



**DISCLOSURE PACKAGE FOR OVERSEAS INCORPORATED
AUTHORISED INSTITUTION**

**NATIONAL AUSTRALIA BANK LTD
(HONG KONG BRANCH)**

For the interim financial period ended
31 March 2017

Contents

	Page
Section A - Branch Information (Hong Kong office only)	
I. Income statement	1
II. Balance sheet information	2
III. Additional balance sheet information	3 - 8
IV. Off-balance sheet exposures	9 - 10
V. Liquidity	11
VI. Disclosure on remuneration	11
Section B - Bank Information (consolidated basis)	
I. Capital and capital adequacy	12
II. Other financial information	12
Operations of the Institution & Statement of Compliance	13

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. INCOME STATEMENT

	Six Months ended 31 Mar 2017 HK\$'000	Six Months ended 31 Mar 2016 HK\$'000
Profit and Loss		
Interest income	655,983	515,081
Interest expense	(457,940)	(470,134)
Net Interest Income	<u>198,043</u>	<u>44,947</u>
Gains less losses arising from dealing in foreign currencies	127,656	233,815
Gains less losses on securities held for dealing purpose	-	2,390
Gains less losses from other dealing activities	-	-
Fees and commission income	22,086	26,320
Other income	177,954	27,608
Total other operating income	<u>327,696</u>	<u>290,133</u>
Total Income	525,739	335,080
Staff expenses	(168,286)	(206,789)
Rental expenses	(28,750)	(23,224)
Other expenses	(24,931)	(7,011)
Total Expenses	<u>(221,967)</u>	<u>(237,024)</u>
Net charges for impaired loans and receivables	90,264	(8,368)
Profit before taxation	394,036	89,688
Tax expense	(67,894)	(16,299)
Profit after taxation	<u><u>326,142</u></u>	<u><u>73,389</u></u>

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

II. BALANCE SHEET

	As at 31 Mar 2017 HK\$'000	As at 30 Sep 2016 HK\$'000
Assets		
Cash and balances with banks	441,285	459,809
Amount due from overseas offices	22,590,962	28,216,790
Trade bills	3,662,591	3,468,774
Certificates of deposit held	1,243,296	232,182
Loans and advances to customers	12,319,888	13,265,912
Investment securities	18,602,284	11,634,957
Other investments	-	-
Property, plant and equipment	18,390	19,068
Other assets	2,565,606	3,797,541
Total assets	61,444,302	61,095,033
Liabilities		
Deposits and balances from banks	1,216,668	1,459,942
Amount due to overseas offices	18,278,138	16,253,758
Deposits from customers:		
- Demand deposits and current accounts	4,316,021	2,919,127
- Savings deposits	873,433	951,161
- Time, call and notice deposits	33,669,117	35,064,343
Other liabilities and provisions	3,090,925	4,446,702
Total liabilities	61,444,302	61,095,033

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

1 Loans and advances to customers

As at 31 Mar 2017	Non-bank customers HK\$'000	Banks HK\$'000	Total HK\$'000
Loans and advances to customers	11,564,939	806,200	12,371,139
Collective provisions to customers	(40,822)	(10,429)	(51,251)
Impaired loans to non-bank customers	-	-	-
Specific provisions to customers	-	-	-
Percentage of impaired loans to non-bank	-	-	-
Net loans and advances to customers	<u>11,524,117</u>	<u>795,771</u>	<u>12,319,888</u>

As at 30 Sep 2016	Non-bank customers HK\$'000	Banks HK\$'000	Total HK\$'000
Loans and advances to customers	12,340,896	911,166	13,252,062
Collective provisions to customers	(50,344)	(9,640)	(59,984)
Impaired loans to non-bank customers	236,681	-	236,681
Specific provisions to customers	(162,847)	-	(162,847)
Percentage of impaired loans to non-bank	2%	-	2%
Net loans and advances to customers	<u>12,364,386</u>	<u>901,526</u>	<u>13,265,912</u>

There were no impaired loans and special provision in Hong Kong Branch as at 31 March 2017.

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION

2 Overdue and rescheduled assets

As at 31 Mar 2017	Non-bank customers HK\$'000	Banks HK\$'000	Total HK\$'000
Gross amount of loans and advances to customers which have been overdue for			
- More than 3 months but not more than 6 months	306	-	306
% of the overdue to the total gross total loans and advances to customers	0%	-	0%
Value and type of collateral of the overdue loans and advances to customers			
- Residential property	-	-	-
- Commerical property	14,633	-	14,633
Specific provision made on the overdue loans and advances to customers	-	-	-
Gross amount of loans and advances to customers which have been rescheduled, excluding those have been overdue for more than 3 months and reports in above	9,740	-	9,740
% of the reschedule loans and advances to the total loans and advances to customers, excluding those have been overdue for more than 3 months and reports in above	0.08%	0%	0.08%
 As at 30 Sep 2016	 Non-bank customers HK\$'000	 Banks HK\$'000	 Total HK\$'000
Gross amount of loans and advances to customers which have been overdue for			
- More than 3 months but not more than 6 months	81,622	-	81,622
% of the overdue to the total gross total loans and advances to customers	1%	-	1%
Value and type of collateral of the overdue loans and advances to customers			
- Residential property	7,688	-	7,688
- Commerical property	15,126	-	15,126
Specific provision made on the overdue loans and advances to customers	162,847	-	162,847
Gross amount of loans and advances to customers which have been rescheduled, excluding those have been overdue for more than 3 months and reports in above	10,506	-	10,506
% of the reschedule loans and advances to the total loans and advances to customers, excluding those have been overdue for more than 3 months and reports in above	0.09%	0%	0.09%

There were no repossessed assets as at 30 September 2016 and 31 March 2017.

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (CONTINUED)

	As at 31 Mar 2017 HK\$'000	As at 30 Sep 2016 HK\$'000
3 Gross advances to customers by industry sector and loan usage		
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Property investment	853,722	958,845
- Electricity and gas	555,043	-
- Manufacturing	836,978	1,321,039
- Transport and transport equipment	797,841	753,264
- Others	196,015	241,467
Individuals		
- Loans for the purchase of residential properties	527,413	592,124
- Others	142,223	152,407
Trade finance	140,071	103,749
Loans and advances for use outside Hong Kong	7,515,633	8,454,682
	11,564,939	12,577,577
Loans and advances which are covered by collateral or other securities	7,438,864	7,253,280

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (CONTINUED)

	As at 31 Mar 2017 HK\$'000	As at 30 Sep 2016 HK\$'000
4 Gross advances to customers by geographical areas		
Analysis of the gross amount of advances to customers by geographical areas according to the location of the counterparties after taking into account the transfer of risk for which exceed 10% of the aggregate gross amount to customers.		
Hong Kong - Loans and advances to customers	10,230,323	10,735,279
- Overdue and impaired loans	-	-

5 International claims

Analysis of the international claims by countries or geographical areas that constitute 10% or more of the total international claims according to the location of the counterparties and by the types of counterparties after taking into account transfer of risk.

	Banks HK\$M	Official sector HK\$M	Non-bank private sector HK\$M	Others HK\$M	Total HK\$M
As at 31 Mar 2017					
- Australia	30,070	-	2,791	-	32,861
- Japan	163	-	-	-	163
- Mainland China	3,941	-	1,999	-	5,940
Total	<u>34,174</u>	<u>-</u>	<u>4,790</u>	<u>-</u>	<u>38,964</u>
As at 30 Sep 2016					
- Australia	30,679	-	2,659	-	33,338
- Japan	7,130	-	-	-	7,130
- Mainland China	3,036	-	2,565	-	5,602
Total	<u>40,846</u>	<u>-</u>	<u>5,224</u>	<u>-</u>	<u>46,070</u>

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (CONTINUED)

6 Mainland Activities Disclosures

As at 31 Mar 2017	On-balance sheet exposures HK\$M	Off-balance sheet exposures HK\$M	Total HK\$M
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1,360	2,499	3,859
2. Local governments, local government-owned entities and their subsidiaries and JVs	428	0	428
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	311	291	602
4. Other entities of central government not reported in item 1 above	-	389	389
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	71	-	71
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	2,170	3,179	5,349
Total assets after provision	61,444		
On-balance sheet exposure as percentage of total assets	3.53%		
As at 30 Sep 2016	On-balance sheet exposures HK\$M	Off-balance sheet exposures HK\$M	Total HK\$M
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1,585	943	2,528
2. Local governments, local government-owned entities and their subsidiaries and JVs	700	0	700
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	311	291	602
4. Other entities of central government not reported in item 1 above	-	388	388
5. Other entities of local governments not reported in item 2 above	47	46	93
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	214	73	287
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	2,857	1,741	4,598
Total assets after provision	61,095		
On-balance sheet exposure as percentage of total assets	4.68%		

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

III. ADDITIONAL BALANCE SHEET INFORMATION (CONTINUED)

7 Currency risk

	USD HK\$M	AUD HK\$M	JPY HK\$M	CNY HK\$M	NZD HK\$M	SGD HK\$M	OTH HK\$M	Total HK\$M
As at 31 Mar 2017								
Hong Kong dollar equivalent								
- Spot assets	22,133	8,730	13,750	69	5,258	686	1,045	51,671
- Spot liabilities	(24,405)	(14,315)	(3,252)	(381)	(2,610)	(2,762)	(1,153)	(48,878)
- Forward purchases	34,358	7,444	972	319	5,709	2,606	5,952	57,360
- Forward sales	(32,250)	(1,855)	(11,441)	-	(8,147)	(523)	(5,843)	(60,059)
- Net options position	-	-	-	-	-	-	-	-
Net Long/(short) position	<u>(164)</u>	<u>4</u>	<u>29</u>	<u>7</u>	<u>210</u>	<u>7</u>	<u>1</u>	<u>94</u>
Net Structural Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 30 Sep 2016								
Hong Kong dollar equivalent								
- Spot assets	22,847	13,470	13,085	740	172	427	1,239	51,980
- Spot liabilities	(22,054)	(17,976)	(1,666)	(886)	(1,605)	(2,678)	(1,236)	(48,101)
- Forward purchases	33,780	6,908	2,765	669	3,521	2,575	7,024	57,242
- Forward sales	(34,593)	(2,389)	(14,172)	(516)	(2,081)	(316)	(7,026)	(61,093)
- Net options position	-	-	-	-	-	-	-	-
Net Long/(short) position	<u>(20)</u>	<u>13</u>	<u>12</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>1</u>	<u>28</u>
Net Structural Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF BALANCE SHEET EXPOSURES

	As at 31 Mar 2017 HK\$'000	As at 30 Sep 2016 HK\$'000
1 Contingent liabilities and commitments at contractual amounts		
- Direct credit substitutes	7,460,228	5,364,808
- Trade-related contingencies	103,781	178,300
- Other commitments	3,817,305	3,359,621
- Others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales with recourse or other transactions with recourse)	48,277	45,249

The contractual amounts of the above exposures represent the amount at risk.

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

IV. OFF BALANCE SHEET EXPOSURES (CONTINUED)

2 Derivative Financial Instruments

As at 31 Mar 2017	Contractual amount HK\$'000	Fair Value Favourable/ (Unfavourable) HK\$'000
Exchange rate contracts		
- Spot and Forwards	51,647,696	(96,859)
- Swaps	15,024,232	108,868
- Foreign currency options	1,700,247	181
	<u>68,372,175</u>	<u>12,190</u>
Interest rate contracts		
- Swaps	67,454,010	35,205
- Future	174,557,179	(313)
- Option	100,000	-
	<u>242,111,189</u>	<u>34,892</u>
As at 30 Sep 2016	Contractual amount HK\$'000	Fair Value Favourable/ (Unfavourable) HK\$'000
Exchange rate contracts		
- Spot and Forwards	57,030,735	4,803
- Swaps	11,561,652	(10,659)
- Foreign currency options	1,598,755	229
	<u>70,191,142</u>	<u>(5,627)</u>
Interest rate contracts		
- Swaps	88,590,329	3,475
- Future	179,827,003	3,709
- Option	100,000	-
	<u>268,517,332</u>	<u>7,184</u>

There are no bilateral netting arrangements in derivatives contracts for the branch.

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

V. LIQUIDITY

	Six Months ended 31 Mar 2017	Six Months ended 31 Mar 2016
Average liquidity maintainance ratio (LMR) for the financial period	108.67%	115.89%

The liquidity risk management of National Australia Bank Hong Kong branch is aligned to the Group's liquidity risk management approach to manage its funding and liquidity risk. Further information can be found in the section of Liquidity Risk under Note 42 Financial risk management on Page 125 of the 2016 Annual Financial Report.

<https://www.nab.com.au/content/dam/nabrwd/About-Us/shareholder%20centre/documents/2016-annual-financial-report.pdf>

VI. DISCLOSURE ON REMUNERATION

National Australia Bank Limited's remuneration framework recognises and rewards performance consistent with general practices within the markets in which the Group (being National Australia Bank Limited and its controlled entities) operates while being linked to shareholder outcomes. The Group's remuneration philosophy is underpinned by principles that:

- link employee rewards to the creation of shareholder value; and
- provide competitive levels of remuneration within the markets in which the Group operates to attract and retain the best talent.

Please refer to the Remuneration Report on pages 31 to 59 of the 2016 Annual Financial Report of the Group for details.

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)**ANNOUNCEMENT - 2016/2017 Group Full Year Financial Results for the half year ended 31 March 2017****I. Capital and capital adequacy**

	As at 31 Mar 2017	As at 30 Sep 2016
Common equity tier 1 ratio	10.11%	9.77%
Tier 1 ratio	12.51%	12.19%
Total capital ratio	14.71%	14.14%

As an authorised deposit-taking institution (ADI), the National Australia Bank Limited is subject to regulation by Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959 (Cth). APRA has set minimum regulatory capital requirements for banks that are consistent with the Basel III Framework.

	31 Mar 2017	30 Sep 2016
	A\$M	A\$M
Aggregate amount of shareholders' funds (Total Equity)	50,856	51,315

II. Other financial information

	31 Mar 2017	30 Sep 2016
	A\$M	A\$M
Group total assets	790,227	777,622
Group total liabilities	739,371	726,307
Group total loans and advances	520,954	510,045
Group total deposits and other borrowings	487,252	459,714

	Year ended 31 Mar 2017	Year ended 31 Mar 2016
	A\$M	A\$M
Group total profit before tax	3,984	4,613

Operations of the institution

National Australia Bank is an overseas bank incorporated in Australia. Our Branch provides personal and business banking services to our clients.

Statement of compliance

To the best of my knowledge, the information disclosed complies with the Banking (Disclosure) Rules and is not false or misleading.



Ciqiang Lu
Chief Executive Officer
National Australia Bank - Hong Kong Branch