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ASX Announcement

NATIONAL AUSTRALIA BANK LIMITED (NAB) RELEASES 2017 SUPPLEMENTAL INFORMATION

NAB today releases its 2017 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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National
Australia
Bank

**SUPPLEMENTAL
INFORMATION
REGARDING NATIONAL
AUSTRALIA BANK
LIMITED
2017**

Our vision is to
be Australia and
New Zealand's most
respected bank

Robert Ravens
Bridestowe Lavender Estate

2017 Supplemental Information Regarding National Australia Bank Limited

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2017 Supplemental Information Regarding National Australia Bank Limited

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

In the 2016 financial year, the Group executed two major divestments, the demerger and Initial Public Offering (IPO) of CYBG Group and the sale of 80% of Wealth's life insurance business to Nippon Life. Each of the transactions qualified as a discontinued operation. A discontinued operation is 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.

Adjustments to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period are classified separately in discontinued operations in the current period. During the September 2017 financial year, a net loss of \$904 million before tax (\$893 million after tax) was recognised in discontinued operations. For further information, refer to *Note 41 Discontinued operations* in NAB's 2017 Annual Financial Report.

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\$0.7840 = 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, 2017.

Certain definitions

The Group's fiscal year ends on September 30. The fiscal year ended September 30, 2017 is referred to as 2017 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 2013 through to 2017.

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

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Presentation of information (continued)

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.

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.

Page 8 of this report describes certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward-looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group's ability to meet its internal net FTE reduction targets; (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; and (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements.

Cautionary note regarding non-GAAP financial measures

In addition to selected financial information contained in our 2017 and 2016 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 certain 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, is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards.

Cash earnings for 2017 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:

- Distributions.
- Fair value and hedge ineffectiveness.
- Amortisation of acquired intangible assets.

Details of non-cash earnings items are as follows:

- 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 2017 US Debt Funding Information. The effect of this in the September 2017 full year is to reduce cash earnings by \$98 million.

- 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 held 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 2017 full year, there was a reduction in statutory profit of \$727 million (\$500 million after tax) from fair value and hedge ineffectiveness. This was largely due to the mark-to-market losses from derivatives used to hedge the Group's long-term funding issuances, driven by unfavourable movements in interest rates, foreign exchange rates and cross currency spreads, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions.

- 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 2017 full year, there was a decrease in statutory profit of \$67 million (\$62 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 2017 US Debt Funding Information (for the 2017 and 2016 fiscal years).

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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 2017 and fiscal year 2016 US Debt Funding Information. Refer to the section *Cautionary note regarding non-GAAP financial measures* on page 4 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.

	2017 ⁽¹⁾ \$m	2017 ⁽¹⁾⁽²⁾ US\$m	2016 ⁽¹⁾ \$m	2015 ⁽¹⁾⁽³⁾ \$m	2014 ⁽¹⁾⁽³⁾ \$m	2013 ⁽¹⁾⁽³⁾ \$m
Income Statement Summary						
Net interest income	13,182	10,335	12,930	12,462	13,415	13,351
Net investment income ⁽⁴⁾	-	-	594	701	542	479
Gains less losses on financial instruments at fair value	552	433	827	1,498	999	769
Other operating income	4,290	3,363	3,771	3,776	3,900	3,604
Operating expenses	(8,539)	(6,695)	(8,331)	(8,189)	(10,227)	(8,305)
Charge to provide for doubtful debts	(824)	(646)	(813)	(733)	(847)	(1,810)
Profit before income tax expense	8,661	6,790	8,978	9,515	7,782	8,088
Income tax expense	(2,480)	(1,944)	(2,553)	(2,709)	(2,598)	(2,725)
Net profit for the period from continuing operations	6,181	4,846	6,425	6,806	5,184	5,363
Net (loss) / profit after tax for the period from discontinued operations	(893)	(700)	(6,068)	(414)	114	-
Net profit / (loss) for the period	5,288	4,146	357	6,392	5,298	5,363
Profit for the period attributable to owners of NAB	5,285	4,143	352	6,338	5,295	5,355
Profit for the period attributable to non-controlling interests	3	2	5	54	3	8
Net profit / (loss) for the period	5,288	4,146	357	6,392	5,298	5,363
Dividends paid / payable ⁽⁵⁾	5,307	4,161	5,248	4,997	4,673	4,457

⁽¹⁾ Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information (capital). September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information (capital). No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2013, 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2017 of US\$0.7840 = A\$1.00.

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

⁽⁴⁾ Includes the impact of movements in life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.

⁽⁵⁾ 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. 2015 has been restated to include both the final and interim dividend in respect of that year.

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.

Following the implementation of the organisational restructure effective from 1 August 2016, the Group's business now consists of the following reportable segments: Consumer Banking and Wealth, Business and Private Banking, Corporate and Institutional Banking and NZ Banking. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

	2017 ⁽¹⁾ \$m	2017 ⁽¹⁾⁽²⁾ US\$m	2016 ⁽¹⁾ \$m
Divisional performance			
Consumer Banking and Wealth	1,633	1,280	1,565
Business and Private Banking	2,841	2,227	2,673
Corporate and Institutional Banking	1,535	1,203	1,367
NZ Banking	882	691	804
Corporate Functions and Other ⁽³⁾	(249)	(195)	74
Cash earnings	6,642	5,207	6,483
Non-cash earnings items	(464)	(364)	(63)
Net (loss) / profit after tax for the period from discontinued operations ⁽⁴⁾	(893)	(700)	(6,068)
Net profit attributable to the owners of NAB	5,285	4,143	352

⁽¹⁾ Information is presented on a continuing operations basis.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2017 of US\$0.7840 = A\$1.00.

⁽³⁾ Corporate Functions and Other includes Treasury, NAB UK CRE and other supporting units.

⁽⁴⁾ During the financial year to 30 September 2017, a net loss of \$904 million before tax (\$893 million after tax) was recognised in discontinued operations. This balance includes a loss of \$853 million relating to the Conduct Indemnity Deed entered into with CYBG. For further information refer to Note 41 Discontinued operations in NAB's 2017 Annual Financial Report.

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Selected financial data (continued)

	2016 ⁽¹⁾ \$m	2015 ⁽¹⁾ \$m
Divisional performance		
Australian Banking	5,472	5,101
NZ Banking	778	762
NAB Wealth	356	316
Corporate Functions and Other ⁽²⁾	1	218
Distributions	(124)	(175)
Cash earnings	6,483	6,222
Non-cash earnings items	(63)	578
Net (loss) / profit after tax for the period from discontinued operations	(6,068)	(462)
Net profit attributable to the owners of NAB	352	6,338

⁽¹⁾ Information is presented on a continuing operations basis.

⁽²⁾ Corporate Functions and Other includes Group Funding, NAB UK CRE, specified items, other supporting units and the results of Specialised Group Assets.

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

	2017 ⁽¹⁾ \$m	2017 ⁽¹⁾⁽²⁾ US\$m	2016 ⁽¹⁾ \$m	2015 ⁽¹⁾⁽³⁾ \$m	2014 ⁽¹⁾⁽³⁾ \$m	2013 ⁽¹⁾⁽³⁾ \$m
Net interest income	13,166	10,322	12,930	12,498	13,451	13,407
Other operating income	4,729	3,708	4,503	4,507	5,070	5,156
Net operating income	17,895	14,030	17,433	17,005	18,521	18,563
Operating expenses	(7,635)	(5,986)	(7,438)	(7,278)	(9,987)	(8,410)
Underlying profit	10,260	8,044	9,995	9,727	8,534	10,153
Charge to provide for bad and doubtful debts	(810)	(635)	(800)	(748)	(869)	(1,934)
Cash earnings before tax and distributions	9,450	7,409	9,195	8,979	7,665	8,219
Income tax expense	(2,710)	(2,125)	(2,588)	(2,582)	(2,430)	(2,284)
Cash earnings before distributions	6,740	5,284	6,607	6,397	5,235	5,935
Distributions	(98)	(77)	(124)	(175)	(180)	(188)
Cash earnings from continuing operations	6,642	5,207	6,483	6,222	5,055	5,747
<i>Non-cash earnings items (after tax):</i>						
Distributions	98	77	124	175	180	188
Treasury shares	-	-	61	4	(43)	(413)
Fair value and hedge ineffectiveness	(500)	(392)	(126)	516	83	(151)
Amortisation of acquired intangible assets	(62)	(49)	(83)	(80)	(74)	(77)
Life insurance 20% share of profit	-	-	(39)	(37)	-	-
Life insurance economic assumption variation	-	-	-	-	(20)	22
Litigation expense / recovery	-	-	-	-	-	39
Net profit from continuing operations	6,178	4,844	6,420	6,800	5,181	5,355
Net (loss) / profit after tax for the period from discontinued operations ⁽⁴⁾	(893)	(700)	(6,068)	(462)	114	-
Net profit attributable to the owners of NAB	5,285	4,143	352	6,338	5,295	5,355

⁽¹⁾ Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information (capital). September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information (capital). No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2013, 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2017 of US\$0.7840 = A\$1.00.

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

⁽⁴⁾ During the financial year to 30 September 2017, a net loss of \$904 million before tax (\$893 million after tax) was recognised in discontinued operations. This balance includes a loss of \$853 million relating to the Conduct Indemnity Deed entered into with CYBG. For further information refer to Note 41 Discontinued operations in NAB's 2017 Annual Financial Report.

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Selected financial data (continued)

	2017 ⁽¹⁾ \$m	2017 ⁽¹⁾⁽²⁾ US\$m	2016 ⁽¹⁾ \$m	2015 ⁽¹⁾⁽³⁾ \$m	2014 ⁽¹⁾⁽³⁾ \$m	2013 ⁽¹⁾⁽³⁾ \$m
Balance sheet summary						
Investments relating to life insurance business ^{(4) (5)}	-	-	-	89,350	85,032	77,587
Loans and advances	540,125	423,458	510,045	532,784	434,725	412,301
Total assets ^{(5) (6)}	788,325	618,047	776,710	955,052	883,301	809,870
Total risk-weighted assets	382,114	299,577	388,445	399,758	367,652	362,078
Deposits and other borrowings	500,604	392,474	459,714	489,010	476,208	445,042
Life policy liabilities ⁽⁴⁾	-	-	-	76,311	71,701	64,509
Bonds, notes and subordinated debt	124,871	97,899	127,942	130,518	118,165	110,717
Other debt issues	6,187	4,851	6,248	6,292	4,686	2,944
Net assets	51,317	40,233	51,315	55,513	47,908	46,376
Contributed equity	34,627	27,148	34,285	34,651	28,380	27,944
Ordinary shares	31,707	24,858	30,968	31,334	24,049	23,410
Other equity instruments ⁽⁷⁾	2,920	2,289	3,317	3,317	4,331	4,534
Total equity (parent entity interest)	51,306	40,224	51,292	55,494	47,891	46,317
Non-controlling interest in controlled entities	11	9	23	19	17	59
Total equity	51,317	40,233	51,315	55,513	47,908	46,376

⁽¹⁾ Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information (capital). September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information (capital). No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2013, 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.

⁽²⁾ Translated at the closing noon buying rate on September 30, 2017 of US\$0.7840 = A\$1.00.

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

⁽⁴⁾ Balances were impacted by the Successor Fund Merger on 1 July 2016 and the sale of 80% of Wealth's life insurance business on 30 September 2016.

⁽⁵⁾ The 2016 comparative information has been restated following a reclassification of investments relating to life insurance business into other assets.

⁽⁶⁾ The 2016 comparative information has been restated to reflect a change in presentation of interest accrual on certain derivative assets and derivative liabilities, which is now presented within derivative assets and derivative liabilities (previously included in other assets and other liabilities).

⁽⁷⁾ National Capital Instruments of \$397 million were fully redeemed on 4 October 2016. 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.

	2017 ⁽¹⁾ %	2016 ⁽¹⁾ %	2015 ⁽¹⁾⁽²⁾ %	2014 ⁽²⁾ %	2013 ⁽²⁾ %
Selected financial ratios					
Dividend payout ratio ⁽³⁾	86.8	81.7	72.9	92.5	84.1
Average equity to average total assets ⁽⁴⁾	6.0	5.2	4.7	4.9	4.9
Net profit on average assets	0.77	0.75	0.79	0.58	0.64
Net profit on average equity ^{(4) (5)}	12.8	14.2	16.4	11.9	13.0

⁽¹⁾ Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information (capital). September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information (capital). No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2013, 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.

⁽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.

	2017	2016	2015	2014	2013
Noon buying rates (average and closing per A\$1.00)					
Daily average					
United States dollar	0.7623	0.7372	0.7855	0.9209	0.9957
Closing					
United States dollar	0.7840	0.7667	0.7020	0.8737	0.9342

On November 9, 2017 the noon buying rate was US\$0.7668 per A\$1.00.

	2017					
	October	September	August	July	June	May
United States dollar (per A\$1.00)						
High	0.7885	0.8071	0.7983	0.7991	0.7680	0.7534
Low	0.7660	0.7831	0.7822	0.7584	0.7387	0.7352

2017 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's strategic focus supports its vision of becoming Australia and New Zealand's most respected bank. In the September 2017 full year, this was underpinned by three key objectives:

1. Our customers are advocates
2. Our people are engaged
3. Our shareholders receive attractive returns

To meet these objectives, execution was focused around four key themes – deepening relationships in priority customer segments, delivering a great customer experience, reshaping our business to perform, and being known for great leadership, talent and people.

Deepen relationships in priority customer segments

The Group has prioritised four customer segments where it is focussing investment to deepen customer relationships. These are small and medium business customers given NAB's strong market position and attractive returns, combined with home owners and investors. Investment in priority segments is driving improved results. This is evident in the performance of Business and Private Banking which, during the September 2017 full year, recorded positive revenue growth on higher volumes and stronger margins.

Delivering a great customer experience and reshaping our business to perform

The Group uses the Net Promoter Score (NPS)⁽¹⁾ system to access real-time, targeted feedback so it can understand and improve the customer experience. For the September 2017 full year, our priority segment NPS^{(1) (2)} was first of the major peer banks.

The Group is committed to using customer feedback and a new way of working to transform the end-to-end customer experience across a range of products and channels. This is known as Customer Journeys.

In the September 2017 full year, the Group launched seven Customer Journeys aimed at driving customer advocacy through increased efficiencies and improved interactions with customers. Examples include:

- A new 10 minute digital transaction account onboarding for business customers with simple needs, significantly reducing processing time for onboarding new customers and removing the need for a customer to visit a branch.

- A faster, easier application process for Everyday Accounts, reducing application time to seven minutes.
- A simplified digital Superannuation portal to help customers better understand their retirement options and e-forms pre-populated with existing customer data.
- A virtual banking assistant pilot for business customers using artificial intelligence chat technology to help customers fulfill simple needs through self-service.

The Group continues to enhance its products and services for customers through digitisation and innovation, as evidenced by:

- Enabling small business customers to access funding quickly with QuickBiz unsecured lending expanded to include business cards and overdraft facilities.
- The launch of the HICAPS Go mobile app solution in partnership with start-up, Medipass Solutions, which allows health patients to book and pay for services via their mobile device while receiving full transparency of costs, and for practitioners removes the need for a physical terminal.

The Group is also exploring new strategic alliances and direct equity investments through its dedicated innovation fund, NAB Ventures, to fast-track improvements in customer experience and leverage innovative new technologies and business models. Examples of investments made during the September 2017 full year include investments in Veem (business-to-business global payments) and Wave (a cloud-based integrated suite of small business tools including accounting, invoicing, payments, and payroll for micro businesses).

Great leadership, talent and people

The Group is committed to attracting, developing and inspiring talent to drive a culture that delivers high performance. Key initiatives during the September 2017 full year include:

- Significant investment in senior executive assessment to understand organisational leadership strengths driving performance.
- Implementing targeted development programs including accelerated streams for high potential female talent and executives identified as key talent.
- Introducing a new performance framework with leaders accountable for coaching every day, supported by monthly performance and development conversations.
- Investment in new technology to track performance, talent, capability and deliver leadership data and insights.

Generating attractive returns

The Group has continued to shift its portfolio towards business with higher returns where it has strong capability to compete. For the September 2017 full year, the Group delivered a statutory ROE of 10.9% and a cash ROE of 14.0% on a continuing operations basis.

Maintain and strengthen our foundations

The Group underpins its strategy by maintaining strong foundations: balance sheet strength (including capital, funding and liquidity), risk management capability (including credit and operational risk) and core technology platforms and infrastructure.

The Group remained well capitalised during the September 2017 full year, and expects to meet APRA's new 'unquestionably strong' capital requirements in an orderly manner by 1 January 2020. The Common Equity Tier 1 (CET1) ratio as at 30 September 2017 was 10.1%.

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

⁽²⁾ Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

2017 Supplemental Information Regarding National Australia Bank Limited

Business overview (continued)

The Group has maintained strong liquidity through the September 2017 full year with a quarterly average Liquidity Coverage Ratio (LCR) of 123%, which is above the APRA requirement of 100%. The 30 September 2017 Net Stable Funding Ratio (NSFR) was 108%, above the APRA minimum regulatory requirement of 100% from 1 January 2018.

Overall credit risk in the Group's portfolio remains sound, and bad and doubtful debts are stable. Portfolio concentrations are managed with reference to established Group risk appetite settings.

Accelerating our strategy

The environment in which the Group operates is one of rapid and constant change. The Group's customers are now largely 'digital-first' and expect seamless, personal experiences. New competitors continue to emerge, and community and regulatory expectations have never been greater. The risks faced by the Group are constantly evolving, requiring ever greater vigilance around cybercrime and data protection.

The Group is optimistic about the future and the opportunities for NAB in a changing world, and moves forward in a much stronger position. This allows the Group to plan for the longer term and, on 2 November 2017, the Group announced an acceleration of its strategy to enable the Group to grow while staying focussed on productivity.

This includes an estimated \$1.5 billion increase in investment over the next three years. A key focus will be driving a major uplift in innovation and capabilities in the Group's leading Australian SME franchise. The timing and amount of investment spend may vary depending on the operating environment.

The Group expects this to deliver benefits including:

- Improved customer experience with fewer, simpler products, delivered by digital channels.
- Cumulative cost savings, currently targeted at greater than \$1 billion by 30 September 2020, as the Group significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure.
- Increased revenue from higher customer retention and targeted market share gains.
- Reduced operational and regulatory risks from a simplified, more responsive and resilient technology environment.

The Group is reshaping its workforce to enable it to deliver for its customers and by 30 September 2020 expects to create up to 2,000 new jobs while about 6,000 roles will be impacted as the Group further automates and simplifies its business. This will result in a net reduction in staff currently targeted at approximately 4,000 by 30 September 2020, which is expected to give rise to a restructuring provision of \$0.5-0.8 billion in the first half of the 2018 financial year. Throughout this process, the Group will treat its people with care and respect and equip them for the future.

Reflecting the accelerated investment impact, September 2018 full year expenses are expected to grow 5-8%, with expenses then targeted to remain broadly flat through to 30 September 2020 (excluding the restructuring provision and large one-off expenses). Taking account of the near term impact of these changes, the Board expects to maintain dividends for the September 2018 full year at the same level as the September 2017 full year, subject to no material change in the external environment and satisfactory Group financial performance.

The Group has set four new aspirational objectives:

- NPS positive and number 1 NPS of Australian major banks for the Group's priority segments.
- Cost-to-income ratio towards 35%.
- Number 1 ROE of Australian major banks.
- Top quartile employee engagement.

The Group plans to achieve these by being the best business bank; becoming simpler and faster for its customers and its people; focussing on new and emerging growth opportunities; and having great leaders, talent and culture.

This is an ambitious and necessary plan. It will enable the Group to continue to deliver for all its stakeholders, live its purpose to 'back the bold who move Australia forward' and achieve the Group's vision to be Australia and New Zealand's most respected bank.

Organisational structure and operating model

The Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with more than 571,000 shareholders and serving over nine million customers.

The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches 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 providing quality help, guidance and advice to achieve better financial outcomes for customers.

In 2017 the Group operated the following divisions:

- *Consumer Banking and Wealth* comprises the NAB and UBank consumer banking divisions, and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to independent advisers, including mortgage brokers and the financial planning network of self-employed, aligned and salaried advisers in Australia.
- *Business and Private Banking* focuses on serving priority small and medium (SME) customers via the NAB Business franchise and specialist services in key segments including Agriculture, Health, Government, Education and Franchising. The division also supports NAB's micro and small business customers and includes Private Banking, Business Direct and Small Business and JBWere.
- *Corporate and Institutional Banking* provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division services its customers in Australia and globally through branches in the US, UK and Asia with specialised industry relationship and product teams.
- *NZ Banking* comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises and Market Sales operations in New Zealand, operating under the 'Bank of New Zealand' brand. It excludes Bank of New Zealand's Markets Trading operations.

2017 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 and other marketable 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 2017 of \$737,008 million (2016: \$725,395 million; 2015: \$899,539 million), funding from customer deposits and certificates of deposit (including amounts accounted for at fair value) amounted to \$459,835 million (2016: \$436,497 million; 2015: \$459,128 million) or 62% (2016: 60%; 2015: 51%). 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 \$36,683 million as at 30 September 2017 (2016: \$43,903 million; 2015: \$54,405 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 2017, the Group had on issue \$147,740 million (2016: \$147,639 million; 2015: \$149,990 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 2017

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

2017 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources (continued)

Long-term funding programmes and issuing shelves as at 30 September 2017

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 ⁽³⁾	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.

Credit ratings

At 30 September 2017, 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	Aa3
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	A1
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	A1
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.

2017 Supplemental Information Regarding National Australia Bank Limited

Liquidity, funding and capital resources (continued)

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. As at 30 September 2017, the Group held \$123,733 million of liquid assets (2016 \$118,268 million, 2015: \$123,603 million), of which NAB Ltd held \$116,862 million (2016: \$112,080, 2015: \$106,043 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. In addition, the Group held \$554,721 million (2016: \$529,909 million; 2015: \$560,329 million) of net loans and advances to customers (including loans accounted for at fair value), of which \$103,476 million (2016: \$98,565 million; 2015: \$98,784 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 Group also has the capacity to access funding through the Reserve Bank of Australia under the Committed Liquidity Facility

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 2017:

	Payments due by period				Total \$m
	Less than 1 year \$m	1 to 3 years \$m	3 to 5 years \$m	After 5 years \$m	
Bonds, notes and subordinated debt – dated	20,930	59,644	39,136	28,030	147,740
Other debt issues – undated	-	-	-	6,187	6,187
Non-cancellable operating leases	392	642	334	559	1,927
Information technology and telecommunication services	363	361	172	-	896
Capital expenditure commitments	14	-	-	-	14
Operational, property and support services	25	29	20	-	74
Total contractual cash obligations	21,724	60,676	39,662	34,776	156,838

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 2017:

	Amount of commitment expiration per period				Total \$m
	Less than 1 year \$m	1 to 3 years \$m	3 to 5 years \$m	After 5 years \$m	
Contingent liabilities					
Guarantees	3,149	880	276	378	4,683
Letters of credit	4,900	749	538	19	6,206
Performance-related contingencies	5,253	2,781	405	244	8,683
Other commercial commitments					
Underwriting facilities	-	2	-	-	2
Other binding credit commitments	68,959	30,989	11,723	39,704	151,375
Total commercial commitments	82,261	35,401	12,942	40,345	170,949

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.

(CLF). The CLF value used in the Liquidity Coverage Ratio calculation is the undrawn portion of the facility. NAB's CLF for 2017 was \$50,400 million (2016: \$55,400 million; 2015: \$59,000 million). A combination of external marketable debt securities and internal residential mortgage backed securities provide collateral for the CLF. Internal RMBS after haircuts available to support the CLF in 2017 was \$40,340 million (2016: \$43,416 million, 2015: \$40,438 million). 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.

2017 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 effective 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 capital ratios described above, APRA sets a Prudential Capital Ratio for each tier of capital specific to an ADI, at a level proportional to the ADI's overall risk profile. A breach of the required ratios under APRA's 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, superannuation and funds management activities are de-consolidated from the Group 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 2017, and comparatives at 30 September 2016 are as follows:

	2017 %	2016 %
Common equity tier 1 ratio	10.06%	9.77%
Tier 1 ratio	12.41%	12.19%
Total Capital ratio	14.58%	14.14%

Capital initiatives

Additional Tier 1 Capital Initiatives

On 4 October 2016 the Group exercised its right to redeem National Capital Instruments (NCI) of \$400 million, originally issued on 18 September 2006.

Tier 2 Capital Initiatives

The Group's Tier 2 Capital initiatives included the following:

- 21 December 2016, NAB issued JPY10 billion due 2026.
- 19 January 2017, NAB issued \$275 million due 2032.
- 20 March 2017, NAB issued \$943 million due 2028 (NAB Subordinated Notes 2).
- 20 March 2017, NAB redeemed \$539 million of NAB Subordinated Notes, with the remaining \$634 million redeemed on 19 June 2017.
- In aggregate, US\$52 million of the Undated Subordinated Notes issued on 9 October 1986 were repurchased and surrendered for cancellation. The outstanding nominal amount of the Undated Subordinated Notes is US\$115 million as at 30 September 2017.

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 2017 is 99 cents and the Group will offer a 1.5% discount on the DRP, with no participation limit.

2017 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

	2017 ⁽¹⁾			2016 ⁽¹⁾			2015 ⁽¹⁾		
	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	12,150	191	1.6	13,086	257	2.0	13,163	256	1.9
New Zealand	3,073	45	1.5	3,657	54	1.5	3,911	74	1.9
Other International	34,269	354	1.0	39,064	274	0.7	32,144	215	0.7
Marketable debt securities									
Australia	73,300	1,980	2.7	67,750	1,816	2.7	67,922	2,059	3.0
New Zealand	5,477	124	2.3	5,041	142	2.8	4,969	199	4.0
Other International	12,304	122	1.0	14,159	139	1.0	14,301	147	1.0
Loans and advances - housing									
Australia	259,184	11,213	4.3	248,055	11,350	4.6	237,541	11,308	4.8
New Zealand	32,446	1,581	4.9	29,718	1,621	5.5	27,743	1,679	6.1
Other International	2,207	71	3.2	2,422	76	3.1	2,426	72	3.0
Loans and advances - non-housing									
Australia	181,816	8,846	4.9	178,735	9,156	5.1	166,458	9,303	5.6
New Zealand	38,436	1,775	4.6	35,438	1,745	4.9	32,514	2,004	6.2
Other International	10,702	263	2.5	13,289	308	2.3	16,816	380	2.3
Other interest earning assets									
Australia	5,473	294	n/a	6,285	358	n/a	8,038	434	n/a
New Zealand	965	59	n/a	178	14	n/a	77	5	n/a
Other International	39,463	485	n/a	32,649	319	n/a	30,111	212	n/a
Total average interest earning assets and interest income by:									
Australia	531,923	22,524	4.2	513,911	22,937	4.5	493,122	23,360	4.7
New Zealand	80,397	3,584	4.5	74,032	3,576	4.8	69,214	3,961	5.7
Other International	98,945	1,295	1.3	101,583	1,116	1.1	95,798	1,026	1.1
Total average interest earning assets and interest income	711,265	27,403	3.9	689,526	27,629	4.0	658,134	28,347	4.3
Average non interest earning assets									
Investments relating to life insurance business									
Australia	-			66,776			85,521		
New Zealand	81			71			67		
Other assets	90,485			102,437			124,084		
Total average non interest earning assets	90,566			169,284			209,672		
Provision for doubtful debts									
Australia	(2,501)			(2,479)			(2,546)		
New Zealand	(484)			(441)			(367)		
Other International	(72)			(82)			(284)		
Total average assets	798,774			855,808			864,609		

⁽¹⁾ Information is presented on a continuing operations basis.

2017 Supplemental Information Regarding National Australia Bank Limited

Average balance sheet and related interest (continued)

Average liabilities, interest expense and average equity

	2017 ⁽¹⁾			2016 ⁽¹⁾			2015 ⁽¹⁾		
	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	25,611	394	1.5	25,916	479	1.8	27,705	573	2.1
New Zealand	2,044	17	0.8	1,652	16	1.0	1,318	14	1.1
Other International	18,638	148	0.8	23,597	151	0.6	19,337	89	0.5
On-demand and short-term deposits									
Australia	162,076	2,124	1.3	156,975	2,597	1.7	149,002	3,103	2.1
New Zealand	18,391	162	0.9	17,970	256	1.4	16,370	411	2.5
Other International	14,940	110	0.7	15,805	49	0.3	8,775	9	0.1
Certificates of deposits									
Australia	36,714	719	2.0	34,395	790	2.3	33,850	855	2.5
New Zealand	1,912	37	1.9	2,345	62	2.6	2,096	75	3.6
Other International	11,594	146	1.3	11,747	74	0.6	20,704	62	0.3
Term deposits									
Australia	118,870	3,117	2.6	116,518	3,414	2.9	110,415	3,657	3.3
New Zealand	27,905	942	3.4	24,466	884	3.6	23,451	968	4.1
Other International	11,854	176	1.5	13,497	185	1.4	16,030	203	1.3
Other borrowings									
Australia	17,938	330	1.8	22,678	260	1.1	18,745	165	0.9
New Zealand	3,121	53	1.7	2,887	27	0.9	3,163	13	0.4
Other International	23,149	313	1.4	16,507	135	0.8	22,291	81	0.4
Bonds, notes and subordinated debt ⁽²⁾									
Australia	112,911	3,434	3.0	117,571	3,556	3.0	110,319	4,062	3.7
New Zealand	17,723	635	3.6	14,793	685	4.6	13,640	805	5.9
Other International	16,272	395	2.4	12,078	275	2.3	9,622	179	1.9
Other interest bearing liabilities ⁽²⁾									
Australia	5,883	894	n/a	3,345	728	n/a	3,973	498	n/a
New Zealand	-	-	n/a	2	-	n/a	10	-	n/a
Other International	1,517	75	n/a	4,285	76	n/a	3,262	63	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	480,003	11,012	2.3	477,398	11,824	2.5	454,009	12,913	2.8
New Zealand	71,096	1,846	2.6	64,115	1,930	3.0	60,048	2,286	3.8
Other International	97,964	1,363	1.4	97,516	945	1.0	100,021	686	0.7
Total average interest bearing liabilities and interest expense	649,063	14,221	2.2	639,029	14,699	2.3	614,078	15,885	2.6
Average non-interest bearing liabilities									
Deposits not bearing interest									
Australia	40,011			35,139			30,120		
New Zealand	4,521			3,826			2,709		
Other International	16			4			10		
Life insurance policy liabilities									
Australia	-			56,123			71,976		
Other liabilities	54,689			74,038			101,462		
Total average non-interest-bearing liabilities	99,237			169,130			206,277		
Total average liabilities	748,300			808,159			820,355		
Average equity									
Total equity (parent entity interest)	50,458			47,625			44,237		
Non-controlling interest in controlled entities	16			24			17		
Total average equity	50,474			47,649			44,254		
Total average liabilities and equity	798,774			855,808			864,609		
	2017 %			2016 %			2015 %		
Net yield on interest earning assets	1.85			1.88			1.89		

⁽¹⁾ Information is presented on a continuing operations basis.

⁽²⁾ For the year ended 30 September 2016, certain interest expense amounts previously classified as Bonds, notes and subordinated debt have been reclassified to other debt issues.

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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, 2017 and September 30, 2016. 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.

	2017 ⁽¹⁾			2016 ⁽¹⁾		
	Increase / (decrease)			Increase / (decrease)		
	due to change in			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	(18)	(48)	(66)	(2)	3	1
New Zealand	(9)	-	(9)	(5)	(15)	(20)
Other International	(37)	117	80	48	11	59
Marketable debt securities						
Australia	150	14	164	(6)	(237)	(243)
New Zealand	11	(29)	(18)	3	(60)	(57)
Other International	(18)	1	(17)	(1)	(7)	(8)
Loans and advances - housing						
Australia	496	(633)	(137)	490	(448)	42
New Zealand	142	(182)	(40)	115	(173)	(58)
Other International	(7)	2	(5)	-	4	4
Loans and advances - non housing						
Australia	156	(466)	(310)	659	(806)	(147)
New Zealand	142	(112)	30	169	(428)	(259)
Other International	(63)	18	(45)	(82)	10	(72)
Other interest earning assets						
Australia	(45)	(19)	(64)	(99)	23	(76)
New Zealand	49	(4)	45	8	1	9
Other International	75	91	166	19	88	107
Change in interest income	1,024	(1,250)	(226)	1,316	(2,034)	(718)

⁽¹⁾ Information is presented on a continuing operations basis.

2017 Supplemental Information Regarding National Australia Bank Limited

Average balance sheet and related interest (continued)

	2017 ⁽¹⁾			2016 ⁽¹⁾		
	Increase / (decrease)			Increase / (decrease)		
	due to change in			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	(6)	(79)	(85)	(35)	(59)	(94)
New Zealand	3	(2)	1	3	(1)	2
Other International	(35)	32	(3)	22	40	62
On-demand and short-term deposits						
Australia	83	(556)	(473)	159	(665)	(506)
New Zealand	6	(100)	(94)	37	(192)	(155)
Other International	(3)	63	60	11	29	40
Certificates of deposits						
Australia	50	(121)	(71)	14	(79)	(65)
New Zealand	(10)	(15)	(25)	8	(21)	(13)
Other International	(1)	73	72	(35)	47	12
Term deposits						
Australia	68	(365)	(297)	195	(438)	(243)
New Zealand	119	(61)	58	41	(125)	(84)
Other International	(23)	14	(9)	(34)	16	(18)
Other borrowings						
Australia	(62)	132	70	39	56	95
New Zealand	2	24	26	(2)	16	14
Other International	68	110	178	(25)	79	54
Bonds, notes and subordinated debt						
Australia	(142)	20	(122)	255	(567)	(312)
New Zealand	122	(172)	(50)	64	(184)	(120)
Other International	101	19	120	51	45	96
Other interest bearing liabilities						
Australia	434	(268)	166	(86)	122	36
New Zealand	-	-	-	-	-	-
Other International	(72)	71	(1)	18	(5)	13
Change in interest expense	702	(1,181)	(479)	700	(1,886)	(1,186)
Change in net interest income	322	(69)	253	616	(148)	468

⁽¹⁾ Information is presented on a continuing operations basis.

Loan fees

Included within interest income is \$168 million (2016: \$205 million; 2015: \$301 million) relating to loan fees which are amortised over the effective life of the loan.

2017 Supplemental Information Regarding National Australia Bank Limited

Investment portfolio

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

	2017 \$m	2016 \$m	2015 \$m
Trading securities	50,954	45,971	42,937
Debt instruments at fair value through other comprehensive income	42,131	40,689	45,189
Total investments	93,085	86,660	88,126

Trading securities

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

	2017 \$m	2016 \$m	2015 \$m
Listed – Australia			
Australian Commonwealth Government bonds and securities	24,802	18,224	15,216
Securities of Australian and semi-government authorities	4,303	4,037	4,056
Private corporations / other financial institutions' certificates of deposit	4,013	5,091	4,645
Private corporations / other financial institutions' bills	-	-	7
Private corporations / other financial institutions' bonds	666	1,293	2,309
Private corporations / other financial institutions' floating rate notes	11,390	10,682	10,246
Private corporations / other financial institutions' promissory notes	-	-	18
Private corporations / other financial institutions' Eurobonds	215	395	370
Other securities	63	1,105	993
	45,452	40,827	37,860
Listed – Overseas			
Securities of Australian and semi-government authorities	776	486	681
Securities of or guaranteed by New Zealand Government	796	1,352	395
New Zealand Government notes	2,218	1,670	1,973
Other government bonds and securities	-	1	9
Other government notes	-	-	9
Private corporations / other financial institutions' certificates of deposit	768	38	460
Private corporations / other financial institutions' bonds	125	273	87
Private corporations / other financial institutions' floating rate notes	474	750	545
Private corporations / other financial institutions' promissory notes	134	110	301
Private corporations / other financial institutions' medium term notes	211	464	419
	5,502	5,144	4,879
Total listed trading securities	50,954	45,971	42,739
Unlisted – Overseas			
Private corporations / other financial institutions' bonds	-	-	3
Private corporations / other financial institutions' floating rate notes	-	-	194
Private corporations / other financial institutions' medium term notes	-	-	1
	-	-	198
Total unlisted trading securities	-	-	198
Total trading securities ⁽¹⁾	50,954	45,971	42,937

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

2017 Supplemental Information Regarding National Australia Bank Limited

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:

	2017 \$m	2016 \$m	2015 \$m
Listed – Australia			
Securities of Australian and semi-government authorities	20,915	21,186	22,194
Private corporations/other financial institutions' bonds	20	-	-
Private corporations / other financial institutions' floating rate notes	530	139	56
Other securities	9,970	7,750	7,816
	31,435	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	388	778	514
Private corporations / other financial institutions' bonds	4,661	5,820	5,745
Private corporations / other financial institutions' floating rate notes	721	673	815
Private corporations / other financial institutions' medium term notes	1,797	1,585	1,476
Other securities	368	398	476
	7,935	9,254	12,150
Total listed debt instruments at fair value through other comprehensive income	39,370	38,329	42,216
Unlisted – Overseas			
Other government bonds and securities	764	307	-
Other government treasury notes	1,775	1,477	1,534
Private corporations / other financial institutions' certificates of deposit	108	39	226
Private corporations / other financial institutions' floating rate notes	-	157	107
Private corporations / other financial institutions' medium term notes	114	380	1,101
Other securities	-	-	5
	2,761	2,360	2,973
Total unlisted debt instruments at fair value through other comprehensive income	2,761	2,360	2,973
Total debt instruments at fair value through other comprehensive income	42,131	40,689	45,189

Maturities

The following table analyses the maturity (according to when they are expected to mature, be recovered or settled) and weighted average yield of the Group's holdings of debt instruments at fair value through other comprehensive income at 30 September 2017:

	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	1,038	2.5%	9,786	4.6%	9,845	4.1%	246	3.1%
Private corporations / other financial institutions' bonds	-	-	20	3.4%	-	-	-	-
Private corporations / other financial institutions' floating rate notes	243	1.8%	287	2.4%	-	-	-	-
Other securities	1,216	2.8%	8,720	2.8%	34	-	-	-
	2,497		18,813		9,879		246	
Overseas								
Other government bonds and securities	764	0.2%	-	-	-	-	-	-
Other government treasury notes	2,076	0.2%	87	0.7%	-	-	-	-
Private corporations / other financial institutions' certificates of deposit	108	0.1%	-	-	-	-	-	-
Private corporations / other financial institutions' bonds	628	1.8%	4,018	1.3%	15	1.5%	-	-
Private corporations / other financial institutions' floating rate notes	334	0.7%	387	3.2%	-	-	-	-
Private corporations / other financial institutions' medium term notes	367	0.6%	1,474	1.4%	70	0.7%	-	-
Other securities	115	2.5%	224	2.4%	-	-	29	2.0%
	4,392		6,190		85		29	
Total maturities at carrying value ⁽¹⁾	6,889		25,003		9,964		275	

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

2017 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:

	2017 \$m	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m	2013 ⁽¹⁾ \$m
Australia					
Overdrafts	3,662	4,222	4,185	4,950	6,556
Credit card outstandings	6,365	6,439	6,218	6,129	5,972
Asset and lease financing	11,214	10,477	10,252	10,463	11,293
Housing loans	292,989	278,848	265,928	247,312	232,251
Other term lending	140,659	130,206	111,975	57,440	55,983
Other lending	4,336	3,997	4,357	3,696	3,833
Loans at fair value ⁽²⁾	10,926	14,523	18,237	54,848	47,359
	470,151	448,712	421,152	384,838	363,247
Overseas					
Overdrafts	2,011	2,082	4,727	5,571	6,978
Credit card outstandings	1,044	1,079	1,860	1,869	1,895
Asset and lease financing	460	472	1,512	1,265	1,776
Housing loans	36,545	35,709	76,037	64,728	57,112
Other term lending	42,276	38,398	45,656	30,793	31,007
Other lending	2,203	1,762	4,458	4,740	3,092
Loans at fair value ⁽²⁾	3,670	5,341	9,308	28,120	27,653
	88,209	84,843	143,558	137,086	129,513
Total gross loans and advances	558,360	533,555	564,710	521,924	492,760
Deduct: Unearned income and deferred net fee income	(415)	(532)	(861)	(1,113)	(1,429)
Provision for doubtful debts	(3,224)	(3,114)	(3,520)	(3,118)	(4,018)
Total net loans and advances	554,721	529,909	560,329	517,693	487,313

⁽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 \$90 million (2016: \$95 million; 2015: \$117 million; 2014: \$442 million; 2013: \$319 million) for Australia, and an unfavourable credit risk adjustment of \$26 million (2016: \$53 million; 2015: \$204 million; 2014: \$384 million; 2013: \$476 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.

	2017 \$m	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m	2013 ⁽¹⁾ \$m
Australia					
Government and public authorities	1,938	2,041	2,137	2,097	2,061
Agriculture, forestry, fishing and mining	21,058	21,094	20,152	17,572	16,946
Financial, investment and insurance	14,924	15,962	12,558	9,400	11,277
Real estate – construction	1,585	1,597	1,558	1,423	1,541
Manufacturing	7,205	6,839	6,886	6,225	5,867
Real estate – mortgage	292,989	278,848	265,928	247,312	232,251
Instalment loans to individuals and other personal lending (including credit cards)	9,428	9,592	9,294	9,118	9,028
Asset and lease financing	11,214	10,477	10,252	10,463	11,293
Other commercial and industrial	109,810	102,262	92,387	81,228	72,983
	470,151	448,712	421,152	384,838	363,247

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

2017 Supplemental Information Regarding National Australia Bank Limited

Loan portfolio (continued)

	2017 \$m	2016 \$m	2015 ⁽¹⁾ \$m	2014 ⁽¹⁾ \$m	2013 ⁽¹⁾ \$m
Overseas					
Government and public authorities	239	214	208	426	371
Agriculture, forestry, fishing and mining	14,375	14,271	16,193	16,515	15,820
Financial, investment and insurance	8,195	6,446	8,166	6,948	6,083
Real estate – construction	1,162	1,205	2,292	4,155	5,942
Manufacturing	3,342	3,549	5,048	4,739	4,446
Real estate – mortgage	36,545	35,709	76,037	64,728	57,112
Instalment loans to individuals and other personal lending (including credit cards)	1,449	1,496	4,589	4,723	4,938
Asset and lease financing	460	472	1,512	1,265	1,776
Other commercial and industrial	22,442	21,481	29,513	33,587	33,025
Total gross loans and advances	558,360	533,555	564,710	521,924	492,760
Deduct: Unearned income and deferred net fee income	(415)	(532)	(861)	(1,113)	(1,429)
Provision for doubtful debts	(3,224)	(3,114)	(3,520)	(3,118)	(4,018)
Total net loans and advances	554,721	529,909	560,329	517,693	487,313

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

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, 2017:

	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	34	233	1,671	1,938
Agriculture, forestry, fishing and mining	4,640	13,510	2,908	21,058
Financial, investment and insurance	9,793	3,336	1,795	14,924
Real estate – construction	950	565	70	1,585
Manufacturing	2,606	4,205	393	7,204
Real estate – mortgage	21,708	1,926	269,355	292,989
Instalment loans to individuals and other personal lending (including credit cards)	1,106	1,039	7,283	9,428
Asset and lease financing	1,082	9,467	665	11,214
Other commercial and industrial	40,006	58,402	11,403	109,811
	81,925	92,683	295,543	470,151
Overseas				
Government and public authorities	131	54	54	239
Agriculture, forestry, fishing and mining	3,763	6,322	4,290	14,375
Financial, investment and insurance	4,718	3,448	29	8,195
Real estate – construction	507	419	236	1,162
Manufacturing	2,174	1,095	74	3,343
Real estate – mortgage	1,273	1,167	34,107	36,547
Instalment loans to individuals and other personal lending (including credit cards)	248	128	1,073	1,449
Asset and lease financing	3	68	389	460
Other commercial and industrial	10,856	9,977	1,606	22,439
	23,673	22,678	41,858	88,209
Total gross loans and advances	105,598	115,361	337,401	558,360

⁽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	48,458	40,376	230,566	319,400
Overseas	9,356	15,543	13,913	38,812
Fixed interest rates				
Australia	33,467	52,307	64,977	150,751
Overseas	14,316	7,135	27,946	49,397
Total gross loans and advances	105,597	115,361	337,402	558,360

2017 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.

Impaired assets consist of retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with security insufficient to cover principal and interest revenue, non-retail loans which are contractually 90 days past due and / or where 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).

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Total impaired assets ^{(1) (2)}					
Gross					
Australia	1,213	1,558	1,241	1,925	3,153
Overseas	511	1,084	809	2,197	3,194
Total gross impaired assets	1,724	2,642	2,050	4,122	6,347
Specific provision for doubtful debts					
Australia	564	582	343	551	797
Overseas	127	130	328	903	1,233
Total specific provision for doubtful debts	691	712	671	1,454	2,030
Net					
Australia	649	976	898	1,374	2,356
Overseas	384	954	481	1,294	1,961
Total net impaired assets	1,033	1,930	1,379	2,668	4,317

⁽¹⁾ Includes impaired off-balance sheet credit-related commitments amounting to \$20 million gross, \$20 million net (2016: \$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).

⁽²⁾ Impaired assets include \$205 million (NZ\$222 million) (2016: \$785 million (NZ\$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. Prior to 2016, the balance was nil.

The amounts below are not classified as impaired assets and therefore are not included in the above summary.

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
90+ days past due loans ⁽¹⁾					
Australia	2,094	1,806	1,620	1,694	1,707
Overseas	151	169	502	648	756
Total 90+ days past due loans	2,245	1,975	2,122	2,342	2,463

⁽¹⁾ Includes \$3 million (2016: nil, 2015: nil, 2014: \$2 million, 2013: \$1 million) of non-impaired other financial assets at fair value past due 90 days or more with adequate security.

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Additional information in respect of impaired assets					
Fair value of security ⁽¹⁾					
Australia	708	881	906	1,532	2,120
Overseas	381	929	452	985	1,670
Total fair value of security	1,089	1,810	1,358	2,517	3,790

Loans newly classified into impaired asset categories during the year ⁽²⁾

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Australia	907	1,276	934	1,236	2,361
Overseas	235	1,115	538	1,637	2,325
Total loans newly classified into impaired assets during the year	1,142	2,391	1,472	2,873	4,686

⁽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 2017 include \$40 million (NZ\$43 million) (2016: \$822 million (NZ\$898 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. 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	Total	% of total
		\$m	\$m	Bank	\$m	assets
				\$m		
As at 30 September 2017	US	2,098	3,529	4,286	9,913	1.3
As at 30 September 2016	US	781	4,536	4,257	9,574	1.2
	UK	55	4,876	1,947	6,878	0.9
As at 30 September 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

For the fiscal years ending 30 September 2017, 2016 and 2015, there were no off-balance sheet commitments with individual countries exceeding 0.75% of the Group's total assets.

2017 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:

	2017	2016	2015 ⁽¹⁾	2014	2013
	\$m	\$m	\$m	\$m	\$m
Collective provision for doubtful debts	-	-	-	1,760	2,178
Collective provision for doubtful debts - Stage 1 - 12 months Expected Credit Losses (ECL)	313	329	455	-	-
Collective provision for doubtful debts - Stage 2 - Lifetime ECL Not credit impaired	1,819	1,657	1,988	-	-
Collective provision for doubtful debts - Stage 3 - Lifetime ECL credit impaired	403	422	440	-	-
Total collective provision for doubtful debts	2,535	2,408	2,883	1,760	2,178
Specific provision for doubtful debts - Stage 3 - Lifetime ECL credit impaired	689	706	637	1,358	1,840
Total provision for doubtful debts ^{(2) (3)}	3,224	3,114	3,520	3,118	4,018

⁽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 \$2 million (2016: \$6 million; 2015: \$34 million; 2014: \$96 million; 2013: \$190 million) specific provision on loans at fair value; \$114 million (2016: \$143 million; 2015: \$289 million; 2014: \$711 million; 2013: \$605 million) collective provision on loans at fair value; and \$149 million (2016: \$260 million; 2015: \$322 million; 2014: \$165 million; 2013: \$176 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 (2016: nil; 2015: nil; 2014: \$26 million; 2013: \$77 million).

	2017	2016	2015 ⁽¹⁾	2014 ⁽²⁾	2013 ⁽²⁾
	\$m	\$m	\$m	\$m	\$m
New and increased provisions (net of releases)	1,177	1,158	991	-	-
Write-backs of specific provisions	(242)	(156)	-	-	-
Recoveries of specific provisions	(111)	(119)	(129)	-	-
Total charge to the income statement	824	883	862	847	1,810
Attributable to:					
Charge to income statement from continuing operations	824	813	733	-	-
Charge to income statement from discontinuing operations	-	70	129	-	-

⁽¹⁾ AASB 9 Financial Instruments was adopted in 2015. Prior period numbers have not been restated. The Group has not reclassified amounts for "Write-backs on specific provisions" for the 2015 comparative period as the information was not collected for financial reporting purposes and it would be impracticable to recreate the data for consistent presentation with the current period. Had the reclassification been made, an amount would have been reclassified from "New and increased provisions" to "Write-backs on specific provisions".

⁽²⁾ Total charge to the income statement for the 2014 and 2013 has not been presented in line with the current period as it would be impracticable to recreate the data for consistent presentation.

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Summary of loan loss experience (continued)

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:

	Stage 1 Collective provision 12 month ECL \$m	Stage 2 Collective provision Lifetime ECL not credit impaired \$m	Stage 3 Collective provision Lifetime ECL credit impaired \$m	Collective provision \$m	Stage 3 Specific provision Lifetime ECL credit impaired \$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 - collective provision	480	(450)	(30)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(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	-
New and increased provisions (net of releases)	(520)	814	23	-	674	991
Write-backs of specific provisions ⁽²⁾	-	-	-	-	-	-
Bad debts written-off	-	-	-	-	(1,300)	(1,300)
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 1 October 2015	455	1,988	440	-	637	3,520
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL - collective provision	543	(520)	(23)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(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	-
New and increased provisions (net of releases)	(518)	526	191	-	959	1,158
Write-backs of specific provisions	-	-	-	-	(156)	(156)
Bad debts written-off	-	-	-	-	(778)	(778)
Derecognised in respect of the group disposal ⁽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
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL - collective provision	329	(316)	(13)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(44)	123	(79)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(42)	45	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(135)	(100)	-	237	-
New and increased provisions (net of releases)	(295)	538	124	-	810	1,177
Write-backs of specific provisions	-	-	-	-	(242)	(242)
Bad debts written-off	-	-	-	-	(849)	(849)
Foreign currency translation and other adjustments	(1)	(6)	4	-	27	24
Balance at 30 September 2017	313	1,819	403	-	689	3,224

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

⁽²⁾ The Group has not reclassified amounts for "Write-backs on specific provisions" for the 2015 comparative period as the information was not collected for financial reporting purposes and it would be impracticable to recreate the data for consistent presentation with the current period. Had the reclassification been made, an amount would have been reclassified from "New and increased provisions" to "Write-backs on specific provisions".

⁽³⁾ The September 2015 full year reflects the disposal of GWB, and the September 2016 full year reflects the CYBG demerger.

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Summary of loan loss experience (continued)

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

⁽¹⁾ Excludes \$8 million write-back (2013: \$11 million of impairment charges) on Investments - held to maturity.

	2017 %	2016 %	2015 %	2014 %	2013 %
Ratio of net charge-offs during the year to gross average loans outstanding during the year	0.13	0.12	0.22	0.31	0.44

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:

	2017			
	Collective Provision ⁽¹⁾ \$m	Specific Provision \$m	Total \$m	Percentage of loans in each category to gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	331	110	441	3.8
Financial, investment and insurance	54	19	73	2.7
Real estate - construction	21	18	39	0.3
Manufacturing	86	82	168	1.3
Real estate - mortgage	270	86	356	52.4
Instalment loans to individuals and other personal lending (including credit cards)	294	2	296	1.7
Asset and lease financing	64	42	106	2.0
Other commercial and industrial	964	205	1,169	19.7
	2,084	564	2,648	84.2
Overseas				
Government and public authorities	1	-	1	-
Agriculture, forestry, fishing and mining	122	23	145	2.6
Financial, investment and insurance	20	22	42	1.5
Real estate - construction	2	2	4	0.2
Manufacturing	35	11	46	0.6
Real estate - mortgage	57	9	66	6.5
Instalment loans to individuals and other personal lending (including credit cards)	23	-	23	0.3
Asset and lease financing	5	-	5	0.1
Other commercial and industrial	186	58	244	4.0
	451	125	576	15.8
Total provision for doubtful debts	2,535	689	3,224	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)

2016				
	Collective provision ⁽¹⁾ \$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	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⁾ \$m	Specific Provision \$m	Total \$m	Percentage of loans in each category to gross loans and advances %
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)

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:

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Bad debts written off					
Australia					
Agriculture, forestry, fishing and mining	37	34	92	134	122
Financial, investment and insurance	1	-	22	15	13
Real estate - construction	2	3	7	20	19
Manufacturing	42	9	22	64	145
Real estate - mortgage	69	72	73	103	106
Instalment loans to individuals and other personal lending (including credit cards)	322	310	262	328	326
Asset and lease financing	23	27	58	38	66
Other commercial and industrial	278	195	273	404	667
	774	650	809	1,106	1,464
Overseas					
Agriculture, forestry, fishing and mining	5	38	50	48	28
Financial, investment and insurance	1	1	18	19	9
Real estate - construction	1	3	7	9	35
Manufacturing	16	2	14	14	44
Real estate - mortgage	4	9	21	26	34
Instalment loans to individuals and other personal lending (including credit cards)	26	36	90	105	108
Asset and lease financing	-	-	1	25	10
Other commercial and industrial	22	39	290	408	566
	75	128	491	654	834
Total bad debts written off	849	778	1,300	1,760	2,298

Bad debts recovered by industry category

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

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Bad debts recovered					
Australia					
Agriculture, forestry, fishing and mining	1	4	(5)	10	2
Manufacturing	-	(1)	1	6	-
Real estate - mortgage	3	-	9	5	6
Instalment loans to individuals and other personal lending (including credit cards)	71	88	54	44	85
Asset and lease financing	-	1	3	-	-
Other commercial and industrial	8	-	2	14	12
	83	92	64	79	105
Overseas					
Agriculture, forestry, fishing and mining	15	-	-	-	-
Real estate - construction	-	-	-	-	2
Real estate - mortgage	-	-	-	-	-
Instalment loans to individuals and other personal lending (including credit cards)	10	17	36	37	42
Other commercial and industrial	3	10	29	69	11
	28	27	65	106	55
Total bad debts recovered	111	119	129	185	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:

	2017 \$m	2016 \$m	2015 \$m
Australia			
Deposits			
Term deposits	121,766	120,390	111,341
On-demand and short-term deposits	165,951	155,818	157,297
Certificates of deposit	38,617	35,298	31,686
Deposits not bearing interest	42,548	37,292	33,396
Borrowings	19,560	14,990	24,806
Securities sold under agreements to repurchase	1,282	787	1,299
	389,724	364,575	359,825
Overseas			
Deposits			
Term deposits	39,118	38,373	49,679
On-demand and short-term deposits	33,498	34,200	59,422
Certificates of deposit	13,638	10,720	8,565
Deposits not bearing interest	4,699	4,406	7,742
Borrowings	2,421	3,795	4,371
Securities sold under agreements to repurchase	22,211	15,277	7,618
Fair value adjustment	5	21	16
	115,590	106,792	137,413
Total deposits and other borrowings	505,314	471,367	497,238

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 30 September 2017:

	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	71,844	23,788	13,665	3,769	113,066
Certificates of deposit	18,695	19,309	613	-	38,617
	90,539	43,097	14,278	3,769	151,683
Overseas					
Term deposits	21,454	8,262	6,237	2,947	38,900
Certificates of deposit	4,855	6,268	2,005	510	13,638
	26,309	14,530	8,242	3,457	52,538
	116,848	57,627	22,520	7,226	204,221

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:

	2017 \$m	2016 \$m	2015 ⁽¹⁾ \$m
Commercial paper			
Balance outstanding at balance date	21,951	18,430	28,817
Maximum outstanding at any month end	23,467	31,299	33,020
Approximate average amount outstanding during the year	19,449	24,115	27,474
Approximate weighted average interest rate on			
Balance outstanding at balance date (per annum)	1.3%	0.8%	0.2%
Average amount outstanding during the year (per annum)	1.4%	0.6%	0.3%

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

