

National Australia Bank Limited, Mumbai Branch

(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

Background

National Australia Bank Limited (NAB), which is incorporated and registered in Australia with limited liability, is one of Australia's largest banks and has been in existence for over 150 years. NAB and its controlled entities ('the Group') operate in Australia, Asia, New Zealand, the United Kingdom and North America.

NAB was granted the licence to carry on banking business in India in June 2011 by the Reserve Bank of India (RBI) under the Banking Regulation Act, 1949. NAB commenced the banking business in India with effect from 03 January 2012 and the maiden branch is located at Nariman Bhavan, Nariman Point, Mumbai, India

The Basel III Pillar 3 disclosures as below are made only for the operations carried out in India by NAB, Mumbai Branch ('the Bank').

Scope of application

The disclosures for the year ended 30 September 2017 in respect of the Bank are as per the requirement of New Capital Adequacy Framework ('NCAF') as prescribed by the RBI.

All figures in this report are in rupees thousands unless otherwise noted.

Committees

The Bank has formed a local ALCO, Risk Management Committee (RMC), India Management Committee, India Credit Committee, Regulatory Returns and Change Management Committee, Customer Service Committee, Internal Complaints Committee and Corporate Social Responsibility (CSR) Committee as at September 30, 2017. The Leadership Team meets as required, to discuss strategic opportunities as well as to consider operational aspects of the Branch.

The ALCO is responsible for oversight of management's performance and the compliance / governance frameworks around balance sheet risks for India.

The RMC meets to discuss matters relating to risk management of the Bank.

India Management Committee is responsible for oversight of the Bank's performance, strategy and compliance/governance frameworks of its operations in India along with meeting the local requirements prescribed by RBI.

India Credit Committee is responsible for screening as well as approving credit proposals (within specified thresholds).

The Regulatory Returns and Change Management Committee considers matters relating to regulatory reporting, regulatory change (including new circulars issued by RBI and implementation of regulatory change) and business updates.

Customer Service Committee is responsible for oversight and management of issues impacting the customer service and related policies.

The Internal Complaints Committee (formed under the Sexual Harassment of Women At Workplace Prevention, Prohibition & Redressal Act 2013) is responsible to formulate the anti-sexual harassment policy, increase awareness of the topic, organize trainings for all employees and receive complaints, conduct investigations and submit the final report with findings. The ICC will also submit an annual report to the Labour Commissioner on all the complaints received and the action taken.

The CSR Committee is responsible to formulate and recommend to the MANCO CSR activities/programs, monitor the execution of CSR activities, review CSR activities and policies, recommend CSR expenses to be incurred and submit an annual report to MANCO regarding status of CSR activities and the contribution made.

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

The Group's approach to risk management is based on a Three Lines of Defence model and the overriding principle that risk management capability must be embedded within the business to be effective. This model is adopted in India and under this model

1st Line	Group Executive and Business Leaders	Business Leaders / Group Executives are <i>accountable</i> for the management of risk within their areas and for ensuring that their business / division operates within the risk appetite and limits set by 2 nd line Risk
2 nd Line	Risk	The Risk function develops and maintains the risk management framework. Risk is accountable for setting risk appetite and limits, and providing independent oversight to ensure that the 1 st line operates within those limits. Risk also provides insights and advice to the 1 st line based on subject matter expertise and its portfolio-wide view.
3 rd Line	Internal Audit	Internal Audit provides independent assurance over the risk management framework and its application by the 1 st and 2 nd line functions.

Capital structure

The capital of the Bank consists of the initial capital remitted by Head Office for the set up of the Branch in India and subsequent capital infusion.

(Rs. in '000)

Composition of Capital Funds	30 September 2017	31 March 2017
Head office capital	7,003,500	7,003,500
Statutory Reserve	140,392	140,392
Credit / (Debit) balance in profit & loss account	-	-
Less :		
Deferred Tax Asset	(27,375)	(27,262)
Intangible Assets	(870)	(1,522)
Tier I capital	7,115,647	7,115,108
Tier II capital	11,192	9,690
Total capital funds	7,126,839	7,124,798

Capital adequacy

The Group assesses capital adequacy to support its overarching capital management objectives:

- a credit rating in the AA range;
- meeting regulatory capital requirements;
- meeting internal economic capital requirements;
- maintaining flexibility to deal with unexpected events; and
- efficiency in the amount and type of capital.

Locally, the Bank adopts the objectives of the Group on capital adequacy to the extent permissible as per local regulations. The Bank has a process in place to ensure that capital requirements are periodically monitored in line with the business growth plan, unexpected events etc. The local management ensures the appropriate level of capitalization and in the event of additional capital required, approaches the Head Office for capital infusion.

The Bank has adopted the Internal Capital Adequacy Assessment Process (ICAAP) approach to assess capital adequacy for its business activities. The ICAAP process follows the approach as prescribed under RBI guidelines.

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

The details of capital, risk weighted assets and the capital adequacy ratio as per Basel III norms are specified below:-

Particulars	(Rs. in '000)	
	30 September 2017	31 March 2017
Capital requirement for credit risk	182,830	144,398
- Portfolios subject to standardized approach	182,830	144,398
- Securitisation exposure	-	-
Capital requirements for market risk	27,338	27,338
- Interest rate risk	-	-
- Foreign exchange risk	27,338	27,338
- Equity risk	-	-
Capital requirements for operational risk	105,637	109,316
- Basic indicator approach	105,637	109,316
Capital adequacy ratio of the Bank (%)	203.11	228.15
CET 1 Capital (%)	202.79	227.84
Tier I CRAR (%)	202.79	227.84
Tier II CRAR (%)	0.32	0.31

Risk management and control framework

The risk management and control framework is managed by the General Manager (“GM”) and the India Management Committee (“MANCO”) comprising of key senior management in the Bank.

There are processes and policies in place to support activities planned in the Bank. Apart from local policies, the Bank also adheres to Group policies and best practices.

Credit Risk

General disclosure

Credit is any transaction that creates an actual or potential obligation for a counterparty to pay the Bank.

Credit risk reflects the risk of losses because one or more counterparties fail to meet all or part of their obligations towards the Bank.

The Bank’s approach to credit risk management is designed to:

- have the branch lending functions operate within an agreed Credit risk appetite framework.
- achieve effective credit risk management through maintaining exposure to credit risk within acceptable parameters while maximizing the Bank’s risk adjusted rate of return; and
- be embedded in every aspect of the Bank’s day to day business

Structure and Organisation

The Head of Risk, India is responsible for the management of credit risk in conjunction with the Head of Credit Asia; both reporting to the Chief Risk Officer, Asia. The Head of Risk India is also a member of the Risk Management Committee.

Management

Exposure to credit risk is managed by regularly analysing the ability of the counterparties and potential counterparties to meet interest and capital repayment obligations, and by changing lending limits and lending conditions, where appropriate. Credit risk is controlled and monitored by establishing appropriate limits and operational controls to manage credit exposure to individual counterparties and counterparty groups. There are specific policies and procedures applicable to different business segments.

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

The Bank uses its Group developed tools to support the quantification of the credit risk of individual counterparties for internal measurement and management, applying the three generally accepted parameters: probability of default, exposure at default and loss given default whilst ensuring local requirements are being met.

An India Credit policy is available that links to Group Credit policy which is applied across the NAB group globally and encompasses the following:

- credit risk appetite and principles;
- credit underwriting standards; and
- approach to comply with regulatory standards

The India Credit Committee has been established to support the Head of Asia Credit in fulfilling the responsibilities of managing credit risks facing the India business. The ICC is required to endorse all counterparty credit submissions for facilities that are booked in India.

Measurement, Monitoring and Reporting

The Bank has a comprehensive process for reporting credit and asset quality.

Quantitative Disclosures

(Rs. in '000)

	30 September 2017	31 March 2017
Gross credit risk exposures		
Fund Based	2,798,013	2,422,380
Non Fund Based	77,224	4,930

There are no NPA's as of September 30, 2017 and March 31, 2017. The Bank's exposures are restricted to the domestic segment.

Maturity of Assets as at 30 September 2017

(Rs. in '000)

Particulars	Cash and balances with Reserve Bank of India	Balance with banks and money at call and short notice	Investments	Advances	Fixed Assets	Other Assets
1 day	8,285	34,844	-	-	-	-
2-7 days	-	900,000	-	121,607	-	14,090
8-14 Days	-	1,610,000	-	1,890,091	-	27,416
15-28 Days	-	890,000	205,040	26,858	-	11,396
29 Days-3 Months	-	410,000	-	79,122	-	19,940
3-6 Months	-	1,230,000	570,699	1,201,820	-	1,896
6 Months - 1 Year	-	-	301,737	178,793	-	18,842
1-3 Years	-	-	-	-	-	-
3-5 Years	-	-	-	-	-	-
Over 5 Years	2,000	-	-	-	4,266	63,416
Total	10,285	5,074,844	1,077,476	3,498,291	4,266	156,996

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

Maturity of Assets as at 31 March 2017

(Rs. in '000)

Particulars	Cash and balances with Reserve Bank of India	Balance with banks and money at call and short notice	Investments	Advances	Fixed Assets	Other Assets
1 day	23,413	6,573	-	-	-	-
2-7 days	-	550,000	-	285,343	-	9,201
8-14 Days	-	550,000	-	283,510	-	15,789
15-28 Days	-	240,000	315,614	628,469	-	21,054
29 Days-3 Months	-	1,150,000	642,773	954,041	-	30,997
3-6 Months	-	1,360,000	201,941	271,017	-	5,256
6 Months - 1 Year	-	-	-	-	-	18,842
1-3 Years	-	-	-	-	-	-
3-5 Years	-	-	-	-	-	-
Over 5 Years	2,000	-	-	-	4,762	76,418
Total	25,413	3,856,573	1,160,328	2,422,380	4,762	177,557

Details of Credit Risk Exposure (fund based and non-fund based) based on Risk – Weight:

(Rs. in '000)

	30 September 2017	31 March 2017
Below 100% risk weight	8,274,199	7,219,707
100% risk weight	400,411	400,045
More than 100% risk weight	-	-
Total	8,674,610	7,619,752

Credit Risk Mitigation

The Bank employs a range of techniques to reduce risk in its credit portfolio.

Credit risk mitigation commences with an objective credit evaluation of the counterparty. This includes an objective assessment of the counterparty's character, industry, business model and capacity to meet its commitments without distress. Other methods to mitigate credit risks include a prudent approach to facility structure, collateral, lending covenants, terms and conditions.

Credit risk regulatory capital requirements are computed based on the standardized approach prescribed by RBI. The Bank does not have any non performing asset and Specially Mentioned Accounts as at 30 September 2017 (31 March 2017- Rs. Nil).

Securitisation

The Bank has not securitized any assets during the year end 30 September 2017 (31 March 2017- Rs. Nil).

National Australia Bank Limited, Mumbai Branch

(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

Market Risk

The Bank commenced operations in the month of January 2012. The Bank has not undertaken any transaction which requires any major market risk assessment. The bank's portfolio mainly consists of inter-bank deposits and T-bills. The bank has not transacted in any long dated government securities, Forwards and Derivatives. However, the bank has a robust VAR model in place to capture and monitor the market risk. The VAR reports are reviewed and monitored regularly.

Value at Risk (VaR)

The bank uses VaR as a statistical tool to estimate the potential loss that could arise from shifts in interest rates, currency exchange rates, option volatility, equity prices, credit spreads and commodity prices. The estimate is calculated on an entire trading portfolio basis, including both physical and derivative positions. The one tailed, 99% confidence interval VaR is the loss over a one day holding period that may be exceeded on one day in a hundred. For example, a VaR exposure of \$1 million means that on 99 days out of 100, given the historical behaviour of rates, an overnight loss on the trading portfolio should not exceed \$1 million.

VaR is calculated using the following parameters:

- Historical simulation;
- 99th percentile outcomes;
- 550 trading days of daily history of prices;
- Pricing data rolled daily so as to have most recent two year history; and
- One day holding period.

Further the bank follows the Global Market Risk Management Policies and the Local Investment Policy. The prudential limits like NOPL, AGL, PV01, VAR, deal limits, etc are also in place for monitoring the market risk.

Stress Testing

The Bank's Stress testing is a core component of the internal capital adequacy assessment process ("ICAAP") framework as it ensures that the Bank has adequate capital to cover unexpected losses in a severe stress scenario. In addition, it allows Senior Management to understand the sensitivities of its overall portfolio, thereby facilitating business and capital planning.

The Bank is classified under Group C therefore it has adopted simple sensitivity analyses of the specific risk types to which it is most exposed. Given the size and scale of operations at NAB, present stress testing methodology covers single factor stress tests designed to conduct tests on

- On-balance sheet exposures
- Credit equivalent factor of off- balance sheet exposures
- Credit Risk Mitigant, including haircuts on collaterals, security values, etc.
- Market related exposures

The stress test results for September 30, 2017 were satisfactory. The CRAR ratio under stress was well above the regulatory requirement.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (for example failed IT systems, or fraud perpetrated by a NAB employee), or from external causes, whether deliberate, accidental or natural. Operational risks are monitored and, to the extent possible, controlled and mitigated to levels considered acceptable by senior management.

The Group Operational Risk Framework (the Framework) provides a structured approach within a business operating environment to identify, assess, mitigate, monitor and report on operational risks and operational risk events that could impact the achievement of business objectives and this framework is adopted in India and is aligned to local regulatory requirements

National Australia Bank Limited, Mumbai Branch (Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

The effective implementation and usage of the Framework lead to:

- Staff taking responsibility and ownership by being the 1st Line of Defence for managing the operational risk inherent in their day-to-day activities;
- Promoting and embedding a risk conscious culture and behaviour ensuring group and local requirements are met
- Consistency in the identification, assessment, mitigation, monitoring and reporting of operational risk;
- Understanding the expected and unexpected impacts on the Operational Risk Profile (ORP);
- Credible estimates of Operational Risk Capital that reflect the ORP of the Group and local requirements; and
- Risk-reward decisions being made on an informed basis, considering Operational Risk Appetite (“ORA”) and capital implications on the relevant elements and drivers of the business strategy, thereby enhancing operational risk awareness and/or acceptance of operational risks.

For local regulatory capital measurement purposes, the Bank follows the Basic Indicator Approach.

Interest Rate Risk in Banking Book

➤ **Overview**

Interest Rate Risk in the Banking Book (IRRBB) arises from changes in market interest rates that adversely impact the Bank’s financial condition in terms of earnings (net interest income) or economic value of the balance sheet. This includes:

- Re-pricing Risk arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield Curve risk arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve
- Basis Risk arising from differences between the actual and expected interest margins on banking book items over the implied cost of funds of those items

Policy and procedure overview

Interest Rate Risk is part of the overall ALM (Asset Liability Management)

Roles and Responsibilities: The India Asset and Liability Committee (ALCO) is responsible for the implementation of interest rate risk management strategy for the Bank.

The key elements of the management framework for IRRBB include:

- The Group IRRBB Policy defines the compliance and management framework to ensure that all interest rate risk positions in the banking book are identified, measured, managed and reported.
- Group Treasury is responsible for managing the interest rate risk profile of the balance sheet in line with the approved risk appetite. This includes development and execution of interest rate risk management strategies
- Fund Transfer Pricing is a mechanism in place to transfer interest rate risk out of originating business units and into the Treasury functions for the management of interest rate risk
- Group and Regional Non-Trading Market Risk teams are responsible for IRRBB monitoring and are independent of Treasury. They maintain a risk framework for IRRBB, the systems and model for IRRBB measurement of exposures, compliance monitoring and reporting.
- Periodic reporting to management and governance committees of IRRBB exposures and compliance

➤ **Measurement**

As a part of ICAAP assessment, the Bank has adopted the Modified Duration Gap approach for analyzing the changes in Economic Value of Equity, which requires the mapping of assets and liabilities into different time buckets as specified by the Bank (in turn, RBI). While doing so the following assumptions are made by the Bank:

The Bank uses the following 10 time buckets and the non-sensitive bucket

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

1. Up to 1 month
2. 1 to 3 months
3. 3 to 6 months
4. 6 months to 1 year
5. 1 year to 3 years
6. 3 years to 5 years
7. 5 years to 7 years
8. 7 to 10 years
9. 10 years to 15 years
10. Over 15 years
11. Non Sensitive Bucket

- All the assets and liabilities are mapped to respective time buckets based on either their respective maturities or next re-pricing date
- Items such as capital, reserves & surplus, bills payable, inter-office adjustment, provisions are treated as non rate sensitive
- Similarly items such as cash, current account, fixed assets are considered to be non-rate sensitive
- The midpoint of each time bucket is considered as the proxy for the maturity of all assets and liabilities in that time bucket
- The Bank uses yield on assets and cost of liabilities as the proxy for coupon rates for the various time buckets. Market yields are separately sourced for corresponding time buckets and provided by Treasury
- The frequency of coupon payment is assumed annual.
- The basis for interest calculation for each time bucket is assumed to be 'actual / actual'.

The analysis undertaken by the Bank in the framework as mentioned above is described below.

Table DF-1 1 : Composition of Capital				
Part II : Template to be used before September 2017, 2017				
(i.e. during the transition period of Basel III regulatory adjustments)				
				(Rs. in '000)
Basel III common disclosure template to be used during the transition of regulatory adjustments			Amt Subject to Pre-Basel III	Ref No.
(i.e. from April 1, 2013 to December 31, 2017)				
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium) (Funds from Head Office)	7,003,500	—	
2	Retained earnings	140,392	—	
3	Accumulated other comprehensive income (and other	-	—	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	—	—	
	Public sector capital injections grandfathered until January 1, 2018	—	—	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	—	—	

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

6	Common Equity Tier 1 capital before regulatory adjustments	7,143,892	–	
Common Equity Tier 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of related tax liability)	–	–	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	(870)	–	
10	Deferred tax assets	(27,375)	–	
11	Cash-flow hedge reserve	–	–	
12	Shortfall of provisions to expected losses	–	–	
13	Securitisation gain on sale	–	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets	–	–	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which : significant investments in the common stock of financial entities	–	–	
24	of which : mortgage servicing rights	–	–	
25	of which : deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments (26a+26b+26c+26d)	–	–	
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	–	–	
26b	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries	–	–	
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	–	
26d	of which : Unamortised pension funds expenditures	–	–	
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT]	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT]	–	–	
27	Regulatory adjustments applied to Common Equity Tier1 due to insufficient Additional Tier1 and Tier2 to cover deductions	–	–	
28	Total regulatory adjustments to Common equity Tier 1	(28,245)	–	

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

29	Common Equity Tier 1 capital (CET1)	7,115,647	-	
Additional Tier 1 capital : instruments				
	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (3 1+32)	-	-	
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-	-	
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-	
35	of which : instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 capital before regulatory adjustments	-	-	
37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
41	National specific regulatory adjustments (41a+41b)	-	-	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-	-	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
	of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]	-	-	
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-	-	
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	-	
44	Additional Tier 1 capital (AT1)	-	-	
44a	Additional Tier 1 capital reckoned for capital adequacy	-	-	
45	Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)	7,115,647	-	
Tier 2 capital : instruments and provisions				

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	–	
47	Directly issued capital instruments subject to phase out from Tier 2	–	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	–	
49	of which : instruments issued by subsidiaries subject to phase out	–	–	
50	Provisions (Please refer to Note to Template Point 50)	11,192	–	
51	Tier 2 capital before regulatory adjustments	11,192	–	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
56	National specific regulatory adjustments (56a+56b)	–	–	
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	–	–	
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT]	–	–	
57	Total regulatory adjustments to Tier 2 capital	–	–	
58	Tier 2 capital (T2)	11,192	–	
58a	Tier 2 capital reckoned for capital adequacy¹⁴	11,192	–	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	–	–	
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	11,192	–	
59	Total capital (TC = T1 + Admissible T2) (45 + 58c)	7,126,839	–	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which : [INSERT TYPE OF ADJUSTMENT]	–	–	
	of which : ...	–	–	
60	Total risk weighted assets (60a + 60b + 60c)	3,508,932	–	
60a	of which : total credit risk weighted assets	2,031,439	–	
60b	of which : total market risk weighted assets	303,750	–	
60c	of which : total operational risk weighted assets	1,173,744	–	
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	202.79%	–	
62	Tier 1 (as a percentage of risk weighted assets)	202.79%	–	
63	Total capital (as a percentage of risk weighted assets)	203.11%	–	

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	–	–	
65	of which : capital conservation buffer requirement	–	–	
66	of which : bank specific countercyclical buffer requirement	–	–	
67	of which : G-SIB buffer requirement	–	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	–	–	
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	–	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.625%	–	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	–	
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities	–	–	
73	Significant investments in the common stock of financial entities	–	–	
74	Mortgage servicing rights (net of related tax liability)	N.A.	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N.A.	–	
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	–	–	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	–	–	
78	Provisions eligible for inclusion in Tier2 in respect of exposures subject to internal ratingsbased approach (prior to application cap)	–	–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–	
Capital instruments subject to phase-out arrangements (only applicable between				
–	Current cap on CET1 instruments subject to phase out	N.A.	–	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N.A.	–	
82	Current cap on AT1 instruments subject to phase out arrangements	–	–	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	
84	Current cap on T2 instruments subject to phase out arrangements	–	–	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–	

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

Notes to the template		
Row No. of the template	Particular	(Rs. in '000)
10	Deferred tax assets associated with accumulated losses	–
	Deferred tax assets (excluding those associated with accumulated losses) net	28,245
	Deferred tax liability	–
	Total as indicated in row 10	28,245
19	If investments in insurance subsidiaries are not deducted fully from capital and instead	–
	of which : Increase in Common Equity Tier 1 capital	–
	of which : Increase in Additional Tier 1 capital	–
	of which : Increase in Tier 2 capital	–
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	–
(i)	Increase in Common Equity Tier 1 capital	–
(ii)	Increase in risk weighted assets	–
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	–
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	–
50	Eligible Provisions included in Tier 2 capital	11,192
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	11,192
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	–

Table 1

The Scope of regulatory consolidation and accounting consolidation is identical accordingly the step 1 of the reconciliation is not required.

Table 2

(Rs. in '000)

Common Equity Tier 1 capital: instruments and reserves		Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	7,003,500	–
2	Retained earnings	140,392	–
3	Accumulated other comprehensive income (and other reserves)	–	–
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–
6	Common Equity Tier 1 capital before regulatory adjustments	7,143,892	–
7	Prudential valuation adjustments	–	–
8	Goodwill (net of related tax liability)	–	–

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

9	Other intangibles other than mortgage-servicing rights (net of	(870)	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(27,375)	–
11	Regulatory adjustments applied to Common Equity Tier 1 and Tier 2 to cover deductions	–	–
	Common Equity Tier 1 capital (CET1)	7,115,647	–

Table DF 17 - Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in 000)
1	Total consolidated assets as per published financial statements	8,701,985
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	0
7	Other adjustments	(27,375)
8	Leverage ratio exposure	8,674,610

Table DF-18: Leverage ratio common disclosure template

	Item	Leverage ratio framework (Rs. in 000)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	8,701,985
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(27,375)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8,674,610
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0

National Australia Bank Limited, Mumbai Branch
(Incorporated in Australia with limited liability)

Disclosures as required under New Capital Adequacy Framework (Basel III guidelines) for the year ended 30 September 2017

11	Total derivative exposures (sum of lines 4 to 10)	0
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	77,224
18	(Adjustments for conversion to credit equivalent amounts)	(38,612)
19	Off-balance sheet items (sum of lines 17 and 18)	38,612
Capital and total exposures		
20	Tier 1 capital	7,115,647
21	Total exposures (sum of lines 3, 11, 16 and 19)	8,701,985
Leverage ratio		
22	Basel III leverage ratio	81.67%

For National Australia Bank Limited,

Rajeev Bhargava
General Manager
Place: Mumbai
Date: 20 October, 2017

Kunal Punjabi
Chief Financial Officer
Place: Mumbai
Date: 20 October, 2017