the Group may have no control, and execution risk, which includes, but is not limited to, the possibility that such plans, strategies and objectives prove to be too difficult or costly to execute effectively.
- The Group is subject to extensive regulation. The Group may be exposed to risk from non-compliance with laws or standards, including through inappropriate conduct by employees in breach of Group policy, regulatory standards, and industry codes of conduct. Further, regulatory changes may adversely impact the Group's operations, financial performance and position.

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Presentation of information (continued)

Because there can be no assurance that actual outcomes will not differ materially from these statements contained in this report, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Cautionary note regarding non-GAAP financial measures

In addition to selected financial information contained in our 2016 and 2015 annual financial report, presented in accordance with Australian Accounting Standards and Interpretations by the AASB and International Financial Reporting Standards, we have included certain 'non-GAAP financial measures' (as defined in Regulation G under the United States *Securities Act* 1933, as amended).

These non-GAAP financial measures do not have a standardised meaning prescribed by either Australian Accounting Standards or International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or International Financial Reporting Standards. They are not audited or reviewed in line with Australian Auditing Standards. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in our US Debt Funding Information and this document.

Cash Earnings

Cash earnings is a non-GAAP financial measure. It is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is calculated by excluding discontinued operations and other items which are included within the statutory net profit attributable to owners of NAB. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards.

Cash earnings for 2016 is defined as:

Net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group.

Adjusted for non-cash earnings items:

- i. Distributions.
- ii. Treasury shares.
- iii. Fair value and hedge ineffectiveness.
- iv. Life insurance 20% share of profit.
- v. Amortisation of acquired intangible assets.

Details of non-cash earnings items are as follows:

- i. Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in Section 5, *Note 6 - Dividends and Distributions* of our 2016 US Debt Funding Information. The effect of this in the September 2016 full year is to reduce cash earnings by \$124 million.

- ii. Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory profit of the Group's investment in NAB shares that are consolidated into the Group. The elimination includes unrealised mark-to-market movements arising from changes in NAB's share price, dividend income and realised profits and losses on the disposal of shares. This results in an accounting mismatch because the impact of the life policy liabilities supported by these shares is reflected in statutory profit. As such the statutory treasury shares elimination is reversed for cash earnings purposes. In the September 2016 full year, there was an increase in statutory profit of \$68 million (\$61 million after tax) from these shares. As a result of the sale of 80% of NAB Wealth's life insurance business to Nippon Life, NAB will no longer consolidate managed schemes which invest in the treasury shares going forward.

iii. Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness causes volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of transactions. This arises from fair value movements relating to trading derivatives for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.

In the September 2016 full year there was a decrease in statutory profit of \$154 million (\$126 million after tax) from fair value and hedge ineffectiveness. This was largely due to the change in the fair value of the derivatives used to manage the Group's long-term funding from movements in spreads between Australian and overseas interest rates, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions. In particular, the impact of interest rate and foreign exchange movements has resulted in mark-to-market losses on these derivatives and term funding issuances.

iv. Life Insurance 20% Share of Profit

Life insurance 20% share of profit represents the earnings associated with the 20% retained stake in NAB Wealth's life insurance business following the sale of 80% to Nippon Life with effect from 30 September 2016. For statutory reporting purposes, the full year profit of the life insurance business is presented within discontinued operations. The effect of the life insurance 20% share of profit adjustment on the September 2016 full year is to increase cash earnings by \$39 million (after tax). The life insurance 20% share of profit will be included in statutory profit from 1 October 2016 onwards.

v. Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the September 2016 full year there was a decrease in statutory profit of \$92 million (\$83 million after tax) due to the amortisation of acquired intangible assets.

For a reconciliation of operating segment cash earnings and Group cash earnings to our net profit attributable to owners of NAB, see Section 5, *Note 2 - Segment Information* of our 2016 US Debt Funding Information (for the 2016 and 2015 fiscal years).

Banking Cost to Income Ratio

The Banking Cost to Income Ratio represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).

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Presentation of information (continued)

Banking operations include the Group's:

- Deposit, lending and other banking services in Australian Banking and NZ Banking.
- Wholesale operations comprising Fixed Income, Currencies and Commodities (FICC), Capital Financing, Asset Servicing and Treasury within Australian Banking.
- Group Funding within Corporate Functions and Other.

The Banking Cost to Income Ratio calculated on this basis is a standard efficiency measure used widely across the Australian banking industry.

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Selected financial data

The Divisional performance table together with the Reconciliation of cash earnings to net profit attributable to owners of NAB presented on the following pages, have been derived from the fiscal year 2016 and fiscal year 2015 US Debt Funding Information. Refer to the section *Cautionary note regarding non-GAAP financial measures* on page three for further details.

Other information hereunder has been derived from the audited financial report of the Group, or where certain items are not shown in the Group's financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the financial report.

	2016 ⁽¹⁾ \$m	2016 ⁽¹⁾⁽²⁾ US\$m	2015 ⁽¹⁾⁽³⁾ \$m	2014 ⁽¹⁾⁽³⁾ \$m	2013 ⁽³⁾ \$m	2012 ⁽³⁾ \$m
Income Statement Summary						
Net interest income	12,930	9,913	12,462	13,415	13,351	13,242
Net investment and insurance income	647	495	701	542	479	740
Gains less losses on financial instruments at fair value	827	634	1,498	999	769	223
Other operating income	3,718	2,851	3,776	3,900	3,604	3,510
Operating expenses	(8,331)	(6,387)	(8,189)	(10,227)	(8,305)	(8,822)
Charge to provide for doubtful debts	(813)	(623)	(733)	(847)	(1,810)	(2,734)
Profit before income tax expense	8,978	6,883	9,515	7,782	8,088	6,159
Income tax expense	(2,553)	(1,957)	(2,709)	(2,598)	(2,725)	(2,076)
Net profit for the period from continuing operations	6,425	4,926	6,806	5,184	5,363	4,083
Net (loss) / profit after tax for the period from discontinued operations	(6,068)	(4,652)	(414)	114	-	-
Net profit for the period	357	274	6,392	5,298	5,363	4,083
Profit for the period attributable to owners of NAB	352	270	6,338	5,295	5,355	4,082
Profit for the period attributable to non-controlling interests	5	4	54	3	8	1
Net profit for the period	357	274	6,392	5,298	5,363	4,083
Dividends paid / payable ⁽⁴⁾	2,618	2,007	2,397	4,673	4,457	4,082

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015 for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. September 2014 was restated for the sale of GWB, but has not been restated for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. No further comparative periods have been restated.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2016 of US\$0.7667 = A\$1.00.

⁽³⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

⁽⁴⁾ Dividend amounts for a year represent the final and interim dividend in respect of that year, irrespective of when they are declared, determined and publicly recommended, including the dividend reinvestment plan and excluding issues under the bonus share plan in lieu of cash. This includes payments to both ordinary and American depositary shareholders.

Divisional Performance

The Group's reportable segments are business units engaged in providing either different products or services, or similar products and services in different geographical areas. The businesses are managed separately as each requires a strategy focused on the specific services provided for the economic, competitive and regulatory environment in which it operates.

The Group's business consists of the following reportable segments: Australian Banking; NAB Wealth and NZ Banking.

In addition, information on Corporate Functions and Other that does not meet the threshold to be a reportable segment is also included in this note to reconcile to Group information.

	2016 ⁽¹⁾ \$m	2016 ⁽¹⁾⁽²⁾ US\$m	2015 ⁽¹⁾⁽³⁾ \$m	2014 ⁽¹⁾⁽³⁾ \$m
Divisional performance				
Australian Banking	5,472	4,195	5,101	4,947
NZ Banking	778	596	762	738
NAB Wealth	356	273	316	365
UK Banking	-	-	-	284
Corporate Functions and Other ⁽⁴⁾⁽⁵⁾	1	1	218	(1,099)
Distributions	(124)	(95)	(175)	(180)
Cash earnings	6,483	4,970	6,222	5,055
Non-cash earnings items	(63)	(48)	578	126
Net (loss) / profit after tax for the period from discontinued operations	(6,068)	(4,652)	(462)	114
Net profit attributable to the owners of NAB	352	270	6,338	5,295

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015 for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. September 2014 was restated for the sale of GWB, but has not been restated for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. No further comparative periods have been restated.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2016 of US\$0.7667 = A\$1.00.

⁽³⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

⁽⁴⁾ In 2014 Corporate Functions and Other includes the impacts of provisions taken for UK related payment protection insurance and interest rate hedging products.

⁽⁵⁾ Corporate Functions and Other includes Group Funding, NAB UK CRE, specified items, other supporting units and the results of Specialised Group Assets.

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Selected financial data (continued)

Reconciliation of cash earnings to net profit attributable to owners of NAB

	2016 ⁽¹⁾	2016 ⁽¹⁾⁽²⁾	2015 ⁽¹⁾⁽³⁾	2014 ⁽¹⁾⁽³⁾	2013 ⁽³⁾	2012 ⁽³⁾
	\$m	US\$m	\$m	\$m	\$m	\$m
Net interest income	12,930	9,913	12,498	13,451	13,407	13,297
Other operating income	4,503	3,453	4,507	5,070	5,156	4,978
Net operating income	17,433	13,366	17,005	18,521	18,563	18,275
Operating expenses	(7,438)	(5,703)	(7,278)	(9,987)	(8,410)	(7,828)
Underlying profit	9,995	7,663	9,727	8,534	10,153	10,447
Charge to provide for bad and doubtful debts	(800)	(613)	(748)	(869)	(1,934)	(2,615)
Cash earnings before tax and distributions	9,195	7,050	8,979	7,665	8,219	7,832
Income tax expense	(2,588)	(1,984)	(2,582)	(2,430)	(2,284)	(2,192)
Cash earnings before distributions	6,607	5,066	6,397	5,235	5,935	5,640
Distributions	(124)	(95)	(175)	(180)	(188)	(207)
Cash earnings from continuing operations	6,483	4,971	6,222	5,055	5,747	5,433
<i>Non-cash earnings items (after tax):</i>						
Distributions	124	95	175	180	188	207
Treasury shares	61	47	4	(43)	(413)	(155)
Fair value and hedge ineffectiveness	(126)	(97)	516	83	(151)	(270)
Life insurance economic assumption variation	-	-	-	(20)	22	16
Life insurance 20% share of profit	(39)	(30)	(37)	-	-	-
Amortisation of acquired intangible assets	(83)	(64)	(80)	(74)	(77)	(99)
Litigation expense / recovery	-	-	-	-	39	(101)
Hedging costs on SCDO assets	-	-	-	-	-	(99)
PPI and customer redress provisions	-	-	-	-	-	(239)
Impairment of goodwill and software	-	-	-	-	-	(349)
Restructure costs	-	-	-	-	-	(174)
Due diligence, acquisition and integration costs	-	-	-	-	-	(88)
Net profit from continuing operations	6,420	4,922	6,800	5,181	5,355	4,082
Net (loss) / profit after tax for the period from discontinued operations	(6,068)	(4,652)	(462)	114	-	-
Net profit attributable to the owners of NAB	352	270	6,338	5,295	5,355	4,082

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015 for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. September 2014 was restated for the sale of GWB, but has not been restated for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. No further comparative periods have been restated.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2016 of US\$0.7667 = A\$1.00.

⁽³⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

	2016	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2013 ⁽²⁾	2012 ⁽²⁾
	\$m	US\$m	\$m	\$m	\$m	\$m
Balance sheet summary						
Investments relating to life insurance business ⁽³⁾	86	66	89,350	85,032	77,587	68,414
Loans and advances	510,045	391,052	532,784	434,725	412,301	394,735
Total assets	777,622	596,203	955,052	883,301	809,870	763,090
Total risk-weighted assets ⁽⁴⁾	388,445	297,821	399,758	367,652	362,078	331,336
Deposits and other borrowings	459,714	352,463	489,010	476,208	445,042	419,921
Life policy liabilities ⁽³⁾	-	-	76,311	71,701	64,509	56,584
Bonds, notes and subordinated debt	127,942	98,093	130,518	118,165	110,717	103,372
Other debt issues	6,248	4,790	6,292	4,686	2,944	1,783
Net assets	51,315	39,343	55,513	47,908	46,376	43,803
Contributed equity	34,285	26,286	34,651	28,380	27,944	27,373
Ordinary shares	30,968	23,743	31,334	24,049	23,410	22,459
Other equity instruments ⁽⁵⁾	3,317	2,543	3,317	4,331	4,534	4,914
Total equity (parent entity interest)	51,292	39,325	55,494	47,891	46,317	43,756
Non-controlling interest in controlled entities	23	18	19	17	59	47
Total equity	51,315	39,343	55,513	47,908	46,376	43,803

⁽¹⁾ Translated at the closing noon buying rate on September 30, 2016 of US\$0.7667 = A\$1.00.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

⁽³⁾ Balances were impacted by the Successor Fund Merger on 1 July 2016 and the sale of 80% of NAB Wealth's life insurance business on 30 September 2016.

⁽⁴⁾ The Group's risk-weighted assets for the fiscal year ended September 2012 are calculated in accordance with defined Basel II methodologies. Risk-weighted assets for the fiscal years ended September 2013 through to September 2016 are calculated in accordance with defined Basel III methodologies.

⁽⁵⁾ Other equity instruments comprise BNZ Income Securities, BNZ Income Securities 2, National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments. The Company exercised its right to call the Trust Preferred Securities II of \$1,014 million in 2015, BNZ Income Securities 2 of \$203 million in 2014 and exercised its right to call the BNZ Income Securities of \$380 million in 2013.

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Selected financial data (continued)

	2016 ⁽¹⁾	2015 ^{(1) (2)}	2014 ^{(1) (2)}	2013 ⁽²⁾	2012 ⁽²⁾
	%	%	%	%	%
Selected financial ratios					
Dividend payout ratio ⁽³⁾	81.7	72.9	92.5	84.1	102.7
Average equity to average total assets ⁽⁴⁾	5.2	4.7	4.9	4.9	4.9
Net profit on average assets	0.75	0.79	0.58	0.64	0.51
Net profit on average equity ^{(4) (5)}	14.2	16.4	11.9	13.0	10.3

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015 for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon. September 2014 was restated for the sale of GWB, but has not been restated for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon. No further comparative periods have been restated.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

⁽³⁾ Dividend payout ratio is the dividend amounts for a year divided by earnings per share based on statutory net profit from continuing operations.

⁽⁴⁾ Average equity has been adjusted for other equity instruments and any non-controlling interest in controlled entities.

⁽⁵⁾ Net profit has been adjusted for distributions and dividends on other equity instruments.

	2016	2015	2014	2013	2012
Noon buying rates (average and closing per A\$1.00)					
Daily average					
United States dollar	0.7372	0.7855	0.9209	0.9957	1.0297
Closing					
United States dollar	0.7667	0.7020	0.8737	0.9342	1.0388

On November 10, 2016 the noon buying rate was US\$0.7590 per A\$1.00.

	2016					
	October	September	August	July	June	May
United States dollar (per A\$1.00)						
High	0.7715	0.7676	0.7717	0.7632	0.7598	0.7641
Low	0.7545	0.7470	0.7516	0.7453	0.7225	0.7184

2016 Supplemental Information Regarding National Australia Bank Limited

Business overview

Introduction

The Group is an international financial services group that provides a comprehensive and integrated range of financial products and services.

The Company traces its history back to the establishment of The National Bank of Australasia in 1858. National Australia Bank Limited (NAB) is a public limited company, incorporated on June 23, 1893 in Australia, which is the Company's main domicile. Its registered office is 800 Bourke Street, Docklands Victoria 3008, Australia. The Company operates under the requirements of the *Banking Act* 1959 (Cth) and the *Corporations Act* 2001 (Cth).

In 1981 the National Bank of Australasia merged with the Commercial Banking Corporation of Sydney which was established in 1834.

Strategic Highlights

Vision and Objectives

The Group is executing a refreshed strategy in pursuit of its vision of being Australia and New Zealand's most respected bank. To realise this vision, the Group strategy outlines three objectives to guide execution and measure performance:

1. Customers are advocates.
2. People are engaged.
3. Shareholder return on equity (ROE) is improved.

Outcomes for 2016

During the September 2016 full year, the Group made significant progress towards achieving these goals.

1. Focus on core Australia and New Zealand customers

During the September 2016 full year, the Group completed a major divestment program exiting some non-core assets, including:

- Full divestment of CYBG through a demerger and IPO in February 2016.
- Sale of 80% of NAB Wealth's life insurance business to Nippon Life with effect from September 2016.

This has simplified the Group and allows it to focus on its core Australian and New Zealand franchise markets.

2. Delivering a great customer experience

Traction on strategy is evidenced by:

- Improving the customer experience, examples of this include continued roll out of customer advocacy measurement through the Net Promoter Score (NPS).⁽¹⁾ Customer advocacy in priority customer segments is included in the organisation's goals and in executive scorecards. During the 2016 full year, NAB moved from third to first amongst major peers on priority segment NPS.⁽²⁾
- Addressing customer pain points by simplifying products, services and processes to improve the customer experience. During 2015 and 2016, over 100 pain points were addressed, contributing to the 4.6 million customers who have been positively impacted by the program since its initiation in 2014.
- New products and services to meet customer needs. For example, NAB QuickBiz loans offers quick online unsecured loans to small businesses.

- The Group has also streamlined its superannuation business, merging five of its super funds into one to create Australia's largest retail super fund. The MLC Super Fund will manage superannuation and retirement needs for more than a million Australians, making it easier for them to move between various products and features as their needs change throughout their lives.
- The national rollout of NAB's Personal Banking Origination Platform (PBOP) was completed in 2016 and the platform has now been rolled out to over 8,000 bankers. The customer experience for both secured and unsecured consumer lending will be greatly enhanced by greater visibility of application progress, fewer touches and improved turnaround times.

3. Engage our people

The Group is committed to:

- Identifying and nurturing talent to deliver great results for customers.
- Building great leaders to drive performance.
- Building people capability to perform at a higher level and support a culture that drives high performance. Performance is measured using a balanced scorecard approach.

As a result of this focus employee engagement improved from 56% for the September 2015 full year to 61% for the September 2016 full year.⁽³⁾ The Group engagement score is now above the "Global High Performing Organisations Benchmark".⁽³⁾

4. Deliver improved returns

Divesting CYBG and 80% of NAB Wealth's life insurance business, has tilted the portfolio towards business lines with higher returns where the Group has strong capability to compete.

The Group delivered a statutory ROE of 0.5%. The Group's cash ROE for continuing operations was 14.3%, compared with the Group's cash ROE of 14.8% in FY15.

5. Maintain and strengthen our foundations

The Group's strategy is supported by maintaining and strengthening our foundations of balance sheet strength (including capital, funding and liquidity), risk management capability (including credit and operating risk) and technology platforms.

Capital:

- In relation to capital, divestments and portfolio rebalancing have improved the Group's capital position.
- The Group remained well capitalised during the September 2016 full year and is operating above the Common Equity Tier 1 (CET1) target ratio of 8.75% - 9.25%, with a CET1 ratio of 9.77% as at 30 September 2016. These capital outcomes include the higher capital levels required to be held by the Group as a result of the Financial System Inquiry recommendations in relation to mortgage risk weights.

⁽¹⁾ Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetix Systems and Fred Reichheld.

⁽²⁾ Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of five priority segments: Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5-<\$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

⁽³⁾ Speak Up, Step Up survey conducted by Right Management. The 2015 engagement figure has been restated to exclude discontinued operations.

2016 Supplemental Information Regarding National Australia Bank Limited

Business overview (continued)

5. Maintain and strengthen our foundations (continued)

Funding:

- The Group's current long-term debt ratings are: National Australia Bank Limited AA-/Aa2/AA- (S&P Global Ratings (S&P)/Moody's Investors Service (Moody's)/Fitch Ratings (Fitch)); BNZ AA-/Aa3/AA- (S&P/Moody's/Fitch); and National Wealth Management Holdings Limited A+ (S&P).
- The Group maintains a well-diversified funding profile and has raised \$36.4 billion during the 2016 financial year.
- Excluding the impact of the CYBG demerger, the structural metrics remained stable over the 2016 financial year.

Liquidity:

- The Group has maintained strong liquidity throughout the year. The September 2016 quarterly average Liquidity Coverage Ratio (LCR) was 121%, which is above the APRA requirement of 100%.

Net Stable Funding Ratio (NSFR):

- The Group NSFR is greater than 100% as at September 2016 based on draft APRA rules.
- A minimum 100% NSFR compliance is required by 1 January 2018.

Credit:

- Overall credit risk in the Group's portfolio remains sound.
- B&DDs are stable and below the long-term average.
- The Group maintains solid specific provision coverage at 38.3% of gross impaired assets as at September 2016. ⁽¹⁾
- Portfolio concentrations are managed within established Group risk appetite settings.

Operating Risk:

- The demerger of CYBG and the sale of 80% of NAB Wealth's life insurance business has simplified the Group and lowered operating risk.

The 2016 year has been a milestone year for the Group with the completion of major divestments including the demerger of CYBG and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. In 2017, the Group will be a reshaped business – stronger, simpler and focused on helping its customers in Australia and New Zealand.

Organisational structure and operating model

The Group is a financial services organisation with approximately 35,000 employees, operating through a network of more than 1,000 locations, with more than 582,000 shareholders and serving nearly 10 million customers.

The majority of the Group's financial service businesses operate in Australia and New Zealand, with other businesses located in Asia, the UK and the US. The Group's brands share a commitment to providing customers with quality products and services. The Group's relationships are based on the principles of help, guidance and advice to achieve better financial outcomes for customers.

In 2016 the Group operated the following divisions:

- *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. The Group's personal banking products can be accessed through various channels including NAB, NAB Broker, nabtrade and UBank. The

Group's 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 ⁽²⁾, JBWere, JANA and Plum.
- *NZ Banking* comprises the Retail, Business, Agribusiness, Corporate & Institutional and Insurance franchises in New Zealand, operating under the 'BNZ' brand. It excludes BNZ's markets operations which form part of Australian Banking.

⁽¹⁾ Consists only of impaired assets where a specific provision has been raised and excludes \$785 million (NZ\$823 million), March 2016 \$522 million (NZ\$579 million), September 2015 nil of NZ dairy exposures currently assessed as no loss based on collective provision and security held.

⁽²⁾ On 30 September 2016, the Group lost control of NAB Wealth's life insurance business, MLC Limited. Refer to Note 41 - Discontinued operations in the Annual Financial Report for further details.

2016 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources

Liquidity and funding

The Group's banking entities comply as required with the regulatory liquidity requirements of the banking regulators in Australia, the United Kingdom, New Zealand, the United States and other geographies in which the Group operates. The Group's Wealth Management businesses also comply with the regulatory liquidity requirements of their Australian Financial Services Licences and the requirements of their various non-Australian regulators. Liquidity within the Group is also managed in accordance with policies approved by the Board, with oversight from regional and Group Asset and Liability Management Committees.

The principal sources of liquidity for the Group are:

- Cash.
- Amounts due to and from other banks.
- Repurchase agreements.
- Trading securities.
- Proceeds from investments and repayments of customer lending facilities.
- Collateral placed on derivatives.
- Deposits.
- NAB Wealth net operating income.
- Proceeds from commercial paper, certificates of deposit, bonds, notes and subordinated debt issues.
- Interest income.
- Other operating income.

The Group's primary source of funding is from deposits and other borrowings which include on-demand and short-term deposits, term deposits, and bank issued certificates of deposit. Of total liabilities at 30 September 2016 of \$726,307 million (2015: \$899,539 million; 2014: \$835,393 million), funding from customer deposits and certificates of deposit (including amounts accounted for at fair value) amounted to \$436,497 million (2015: \$459,128 million; 2014: \$458,647 million) or 60% (2015: 51%; 2014: 55%). Although a substantial portion of customer accounts are contractually repayable within one year, on-demand, or at short-notice, such customer deposit balances have provided a stable source of core long-term funding for the Group.

Deposits taken from the inter-bank market of \$43,903 million as at 30 September 2016 (2015: \$54,405 million; 2014: \$45,204 million) supplement the Group's customer deposits. The Group also accesses the domestic and international debt capital markets under its various funding programs. As at 30 September 2016, the Group had on issue \$147,639 million (2015: \$149,990 million; 2014: \$134,791 million) of term debt securities (bonds, notes and subordinated debt including bonds, notes and subordinated debt accounted for at fair value) and the following funding programs available to fund the Group's general banking businesses:

Short-term funding programmes as at 30 September 2016

Euro Market

Limit	Type	Issuer(s)
USD20 billion	Global Commercial Paper and Certificate of Deposit Programme	National Australia Bank Limited
USD10 billion	Global Commercial Paper Programme	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)

United States

Limit	Type	Issuer(s)
USD10 billion	Commercial Paper Program	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)
USD30 billion	Commercial Paper Program	National Australia Bank Limited
USD20 billion	Commercial Paper Program	National Australia Funding (Delaware) Inc. (guaranteed by National Australia Bank Limited)

New Zealand

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand

2016 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources (continued)

Long-term funding programmes and issuing shelves as at 30 September 2016

Global ⁽¹⁾

Limit	Type	Issuer(s)
NZD7 billion	BNZ Covered Bond Programme	Bank of New Zealand and BNZ International Funding Limited (acting through its London Branch) guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust, and Bank of New Zealand in respect of covered bonds issued by BNZ International Funding Limited (acting through its London Branch)
USD100 billion ⁽²⁾	Global Medium Term Note Programme	National Australia Bank Limited and BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD30 billion ⁽³⁾	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	National RMBS Trust Programme	National Australia Bank Limited
Unlimited	National ABS Trust Programme	National Australia Bank Limited

United States ⁽¹⁾

Limit	Type	Issuer(s)
USD30 billion ⁽²⁾	U.S. Rule 144A sub-programme associated with the NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
USD100 billion ⁽²⁾	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD100 billion ⁽²⁾	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	National Australia Bank Limited
USD20 billion	Section 3(a)(2) Medium Term Note (Series B) Program	National Australia Bank Limited (acting through its New York Branch)

Australia ⁽¹⁾

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	National Australia Bank Limited
USD30 billion ⁽³⁾	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	Medium Term Note Programme	National Wealth Management Holdings Limited

New Zealand ⁽¹⁾

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand

Japan ⁽¹⁾

Limit	Type	Issuer(s)
JPY500 billion	Samurai Shelf	National Australia Bank Limited
JPY300 billion	Uridashi Shelf	National Australia Bank Limited

⁽¹⁾ Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.

⁽²⁾ Refers to total Global Medium Term Note Programme limit for both issuers in aggregate.

⁽³⁾ Refers to total Covered Bond Programme Limit.

At 30 September 2016, the Group's issuing entities credit ratings were as follows:

National Australia Bank	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA-
Bank of New Zealand	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	Aa3
Fitch Ratings	F1+	AA-
BNZ International Funding Limited (guaranteed by Bank of New Zealand)	Short-term debt	Senior long-term debt
S&P Global Ratings ⁽¹⁾	A-1+	AA-
Moody's Investors Service	P-1	Aa3
Fitch Ratings ⁽¹⁾	(not rated)	AA-
National Wealth Management Holdings Limited	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1	A+

⁽¹⁾ Issue credit ratings.

Ratings are not a recommendation to purchase, hold or sell securities, and may be changed, superseded or withdrawn at any time.

2016 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources (continued)

The ability to realise the value of assets quickly is an important source of liquidity for the Group. The Group holds sizeable balances of marketable treasury and other eligible bills and debt securities which could be disposed of to provide additional funding should the need arise. As at 30 September 2016, the Group held \$118,268 million of liquid assets (2015: \$123,603 million; 2014: \$117,279 million), of which NAB Ltd held \$112,080 million (2015: \$106,043 million; 2014: \$104,218 million). According to the Group Contingent Funding Plan (CFP), the Group Treasurer has the authority to direct any holder of unencumbered Liquid Assets to realise those assets for cash and to make a utilisation request under NAB's Committed Liquidity Facility (CLF). In addition, the Group held \$529,909 million (2015: \$560,329 million; 2014: \$517,693 million) of net loans and advances to customers (including loans accounted for at fair value), of which \$98,565 million (2015: \$98,784 million; 2014: \$100,045 million) is due to mature within one year – although a proportion of these maturing customer loans will be extended in the normal course of business.

The following table sets out the amounts and maturities of the Group's contractual cash obligations for bonds, notes and subordinated debt, other debt issues, and other commitments as listed below at 30 September 2016:

	Payments due by period				Total \$m
	Less than 1 year \$m	1 to 3 year(s) \$m	3 to 5 years \$m	After 5 years \$m	
Bonds, notes and subordinated debt – dated	32,660	42,901	43,072	29,006	147,639
Other debt issues – undated	-	-	-	6,248	6,248
Non-cancellable operating leases	371	598	365	613	1,947
Information technology and telecommunication services	278	176	13	-	467
Capital expenditure commitments	61	3	-	-	64
Operational, property and support services	30	45	22	-	97
Total contractual cash obligations	33,400	43,723	43,472	35,867	156,462

The above table excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities, including life policy liabilities.

The following table sets out the amounts and maturities of the Group's contingent liabilities and other commercial commitments at 30 September 2016:

	Amount of commitment expiration per period				Total \$m
	Less than 1 year \$m	1 to 3 year(s) \$m	3 to 5 years \$m	After 5 years \$m	
Contingent liabilities					
Guarantees	2,839	1,115	454	394	4,802
Letters of credit	3,982	1,491	1,179	16	6,668
Performance-related contingencies	4,139	2,479	541	276	7,435
Other commercial commitments					
Underwriting facilities	-	-	2	-	2
Other binding credit commitments	65,915	28,066	14,664	38,156	146,801
Total commercial commitments	76,875	33,151	16,840	38,842	165,708

Description of off-balance sheet arrangements (special purpose entities)

The primary purposes of special purpose entities (SPEs) relating to the Group are to:

- Assist customers to securitise their assets.
- Provide diversified funding sources to customers.
- Tailor new products to satisfy customers' funding requirements.
- Provide diversified funding sources to the Group.

The SPEs used for these activities are controlled by the Group under Australian Accounting Standards and International Financial Reporting Standards and are recorded on the balance sheet of the Group as consolidated entities.

Furthermore, the Group has the capacity to access funding through repurchase agreements of Internal Residential Mortgage Backed Securities (RMBS) with the Reserve Bank of Australia via the CLF. Based on estimated RBA haircuts, up to \$43,416 million (2015: \$40,438 million; 2014: \$31,705 million) of funding could be secured from this source. Within the Group's Wealth Management business, the principal sources of liquidity are funds management fees and investment income.

Based on the level of resources within the Group's businesses, and the ability of the Group to access wholesale money markets and issue debt securities should the need arise, overall liquidity is considered sufficient to meet current obligations to customers, policyholders and debt holders.

2016 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources (continued)

Capital resources

The Group assesses a number of areas to determine its capital resources including the Group's own risk profile, regulation, ratings agency measures and market expectations. The Group believes it has sufficient capital to meet current and likely future commitments.

Capital adequacy

As an Authorised Deposit-taking Institution (ADI), the National Australia Bank Limited is subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959*. APRA has set minimum regulatory capital requirements for banks that are consistent with the Basel capital adequacy framework.

The Group's capital structure comprises various forms of capital. Common Equity Tier 1 (CET1) capital comprises paid-up ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of such capital to risk weighted assets is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with required loss absorbing characteristics. Together these components of capital make up Tier 1 capital and the ratio of such capital to risk-weighted assets is called the Tier 1 capital ratio.

Tier 2 capital mainly comprises of subordinated instruments. Tier 2 capital contributes to the overall capital framework.

CET1 contains the highest quality and most loss absorbent components of capital, followed by Additional Tier 1 capital and then followed by Tier 2 capital.

The sum of Tier 1 capital and Tier 2 capital is called Total Capital. The ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio. The minimum CET1 Ratio, Tier 1 Capital Ratio and Total Capital Ratio under APRA's Basel capital adequacy Prudential Standards are 4.5%, 6.0% and 8.0% respectively.

In addition to the minimum total capital base ratio described above, APRA sets a Prudential Capital Ratio at a level proportional to an ADI's overall risk profile. A breach of the required ratios under the prudential standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital or to cease business.

On 1 January 2016, APRA implemented a capital conservation buffer of 2.5% of an ADI's total risk-weighted assets. In addition, for ADI's considered systemically important such as NAB, a further Domestic Systemically Important Bank (D-SIB) requirement of 1% has been added to the required capital conservation buffer.

Under APRA's Prudential Standards, life insurance and wealth management entities activities are deconsolidated for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. The investment in these controlled entities is deducted 100% from CET1 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of CET1 capital to the extent they have not been remitted to the Company.

Capital ratios

Capital ratios are monitored against internal capital targets that are set over and above minimum capital requirements set by the Board. The capital ratios at 30 September 2016, and comparatives at 30 September 2015 are as follows:

	2016 %	2015 %
Common equity tier 1 ratio	9.77%	10.24%
Tier 1 ratio	12.19%	12.44%
Total Capital ratio	14.14%	14.15%

The Group's CET1 ratio operating target range remains between 8.75% and 9.25% and is regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

Capital initiatives

On 8 February 2016, the Group exited its investment in UK-based banking business CYBG by demerging 75% of the Group's CYBG shares to NAB shareholders. The remaining CYBG shares were divested by NAB under an institutional offer. The demerger and IPO lowered the Group's CET1 ratio by 60 basis points at 31 March 2016.

Effective 30 September 2016, the Group sold 80% of NAB Wealth's life insurance business to Nippon Life. The transaction increased the Group's CET1 ratio by 45 basis points at 30 September 2016.

Additional Tier 1 Capital Initiatives

On 7 July 2016, NAB Group issued \$1,499 million of Capital Notes, which will mandatorily convert into Ordinary Shares on 8 July 2024 (subject to the mandatory conversion conditions being satisfied).

Two Additional Tier 1 instruments were called during the year to September 2016:

- Perpetual Capital Notes of US\$600 million, originally issued on 24 September 2009.
- EUR National Capital Instruments (NCI) of €400 million, originally issued on 29 September 2006.

In line with the CYBG Demerger Scheme Booklet, on 22 September 2016 the Group's holding of CYBG Additional Tier 1 instruments were sold for a total value of £419 million.

Tier 2 Capital Initiatives

On 17 December 2015, BNZ, a subsidiary of NAB Group, issued NZ \$550 million of subordinated unsecured notes in New Zealand. BNZ Subordinated Notes may, in certain circumstances, convert into ordinary shares in NAB or a non-operating holding company of NAB. The Notes qualify as Tier 2 Capital for BNZ and the NAB Level 2 group (subject to a regulatory haircut).

Other Tier 2 Capital initiatives during the year to September 2016 include the issuance of the following Subordinated Notes:

- 17 May 2016, HK\$1,137 million due 2026.
- 19 May 2016, SG\$450 million due 2028.
- 16 September 2016, JPY10 billion due 2026.
- 21 September 2016, \$800 million due 2026.

For these transactions, the Subordinated Notes convert into fully paid ordinary shares of NAB where APRA determines this to be necessary on the grounds that NAB would otherwise become non-viable.

In line with the CYBG Demerger Scheme Booklet, on 22 September 2016 the Group's holding of CYBG Tier 2 instruments were sold for a total value of £460 million.

Dividend and Dividend Reinvestment Plan (DRP)

The Group periodically adjusts the DRP to reflect its capital position and outlook. The final dividend for the year ended 30 September 2016 is 99 cents and the DRP discount is nil with no participation limit.

2016 Supplemental Information Regarding National Australia Bank Limited

Average balance sheet and related interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in Europe, the United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	2016 ⁽¹⁾			2015 ^{(1) (2)}			2014 ^{(1) (2)}		
	Average balance \$m	Interest \$m	Average rate % pa	Average balance \$m	Interest \$m	Average rate % pa	Average balance \$m	Interest \$m	Average rate % pa
Average interest earning assets									
Due from other banks									
Australia	13,086	257	2.0	13,163	256	1.9	11,343	211	1.9
New Zealand	3,657	54	1.5	3,911	74	1.9	2,617	56	2.1
Other International	39,064	274	0.7	32,144	215	0.7	43,913	225	0.5
Marketable debt securities									
Australia	67,750	1,816	2.7	67,922	2,059	3.0	57,588	1,999	3.5
New Zealand	5,041	142	2.8	4,969	199	4.0	4,583	154	3.4
Other International	14,159	139	1.0	14,301	147	1.0	15,693	203	1.3
Loans and advances - housing									
Australia	248,055	11,350	4.6	237,541	11,308	4.8	238,710	11,409	4.8
New Zealand	29,718	1,621	5.5	27,743	1,679	6.1	27,350	1,511	5.5
Other International	2,422	76	3.1	2,426	72	3.0	33,129	1,106	3.3
Loans and advances - non-housing									
Australia	178,735	9,156	5.1	166,458	9,303	5.6	159,083	9,770	6.1
New Zealand	35,438	1,745	4.9	32,514	2,004	6.2	30,609	1,847	6.0
Other International	13,289	308	2.3	16,816	380	2.3	36,535	1,383	3.8
Other interest earning assets									
Australia	6,285	358	n/a	8,038	434	n/a	9,728	347	n/a
New Zealand	178	14	n/a	77	5	n/a	681	33	n/a
Other International	32,649	319	n/a	30,111	212	n/a	31,388	165	n/a
Total average interest earning assets and interest income by:									
Australia	513,911	22,937	4.5	493,122	23,360	4.7	476,452	23,736	5.0
New Zealand	74,032	3,576	4.8	69,214	3,961	5.7	65,840	3,601	5.5
Other International	101,583	1,116	1.1	95,798	1,026	1.1	160,658	3,082	1.9
Total average interest earning assets and interest income	689,526	27,629	4.0	658,134	28,347	4.3	702,950	30,419	4.3
Average non interest earning assets									
Investments relating to life insurance / fund merger ⁽³⁾									
Australia	66,776			85,521			81,797		
New Zealand	71			67			63		
Other assets	102,437			124,084			72,133		
Total average non interest earning assets	169,284			209,672			153,993		
Provision for doubtful debts									
Australia	(2,479)			(2,546)			(1,956)		
New Zealand	(441)			(367)			(244)		
Other International	(82)			(284)			(1,347)		
Total average assets	855,808			864,609			853,396		

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015. Information for September 2014 has been restated to show New Zealand separately.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015. Prior period has not been restated.

⁽³⁾ Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.

2016 Supplemental Information Regarding National Australia Bank Limited

Average balance sheet and related interest (continued)

Average liabilities, interest expense and average equity

	2016 ⁽¹⁾			2015 ^{(1) (2)}			2014 ^{(1) (2)}		
	Average balance \$m	Interest \$m	Average rate % pa	Average balance \$m	Interest \$m	Average rate % pa	Average balance \$m	Interest \$m	Average rate % pa
Average interest bearing liabilities									
Due to other banks									
Australia	25,916	479	1.8	27,705	573	2.1	26,195	610	2.3
New Zealand	1,652	16	1.0	1,318	14	1.1	1,287	18	1.4
Other International	23,597	151	0.6	19,337	89	0.5	15,355	80	0.5
On-demand and short-term deposits									
Australia	156,975	2,597	1.7	149,002	3,103	2.1	129,639	3,077	2.4
New Zealand	17,970	256	1.4	16,370	411	2.5	14,282	348	2.4
Other International	15,805	49	0.3	8,775	9	0.1	40,106	91	0.2
Certificates of deposits									
Australia	34,395	790	2.3	33,850	855	2.5	34,925	922	2.6
New Zealand	2,345	62	2.6	2,096	75	3.6	2,027	63	3.1
Other International	11,747	74	0.6	20,704	62	0.3	28,827	80	0.3
Term deposits									
Australia	116,518	3,414	2.9	110,415	3,657	3.3	114,434	4,268	3.7
New Zealand	24,466	884	3.6	23,451	968	4.1	23,199	923	4.0
Other International	13,497	185	1.4	16,030	203	1.3	28,080	484	1.7
Other borrowings									
Australia	22,678	260	1.1	18,745	165	0.9	2,594	57	2.2
New Zealand	2,887	27	0.9	3,163	13	0.4	2,661	10	0.4
Other International	16,507	135	0.8	22,291	81	0.4	30,641	67	0.2
Bonds, notes and subordinated debt									
Australia	117,571	3,750	3.2	110,319	4,062	3.7	101,775	4,362	4.3
New Zealand	14,793	685	4.6	13,640	805	5.9	12,476	710	5.7
Other International	12,078	275	2.3	9,622	179	1.9	14,963	312	2.1
Other interest bearing liabilities									
Australia	3,345	534	n/a	3,973	498	n/a	3,283	443	n/a
New Zealand	2	-	n/a	10	-	n/a	9	-	n/a
Other International	4,285	76	n/a	3,262	63	n/a	1,855	79	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	477,398	11,824	2.5	454,009	12,913	2.8	412,845	13,739	3.3
New Zealand	64,115	1,930	3.0	60,048	2,286	3.8	55,941	2,072	3.7
Other International	97,516	945	1.0	100,021	686	0.7	159,827	1,193	0.7
Total average interest bearing liabilities and interest expense	639,029	14,699	2.3	614,078	15,885	2.6	628,613	17,004	2.7
Average non-interest bearing liabilities									
Deposits not bearing interest									
Australia	35,139			30,120			24,271		
New Zealand	3,826			2,709			2,395		
Other International	4			10			3,250		
Life insurance / fund merger policy liabilities ⁽³⁾									
Australia	56,123			71,976			68,197		
Other liabilities	74,038			101,462			80,136		
Total average non-interest-bearing liabilities	169,130			206,277			178,249		
Total average liabilities	808,159			820,355			806,862		
Equity									
Total equity (parent entity interest)	47,625			44,237			46,516		
Non-controlling interest in controlled entities	24			17			18		
Total average equity	47,649			44,254			46,534		
Total average liabilities and equity	855,808			864,609			853,396		
	2016 %			2015 %			2014 %		
Net yield on interest earning assets	1.88			1.89			1.91		

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015. Information for September 2014 has been restated to show New Zealand separately.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015. Prior period has not been restated.

⁽³⁾ Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.

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Average balance sheet and related interest (continued)

Volume and rate analysis

The following table allocates movements in net interest income between changes in volume and changes in rate for the years ended September 30, 2016 and September 30, 2015. Volume and rate variances have been calculated on the movement in average balances and the change in interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2016 ⁽¹⁾			2015 ^{(1) (2)}		
	Increase/(decrease) due to change in			Increase/(decrease) due to change in		
	Average balance \$m	Average rate \$m	Total \$m	Average balance \$m	Average rate \$m	Total \$m
Interest earning assets						
Due from other banks						
Australia	(2)	3	1	35	10	45
New Zealand	(5)	(15)	(20)	25	(7)	18
Other International	48	11	59	(69)	59	(10)
Marketable debt securities						
Australia	(6)	(237)	(243)	332	(272)	60
New Zealand	3	(60)	(57)	14	31	45
Other International	(1)	(7)	(8)	(17)	(39)	(56)
Loans and advances - housing						
Australia	490	(448)	42	(56)	(45)	(101)
New Zealand	115	(173)	(58)	22	146	168
Other International	-	4	4	(923)	(111)	(1,034)
Loans and advances - non housing						
Australia	659	(806)	(147)	439	(906)	(467)
New Zealand	169	(428)	(259)	116	41	157
Other International	(82)	10	(72)	(574)	(429)	(1,003)
Other interest earning assets						
Australia	(99)	23	(76)	(68)	155	87
New Zealand	8	1	9	(36)	8	(28)
Other International	19	88	107	(7)	54	47
Change in interest income	1,316	(2,034)	(718)	(767)	(1,305)	(2,072)

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015.

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Average balance sheet and related interest (continued)

	2016 ⁽¹⁾			2015 ^{(1) (2)}		
	Increase/(decrease) due to change in			Increase/(decrease) due to change in		
	Average balance \$m	Average rate \$m	Total \$m	Average balance \$m	Average rate \$m	Total \$m
Interest bearing liabilities						
Due to other banks						
Australia	(35)	(59)	(94)	34	(71)	(37)
New Zealand	3	(1)	2	-	(4)	(4)
Other International	22	40	62	19	(10)	9
On-demand and short-term deposits						
Australia	159	(665)	(506)	428	(402)	26
New Zealand	37	(192)	(155)	52	11	63
Other International	11	29	40	(48)	(34)	(82)
Certificates of deposits						
Australia	14	(79)	(65)	(28)	(39)	(67)
New Zealand	8	(21)	(13)	2	10	12
Other International	(35)	47	12	(24)	6	(18)
Term deposits						
Australia	195	(438)	(243)	(146)	(465)	(611)
New Zealand	41	(125)	(84)	10	35	45
Other International	(34)	16	(18)	(174)	(107)	(281)
Other borrowings						
Australia	39	56	95	161	(53)	108
New Zealand	(2)	16	14	2	1	3
Other International	(25)	79	54	(21)	35	14
Bonds, notes and subordinated debt						
Australia	255	(567)	(312)	347	(647)	(300)
New Zealand	64	(184)	(120)	68	27	95
Other International	51	45	96	(102)	(31)	(133)
Other interest bearing liabilities						
Australia	(86)	122	36	88	(33)	55
New Zealand	-	-	-	-	-	-
Other International	18	(5)	13	41	(57)	(16)
Change in interest expense	700	(1,886)	(1,186)	709	(1,828)	(1,119)
Change in net interest income	616	(148)	468	(1,476)	523	(953)

⁽¹⁾ Information is presented on a continuing operations basis including restatement for September 2015.

⁽²⁾ AASB 9 Financial Instruments was adopted in 2015.

Loan fees

Included within interest income is \$205 million (2015: \$301 million; 2014: \$331 million) relating to loan fees which are amortised over the effective life of the loan.

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Investment portfolio

The following table shows the total value of the Group's investment portfolio as at the dates indicated:

	2016 \$m	2015 \$m	2014 \$m
Trading securities	45,971	42,937	44,212
Debt instruments at fair value through other comprehensive income	40,689	45,189	-
Investments - available for sale ⁽¹⁾	-	-	43,386
Investments - held to maturity ⁽¹⁾	-	-	2,919
Total investments	86,660	88,126	90,517

⁽¹⁾ From 1 October 2014, the Group adopted AASB 9 Financial Instruments which resulted in, among other things, removal of the Investments – Held to Maturity and Investments – Available for Sale categories. Accordingly, such categories of Investments are no longer recognised by the Group and have not been further disclosed in this report.

Trading securities

The following table shows the fair value of the Group's holdings of trading securities as at the dates indicated:

	2016 \$m	2015 \$m	2014 \$m
Listed – Australia			
Australian Commonwealth Government bonds and securities	18,224	15,216	14,876
Securities of Australian and semi-government authorities	4,037	4,056	5,126
Private corporations/other financial institutions' certificates of deposit	5,091	4,645	6,086
Private corporations/other financial institutions' bills	-	7	20
Private corporations/other financial institutions' bonds	1,293	2,309	2,526
Private corporations/other financial institutions' floating rate notes	10,682	10,246	9,468
Private corporations/other financial institutions' promissory notes	-	18	263
Private corporations/other financial institutions' Eurobonds	395	370	240
Other securities	1,105	993	664
	40,827	37,860	39,269
Listed – Overseas			
Securities of Australian and semi-government authorities	486	681	399
Securities of or guaranteed by New Zealand Government	1,352	395	877
New Zealand Government notes	1,670	1,973	1,460
Other government bonds and securities	1	9	20
Other government notes	-	9	11
Private corporations/other financial institutions' certificates of deposit	38	460	416
Private corporations/other financial institutions' bonds	273	87	390
Private corporations/other financial institutions' floating rate notes	750	545	373
Private corporations/other financial institutions' promissory notes	110	301	109
Private corporations/other financial institutions' medium term notes	464	419	629
	5,144	4,879	4,684
Total listed trading securities	45,971	42,739	43,953
Unlisted – Australia			
Private corporations/other financial institutions' bonds	-	-	31
	-	-	31
Unlisted – Overseas			
Private corporations/other financial institutions' bonds	-	3	5
Private corporations/other financial institutions' floating rate notes	-	194	2
Private corporations/other financial institutions' medium term notes	-	1	221
	-	198	228
Total unlisted trading securities	-	198	259
Total trading securities ⁽¹⁾	45,971	42,937	44,212

⁽¹⁾ The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets.

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Investment portfolio (continued)

Debt instruments at fair value through other comprehensive income

The following table shows the fair value of the Group's holdings of Debt instruments at fair value through other comprehensive income as at the dates indicated:

	2016 \$m	2015 \$m	2014 \$m
Listed – Australia			
Securities of Australian and semi-government authorities	21,186	22,194	-
Private corporations/other financial institutions' floating rate notes	139	56	-
Other securities	7,750	7,816	-
	29,075	30,066	-
Listed – Overseas			
Securities of or guaranteed by UK Government	-	2,907	-
Other government bonds and securities	-	217	-
Other government treasury notes	778	514	-
Private corporations/other financial institutions' bonds	5,820	5,745	-
Private corporations/other financial institutions' floating rate notes	673	815	-
Private corporations/other financial institutions' medium term notes	1,585	1,476	-
Other securities	398	476	-
	9,254	12,150	-
Total listed debt instruments at fair value through other comprehensive income	38,329	42,216	-
Unlisted – Overseas			
Other government treasury notes	1,477	1,534	-
Private corporations/other financial institutions' certificates of deposit	39	226	-
Private corporations/other financial institutions' floating rate notes	157	107	-
Private corporations/other financial institutions' medium term notes	380	1,101	-
Other securities	307	5	-
	2,360	2,973	-
Total unlisted debt instruments at fair value through other comprehensive income	2,360	2,973	-
Total debt instruments at fair value through other comprehensive income	40,689	45,189	-

Maturities

The following table analyses the maturity (according to when they are expected to be recovered or settled) and weighted average yield of the Group's holdings of debt instruments at fair value through other comprehensive income at September 30, 2016:

	0 to 1 year		1 to 5 year(s)		5 to 10 years		Over 10 years	
	\$m	yield pa	\$m	yield pa	\$m	yield pa	\$m	yield pa
Australia								
Securities of Australian and semi-government authorities	1,082	6.4%	10,115	4.1%	9,858	4.4%	131	4.6%
Private corporations/other financial institutions' floating rate notes	-	-	139	2.9%	-	-	-	-
Other securities	896	2.7%	6,854	2.7%	-	-	-	-
	1,978		17,108		9,858		131	
Overseas								
Other government bonds and securities	307	1.2%	-	-	-	-	-	-
Other government treasury notes	1,907	0.3%	348	2.2%	-	-	-	-
Private corporations/other financial institutions' certificates of deposit	39	1.1%	-	-	-	-	-	-
Private corporations/other financial institutions' bonds	1,517	1.4%	4,235	2.1%	68	1.6%	-	-
Private corporations/other financial institutions' floating rate notes	335	0.8%	495	2.3%	-	-	-	-
Private corporations/other financial institutions' medium term notes	747	0.8%	1,177	1.8%	41	2.1%	-	-
Other securities	141	1.7%	257	1.7%	-	-	-	-
	4,993		6,512		109		-	
Total maturities at carrying value ⁽¹⁾	6,971		23,620		9,967		131	

⁽¹⁾ The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets

2016 Supplemental Information Regarding National Australia Bank Limited

Loan portfolio

Loans and advances

The following table sets out the Group's portfolio of loans and advances, including provisions net of unearned and deferred net fee income, for the years indicated:

	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m	2013 ⁽¹⁾ \$m	2012 ⁽¹⁾ \$m
Australia					
Overdrafts	4,222	4,185	4,950	6,556	7,218
Credit card outstandings	6,439	6,218	6,129	5,972	6,153
Asset and lease financing	10,477	10,252	10,463	11,293	12,585
Housing loans	278,848	265,928	247,312	232,251	220,033
Other term lending	130,206	111,975	57,440	55,983	57,874
Other lending	3,997	4,357	3,696	3,833	4,718
Loans at fair value ⁽²⁾	14,523	18,237	54,848	47,359	38,513
	448,712	421,152	384,838	363,247	347,094
Overseas					
Overdrafts	2,082	4,727	5,571	6,978	6,950
Credit card outstandings	1,079	1,860	1,869	1,895	1,762
Asset and lease financing	472	1,512	1,265	1,776	1,993
Housing loans	35,709	76,037	64,728	57,112	48,696
Other term lending	38,398	45,656	30,793	31,007	31,261
Other lending	1,762	4,458	4,740	3,092	1,630
Loans at fair value ⁽²⁾	5,341	9,308	28,120	27,653	24,514
	84,843	143,558	137,086	129,513	116,806
Total gross loans and advances	533,555	564,710	521,924	492,760	463,900
Deduct: Unearned income and deferred net fee income	(532)	(861)	(1,113)	(1,429)	(1,917)
Provision for doubtful debts	(3,114)	(3,520)	(3,118)	(4,018)	(4,221)
Total net loans and advances	529,909	560,329	517,693	487,313	457,762

⁽¹⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

⁽²⁾ Loans at fair value represent "Other term lending" loans. This amount includes an unfavourable credit risk adjustment of \$95 million (2015: \$117 million; 2014: \$442 million; 2013: \$319 million; 2012: \$284 million) for Australia, and an unfavourable credit risk adjustment of \$53 million (2015: \$204 million; 2014: \$384 million; 2013: \$476 million; 2012: \$394 million) for Overseas.

Where a loan is held at fair value, a statistical-based calculation is used to estimate expected losses attributable to adverse movements in credit on the assets held. This adjustment to the credit quality of the asset is then applied to the carrying value of the loan held at fair value.

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries served. In accordance with U.S. SEC guidelines, the following table shows comparative year-end detail of the loan portfolio for the years indicated. The table also demonstrates the concentration of credit risk by industry with credit risk represented by the carrying value less provision for doubtful debts.

	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m	2013 ⁽¹⁾ \$m	2012 ⁽¹⁾ \$m
Australia					
Government and public authorities	2,041	2,137	2,097	2,061	1,756
Agriculture, forestry, fishing and mining	21,094	20,152	17,572	16,946	15,812
Financial, investment and insurance	15,962	12,558	9,400	11,277	10,726
Real estate – construction	1,597	1,558	1,423	1,541	1,533
Manufacturing	6,839	6,886	6,225	5,867	6,436
Real estate – mortgage	278,848	265,928	247,312	232,251	220,033
Instalment loans to individuals and other personal lending (including credit cards)	9,592	9,294	9,118	9,028	9,305
Asset and lease financing	10,477	10,252	10,463	11,293	12,585
Other commercial and industrial	102,262	92,387	81,228	72,983	68,908
	448,712	421,152	384,838	363,247	347,094

⁽¹⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

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Loan portfolio (continued)

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Overseas					
Government and public authorities	214	208	426	371	407
Agriculture, forestry, fishing and mining	14,271	16,193	16,515	15,820	13,591
Financial, investment and insurance	6,446	8,166	6,948	6,083	5,305
Real estate – construction	1,205	2,292	4,155	5,942	6,787
Manufacturing	3,549	5,048	4,739	4,446	3,581
Real estate – mortgage	35,709	76,037	64,728	57,112	48,696
Instalment loans to individuals and other personal lending (including credit cards)	1,496	4,589	4,723	4,938	5,215
Asset and lease financing	472	1,512	1,265	1,776	1,993
Other commercial and industrial	21,481	29,513	33,587	33,025	31,231
	84,843	143,558	137,086	129,513	116,806
Total gross loans and advances	533,555	564,710	521,924	492,760	463,900
Deduct: Unearned income and deferred net fee income	(532)	(861)	(1,113)	(1,429)	(1,917)
Provision for doubtful debts	(3,114)	(3,520)	(3,118)	(4,018)	(4,221)
Total net loans and advances	529,909	560,329	517,693	487,313	457,762

The following tables show the contractual maturity distribution of loans and advances to customers and the nature of the interest rate applicable to such loans and advances for the Group as at September 30, 2016:

	0 to 1 year ⁽¹⁾ \$m	1 to 5 year(s) \$m	Over 5 years ⁽²⁾ \$m	Total \$m
Maturity distribution of loans and advances				
Australia				
Government and public authorities	60	194	1,787	2,041
Agriculture, forestry, fishing and mining	5,124	12,154	3,816	21,094
Financial, investment and insurance	10,551	3,612	1,799	15,962
Real estate – construction	890	622	85	1,597
Manufacturing	2,232	4,018	589	6,839
Real estate – mortgage	24,238	2,158	252,452	278,848
Instalment loans to individuals and other personal lending (including credit cards)	1,114	1,012	7,466	9,592
Asset and lease financing	1,113	8,773	591	10,477
Other commercial and industrial	33,406	57,638	11,218	102,262
	78,728	90,181	279,803	448,712
Overseas				
Government and public authorities	120	37	57	214
Agriculture, forestry, fishing and mining	3,730	5,643	4,898	14,271
Financial, investment and insurance	3,661	2,763	22	6,446
Real estate – construction	662	335	208	1,205
Manufacturing	2,185	1,310	54	3,549
Real estate – mortgage	1,320	1,200	33,189	35,709
Instalment loans to individuals and other personal lending (including credit cards)	148	222	1,126	1,496
Asset and lease financing	1	75	396	472
Other commercial and industrial	10,271	9,917	1,293	21,481
	22,098	21,502	41,243	84,843
Total gross loans and advances	100,826	111,683	321,046	533,555

⁽¹⁾ Overdrafts are not subject to a repayment schedule. Due to their characteristics, overdrafts are categorised as due within one year.

⁽²⁾ Loans and advances which have no contractual maturity (including credit cards) are categorised as due over 5 years.

	0 to 1 year \$m	1 to 5 year(s) \$m	Over 5 years \$m	Total \$m
Nature of interest rate applicable to loans and advances				
Variable interest rates				
Australia	44,943	35,541	233,442	313,926
Overseas	8,978	14,700	14,041	37,719
Fixed interest rates				
Australia	33,785	54,640	46,361	134,786
Overseas	13,120	6,802	27,202	47,124
Total gross loans and advances	100,826	111,683	321,046	533,555

2016 Supplemental Information Regarding National Australia Bank Limited

Loan portfolio (continued)

Asset quality disclosures

The following tables provide an analysis of the asset quality of the Group's loans and advances for the years indicated. Gross amounts are shown before taking into account any collateral held or other credit enhancements.

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Total impaired assets ^{(1) (2) (3)}					
Gross					
Australia	1,558	1,241	1,925	3,153	3,739
Overseas	1,084	809	2,197	3,194	2,804
	2,642	2,050	4,122	6,347	6,543
Specific provision for doubtful debts					
Australia	582	343	551	797	1,022
Overseas	130	328	903	1,233	961
	712	671	1,454	2,030	1,983
Net					
Australia	976	898	1,374	2,356	2,717
Overseas	954	481	1,294	1,961	1,843
Total net impaired assets	1,930	1,379	2,668	4,317	4,560

⁽¹⁾ Impaired assets consist of retail loans (excluding portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and interest; non-retail loans which are contractually past due 90 days and there is sufficient doubt about the ultimate collectability of principal and interest; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired loans when they become 180 days past due (if not written off).

⁽²⁾ Includes impaired off-balance sheet credit-related commitments amounting to \$18 million gross, \$18 million net (2015: \$22 million gross, \$22 million net, 2014: \$23 million gross, \$23 million net, 2013: \$30 million gross, \$30 million net, 2012: \$33 million gross, \$33 million net).

⁽³⁾ Impaired assets include \$785 million (NZ\$823 million) of NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held. Prior to 2016, the balance was nil.

The following table provides information regarding non-impaired assets past due 90 days or more.

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Non-impaired assets past due 90 days or more with adequate security ⁽¹⁾					
Australia	1,510	1,387	1,461	1,492	1,491
Overseas	162	475	621	725	700
Total non-impaired assets past due 90 days or more with adequate security	1,672	1,862	2,082	2,217	2,191
Non-impaired portfolio managed facilities past due 90 to 180 days					
Australia	296	233	233	215	135
Overseas	7	27	27	31	31
Total non-impaired portfolio managed facilities past due 90 to 180 days	303	260	260	246	166

⁽¹⁾ Includes \$nil for Overseas (2015: \$nil, 2014: \$2 million, 2013: \$1 million, 2012: \$12 million) of non-impaired other financial assets at fair value past due 90 days or more with adequate security.

	2016	2015	2014	2013	2012
Additional information in respect of impaired assets					
Fair value of security ⁽¹⁾					
Australia	881	906	1,532	2,120	2,951
Overseas	929	452	985	1,670	1,487
	1,810	1,358	2,517	3,790	4,438

Loans newly classified into impaired asset categories during the year ⁽²⁾					
Australia	1,276	934	1,236	2,361	2,410
Overseas	1,115	538	1,637	2,325	2,349
	2,391	1,472	2,873	4,686	4,759

⁽¹⁾ Fair value of security is the amount for which that security could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Amounts of security held in excess of the outstanding balance of individual impaired assets are not included in this table.

⁽²⁾ New gross impaired assets during 2016 include \$822m (NZ\$898m) of NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held. Prior to 2016, the balance was nil.

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Loan portfolio (continued)

Cross border outstandings

The following table analyses the aggregate cross border outstandings due from countries other than Australia where such outstandings individually exceed 0.75% of the Group's total assets. For the purposes of this disclosure, cross border outstandings are based on the country of domicile of the counterparty or guarantor of the ultimate risk, and comprise loans and advances, balances due from other financial institutions, acceptances and other monetary assets including trading derivative assets and reverse repurchase agreements. Activities with local residents by the Group's foreign branches and subsidiaries are excluded.

The reporting threshold used below is for disclosure guidance only and is not intended as an indicator of a prudent level of lending by the Group to any one country.

		Public	Banks	Non-Private Bank	Total	% of total assets
		\$m	\$m	\$m	\$m	
As at September 30, 2016	US	781	4,536	4,257	9,574	1.2
	UK	55	4,876	1,947	6,878	0.9
As at September 30, 2015	Japan	8,068	1,110	910	10,088	1.1
	US	420	4,675	6,028	11,123	1.2
	UK	47	5,877	2,481	8,405	0.9
As at September 30, 2014	Japan	5,830	997	287	7,114	0.8
	US	1,387	2,725	6,433	10,545	1.2

For the fiscal years ending September 30, 2016, 2015 and 2014, there were no off-balance sheet commitments with individual countries exceeding 0.75% of the Group's total assets.

European exposures

This table includes exposures to European countries that are currently experiencing significant economic, fiscal and/or political strains such that likelihood of default would be higher than would be anticipated when such factors do not exist.

The exposures below represent gross exposures unless cash collateral has been pledged, which is the case for derivative asset exposures. The total exposures to these countries include both funded and unfunded exposures. The Group continues to monitor these exposures and notes, that due to the aggregate size and security with these exposures, they are not considered significant to the Group as a whole. In addition, the interest rate risk exposures on these positions are insignificant to the Group as a whole.

Non-derivative assets can include loans and advances, trading securities and held to maturity securities.

	Public	Banks	Non-Private Bank	Total
	\$m	\$m	\$m	\$m
As at September 30, 2016				
Greece				
Non-derivative assets	-	-	2	2
Ireland				
Non-derivative assets	-	-	2,204	2,204
Derivative assets	-	4	13	17
Italy				
Non-derivative assets	-	-	5	5
Portugal				
Non-derivative assets	-	-	3	3
Spain				
Non-derivative assets	-	-	2	2
Derivative assets	-	59	-	59
Total European exposure	-	63	2,229	2,292

2016 Supplemental Information Regarding National Australia Bank Limited

Summary of loan loss experience

Provision for doubtful debts

The following tables set forth details of the Group's provision for doubtful debts for the years indicated:

	2016 \$m	2015 ⁽¹⁾ \$m	2014 \$m	2013 \$m	2012 \$m
Collective provision for doubtful debts	-	-	1,760	2,178	2,346
Collective provision for doubtful debts - 12 months ECL	329	455	-	-	-
Collective provision for doubtful debts - Lifetime ECL Not credit impaired	1,657	1,988	-	-	-
Collective provision for doubtful debts - Lifetime ECL credit impaired	422	440	-	-	-
Total collective provision for doubtful debts	2,408	2,883	1,760	2,178	2,346
Specific provision for doubtful debts - Lifetime Expected Credit Losses (ECL)	706	637	1,358	1,840	1,875
Total provision for doubtful debts ^{(2) (3)}	3,114	3,520	3,118	4,018	4,221

⁽¹⁾ The opening balance for the collective provision of doubtful debts measured under AASB 139 is presented as 12-months and Lifetime expected credit losses following the adoption of AASB 9, with no restatement to prior period comparatives.

⁽²⁾ Not included in total provision for doubtful debts is \$6 million (2015: \$34 million; 2014: \$96 million; 2013: \$190 million; 2012: \$108 million) specific provision on loans at fair value; \$144 million (2015: \$289 million; 2014: \$711 million; 2013: \$605 million; 2012: \$570 million) collective provision on loans at fair value; and \$259 million (2015: \$322 million; 2014: \$165 million; 2013: \$176 million; 2012: \$226 million) collective provision on derivatives at fair value.

⁽³⁾ Not included in total provision for doubtful debts are provisions on investments - held to maturity of nil (2015: nil; 2014: \$26 million; 2013: \$77 million; 2012: \$80 million).

Reconciliation of movements in provision for doubtful debts

The following tables set forth details of the Group's provision for doubtful debts for the years indicated:

	Collective provision 12 month ECL \$m	Collective provision Lifetime ECL not credit impaired \$m	Collective provision Lifetime ECL credit impaired \$m	Collective provision \$m	Specific provision Lifetime ECL \$m	Total \$m
Balance at 1 October 2014	-	-	-	1,760	1,358	3,118
Restated for adoption of new accounting standards ⁽¹⁾	559	1,639	567	(1,760)	(322)	683
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	480	(450)	(30)	-	-	-
Transferred to Lifetime ECL not credit impaired	(56)	119	(63)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(4)	(57)	61	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(3)	(67)	(132)	-	202	-
Bad debts recovered	-	-	-	-	129	129
Bad debts written-off	-	-	-	-	(1,300)	(1,300)
Charge to income statement from continuing operations	(436)	705	46	-	418	733
Charge to income statement from discontinued operations ⁽²⁾	(84)	109	(23)	-	127	129
Derecognised in respect of the group disposal ⁽³⁾	(27)	(52)	(1)	-	(13)	(93)
Foreign currency translation and other adjustments	26	42	15	-	38	121
Balance at 30 September 2015 ⁽¹⁾	455	1,988	440	-	637	3,520
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	543	(520)	(23)	-	-	-
Transferred to Lifetime ECL not credit impaired	(45)	98	(53)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(76)	79	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(120)	(114)	-	236	-
Bad debts recovered	-	-	-	-	119	119
Bad debts written off	-	-	-	-	(778)	(778)
Charge to income statement from continuing operations ⁽⁴⁾	(539)	518	170	-	664	813
Charge to income statement from discontinued operations ⁽²⁾	21	8	21	-	20	70
Derecognised in respect of the disposal group ⁽³⁾	(85)	(222)	(94)	-	(174)	(575)
Foreign currency translation and other adjustments	(16)	(17)	(4)	-	(18)	(55)
Balance at 30 September 2016	329	1,657	422	-	706	3,114

⁽¹⁾ AASB 9 Financial Instruments was adopted in 2015. Prior period has not been restated.

⁽²⁾ Includes discontinued operations of GWB and CYBG in the 2015 comparative period and CYBG in the 2016 full year. Refer to Note 41 - Discontinued operations on page 142 of the 2016 Annual Financial Report for further details.

⁽³⁾ The September 2015 full year reflects the disposal of GWB, and the September 2016 full year reflects the CYBG demerger. Refer to Note 41 on page 142 of the 2016 Annual Financial Report.

⁽⁴⁾ September 2016 and September 2015 results reflect the adoption of AASB 9. Prior periods have not been restated.

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Summary of loan loss experience (continued)

	2014 \$m	2013 \$m	2012 \$m
Collective provision			
Balance at beginning of year	2,178	2,346	2,505
Transfer to specific provision	(1,299)	(2,045)	(2,660)
Charge to income statement ⁽¹⁾	863	1,799	2,521
Disposals	(18)	-	-
Foreign currency translation and other adjustments	36	78	(20)
Balance at end of year	1,760	2,178	2,346
Specific provision			
Balance at beginning of year	1,840	1,875	1,475
Transfer from collective provision	1,299	2,045	2,660
Bad debts recovered	185	160	160
Bad debts written off	(1,760)	(2,298)	(2,413)
Disposals	(221)	-	-
Foreign currency translation and other adjustments	15	58	(7)
Balance at end of year	1,358	1,840	1,875
Total provision for doubtful debts	3,118	4,018	4,221

⁽¹⁾ Excludes \$8 million write-back (2013: \$11 million, 2012: \$213 million; 2011: \$27 million of impairment charges) on Investments - held to maturity.

	2016 %	2015 %	2014 %	2014 %	2012 %
Ratio of net charge-offs during the year to gross average loans outstanding during the year	0.12	0.22	0.31	0.44	0.46

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Summary of loan loss experience (continued)

Provision for doubtful debts by industry category

The following table provides an analysis of the Group's provision for doubtful debts by industry category for the years indicated:

2016				
	Collective Provision ⁽¹⁾	Specific Provision	Total	Percentage of loans in each category to gross loans and advances
	\$m	\$m	\$m	%
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	421	134	555	4.0
Financial, investment and insurance	58	21	79	3.0
Real estate - construction	26	14	40	0.3
Manufacturing	118	54	172	1.3
Real estate - mortgage	146	83	229	52.3
Instalment loans to individuals and other personal lending (including credit cards)	291	2	293	1.8
Asset and lease financing	64	28	92	2.0
Other commercial and industrial	879	245	1,124	19.0
	2,004	581	2,585	84.1
Overseas				
Agriculture, forestry, fishing and mining	144	27	171	2.7
Financial, investment and insurance	13	20	33	1.2
Real estate - construction	2	-	2	0.2
Manufacturing	36	34	70	0.7
Real estate - mortgage	10	14	24	6.7
Instalment loans to individuals and other personal lending (including credit cards)	16	-	16	0.3
Asset and lease financing	4	-	4	0.1
Other commercial and industrial	179	30	209	4.0
	404	125	529	15.9
Total provision for doubtful debts	2,408	706	3,114	100.0

⁽¹⁾ Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

2015				
	Collective provision ⁽¹⁾	Specific Provision	Total	Percentage of loans in each category to gross loans and advances
	\$m	\$m	\$m	%
Australia				
Government and public authorities	-	-	-	0.4
Agriculture, forestry, fishing and mining	352	38	390	3.6
Financial, investment and insurance	86	14	100	2.2
Real estate - construction	29	4	33	0.3
Manufacturing	135	34	169	1.2
Real estate - mortgage	128	85	213	47.1
Instalment loans to individuals and other personal lending (including credit cards)	265	1	266	1.6
Asset and lease financing	73	26	99	1.8
Other commercial and industrial	1,061	141	1,202	16.4
	2,129	343	2,472	74.6
Overseas				
Agriculture, forestry, fishing and mining	123	24	147	2.9
Financial, investment and insurance	30	19	49	1.4
Real estate - construction	4	4	8	0.4
Manufacturing	97	6	103	0.9
Real estate - mortgage	54	63	117	13.5
Instalment loans to individuals and other personal lending (including credit cards)	68	4	72	0.8
Asset and lease financing	13	2	15	0.3
Other commercial and industrial	365	172	537	5.2
	754	294	1,048	25.4
Total provision for doubtful debts	2,883	637	3,520	100.0

⁽¹⁾ Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

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Summary of loan loss experience (continued)

2014				
	Collective Provision \$m	Specific Provision \$m	Total \$m	Percentage of loans in each category to gross loans and advances %
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	104	77	181	3.4
Financial, investment and insurance	33	19	52	1.8
Real estate - construction	10	9	19	0.3
Manufacturing	45	42	87	1.2
Real estate - mortgage	74	83	157	47.5
Instalment loans to individuals and other personal lending (including credit cards)	189	2	191	1.7
Asset and lease financing	51	40	91	2.0
Other commercial and industrial	660	279	939	15.5
	1,167	551	1,718	73.8
Overseas				
Government and public authorities	1	-	1	0.1
Agriculture, forestry, fishing and mining	37	16	53	3.2
Financial, investment and insurance	8	45	53	1.3
Real estate - construction	12	66	78	0.8
Manufacturing	22	18	40	0.9
Real estate - mortgage	12	53	65	12.4
Instalment loans to individuals and other personal lending (including credit cards)	85	5	90	0.9
Asset and lease financing	16	4	20	0.2
Other commercial and industrial	400	600	1,000	6.4
	593	807	1,400	26.2
Total provision for doubtful debts	1,760	1,358	3,118	100.0

2013				
	Collective Provision \$m	Specific Provision \$m	Total \$m	Percentage of loans in each category to gross loans and advances %
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	101	70	171	3.4
Financial, investment and insurance	28	26	54	2.2
Real estate - construction	10	16	26	0.3
Manufacturing	56	71	127	1.2
Real estate - mortgage	84	127	211	47.3
Instalment loans to individuals and other personal lending (including credit cards)	247	4	251	1.8
Asset and lease financing	54	38	92	2.3
Other commercial and industrial	787	445	1,232	14.8
	1,368	797	2,165	73.7
Overseas				
Government and public authorities	-	-	-	0.1
Agriculture, forestry, fishing and mining	35	52	87	3.2
Financial, investment and insurance	25	17	42	1.2
Real estate - construction	14	109	123	1.2
Manufacturing	29	15	44	0.9
Real estate - mortgage	19	55	74	11.6
Instalment loans to individuals and other personal lending (including credit cards)	105	7	112	1.0
Asset and lease financing	7	5	12	0.4
Other commercial and industrial	576	783	1,359	6.7
	810	1,043	1,853	26.3
Total provision for doubtful debts	2,178	1,840	4,018	100.0

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Summary of loan loss experience (continued)

	2012			
	Collective Provision \$m	Specific Provision \$m	Total \$m	Percentage of loans in each category to gross loans and advances %
Australia				
Government and public authorities	3	-	3	0.4
Agriculture, forestry, fishing and mining	115	72	187	3.4
Financial, investment and insurance	35	37	72	2.3
Real estate - construction	8	19	27	0.3
Manufacturing	66	123	189	1.4
Real estate - mortgage	94	129	223	47.5
Instalment loans to individuals and other personal lending (including credit cards)	195	5	200	2.0
Asset and lease financing	59	48	107	2.7
Other commercial and industrial	920	589	1,509	14.9
	1,495	1,022	2,517	74.9
Overseas				
Government and public authorities	-	-	-	0.1
Agriculture, forestry, fishing and mining	32	18	50	2.9
Financial, investment and insurance	13	31	44	1.1
Real estate - construction	22	74	96	1.5
Manufacturing	35	28	63	0.8
Real estate - mortgage	21	57	78	10.5
Instalment loans to individuals and other personal lending (including credit cards)	99	11	110	1.1
Asset and lease financing	19	9	28	0.4
Other commercial and industrial	610	625	1,235	6.7
	851	853	1,704	25.1
Total provision for doubtful debts	2,346	1,875	4,221	100.0

Bad debts written off and bad debts recovered by industry category

The following table provides an analysis of bad debts written off by industry category for the years indicated:

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Bad debts written off					
Australia					
Agriculture, forestry, fishing and mining	34	92	134	122	73
Financial, investment and insurance	-	22	15	13	25
Real estate - construction	3	7	20	19	10
Manufacturing	9	22	64	145	91
Real estate - mortgage	72	73	103	106	133
Instalment loans to individuals and other personal lending (including credit cards)	310	262	328	326	310
Asset and lease financing	27	58	38	66	49
Other commercial and industrial	195	273	404	667	718
	650	809	1,106	1,464	1,409
Overseas					
Agriculture, forestry, fishing and mining	38	50	48	28	20
Financial, investment and insurance	1	18	19	9	21
Real estate - construction	3	7	9	35	69
Manufacturing	2	14	14	44	64
Real estate - mortgage	9	21	26	34	45
Instalment loans to individuals and other personal lending (including credit cards)	36	90	105	108	126
Asset and lease financing	-	1	25	10	11
Other commercial and industrial	39	290	408	566	648
	128	491	654	834	1,004
Total bad debts written off	778	1,300	1,760	2,298	2,413

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Summary of loan loss experience (continued)

Bad debts recovered by industry category

The following table provides an analysis of bad debts recovered by industry category for the years indicated:

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Bad debts recovered					
Australia					
Agriculture, forestry, fishing and mining	4	(5)	10	2	1
Financial, investment and insurance	-	-	-	-	7
Manufacturing	(1)	1	6	-	3
Real estate - mortgage	-	9	5	6	7
Instalment loans to individuals and other personal lending (including credit cards)	88	54	44	85	53
Asset and lease financing	1	3	-	-	-
Other commercial and industrial	-	2	14	12	21
	92	64	79	105	92
Overseas					
Real estate - construction	-	-	-	2	-
Instalment loans to individuals and other personal lending (including credit cards)	17	36	37	42	54
Other commercial and industrial	10	29	69	11	14
	27	65	106	55	68
Total bad debts recovered	119	129	185	160	160

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Deposits and other borrowings

The following table sets out the Group's liabilities in respect to deposits and other borrowings for the years indicated:

	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m
Australia			
Deposits			
Term deposits	120,390	111,341	113,117
On-demand and short-term deposits	155,818	157,297	136,539
Certificates of deposit	35,298	31,686	37,215
Deposits not bearing interest	37,292	33,396	26,629
Borrowings	14,990	24,806	1,425
Securities sold under agreements to repurchase	787	1,299	1,612
	364,575	359,825	316,537
Overseas			
Deposits			
Term deposits	38,373	49,679	52,558
On-demand and short-term deposits	34,200	59,422	54,794
Certificates of deposit	10,720	8,565	30,364
Deposits not bearing interest	4,406	7,742	7,431
Borrowings	3,795	4,371	15,947
Securities sold under agreements to repurchase	15,277	7,618	7,831
Fair value adjustment	21	16	(21)
	106,792	137,413	168,904
Total deposits and other borrowings	471,367	497,238	485,441

⁽¹⁾ AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.

Maturities of deposits

The following table shows the maturity profile of all certificates of deposit, and additionally term deposits issued with a value of \$100,000 or more that are included within the deposits and other borrowings category at September 30, 2016:

	0 to 3 month(s) \$m	3 to 6 months \$m	6 to 12 months \$m	Over 12 months \$m	Total \$m
Australia					
Term deposits	67,287	28,608	12,038	3,487	111,420
Certificates of deposit	20,137	14,267	894	-	35,298
	87,424	42,875	12,932	3,487	146,718
Overseas					
Term deposits	19,711	9,130	6,247	2,902	37,990
Certificates of deposit	4,965	2,960	2,795	-	10,720
	24,676	12,090	9,042	2,902	48,710
	112,100	54,965	21,974	6,389	195,428

Short-term borrowings

Short-term borrowings of the Group include the commercial paper programs of the Company, National Australia Funding (Delaware), Inc. and BNZ International Funding Limited. The following table sets forth information concerning the Group's commercial paper programs for the years indicated:

	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m
Commercial paper			
Balance outstanding at balance date	18,430	28,817	16,854
Maximum outstanding at any month end	31,299	33,020	24,745
Approximate average amount outstanding during the year	24,115	27,474	18,331
Approximate weighted average interest rate on			
Balance outstanding at balance date (per annum)	0.8%	0.2%	0.2%
Average amount outstanding during the year (per annum)	0.6%	0.3%	0.2%

⁽¹⁾ Comparative periods include commercial paper programs from CYBG.

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