

2015

Disclosures for the
identification of
potential G-SIBs

Incorporating the
requirements of APS 330
as at 30 September 2015



National
Australia
Bank

Disclosures for the identification of potential G-SIBs

Under the international framework for addressing the risks posed by global systemically important banks (G-SIB), a large sample of international banks report a set of 12 indicators that the Basel Committee uses to identify those banks that are systemically important on a global scale. The selected indicators reflect the size of banks, their interconnectedness, the lack of readily available substitutes or financial institution infrastructure for the services they provide, their global (cross-jurisdictional) activity and their complexity.

This indicator-based measurement approach supported by supervisory judgment provides a framework for periodically reviewing the G-SIB status of a given bank. Should a bank qualify as a G-SIB, it will be subject to a greater higher loss absorberency (HLA) requirement depending on how systemically important the bank is. Any G-SIB HLA requirement is to be met with Common Equity Tier 1 Capital.

		As at 30 Sep 15 ⁽¹⁾
		\$m
Size ⁽²⁾		
1	Total exposures ⁽³⁾	910,390
Interconnectedness ⁽⁴⁾		
2	Intra-financial system assets	100,338
3	Intra-financial system liabilities	55,214
4	Securities outstanding	248,785
Substitutability / financial institution infrastructure ⁽⁵⁾		
5	Payments made in the reporting year (excluding intragroup payments) ⁽⁶⁾	24,825,176
6	Assets under custody	781,977
7	Underwritten transactions in debt and equity markets	7,186
Complexity ⁽⁷⁾		
8	Notional amount of over-the-counter (OTC) derivatives	5,718,952
9	Trading and available-for-sale securities	32,815
10	Level 3 assets	3,671
Cross-Jurisdictional Activity ⁽⁸⁾		
11	Cross-Jurisdictional claims	266,588
12	Cross-Jurisdictional liabilities	381,134

⁽¹⁾ This is the first disclosure of G-SIB indicators. Future disclosures will include prior period comparative data.

⁽²⁾ Size - provides an indication of a bank's share of global activity. In case of distress or failure, banks with a large share of global financing activities will be more difficult to replace.

⁽³⁾ Total Exposures is calculated prior to regulatory adjustments in accordance with Basel Committee G-SIB assessment methodology.

⁽⁴⁾ Interconnectedness - measures the inter-linkages of financing activities between the bank and other financial institutions. Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which financial institutions operate.

⁽⁵⁾ Substitutability/financial institution infrastructure - provides an indication of a bank's footprint in a particular business line, or as a service provider of infrastructure that support financial markets. These indicators provide an understanding of the impact and costs to substitute a significant market player in distress.

⁽⁶⁾ Where precise totals were unavailable, known overestimates have been reported in accordance with the Basel Committee on Banking Supervision instructions for the end-2015 G-SIB assessment exercise.

⁽⁷⁾ Complexity - measures the business, structural and operational complexity of a bank. The expected costs and time required to resolve a bank in distress are expected to be higher for a bank with high complexity than one with lower complexity.

⁽⁸⁾ Cross-jurisdictional activity - measures a bank's global footprint. Cross-border claims and liabilities capture the bank's activities outside of its home jurisdiction. The greater a bank's global reach, the more difficult it is to coordinate its resolution and the more widespread the spill over effects from its failure.

Glossary

Term	Description
Total exposures	This is the total exposures value (prior to regulatory adjustments) as defined for use in the Basel III leverage ratio.
Intra-financial system assets	Holdings of assets due from other financial institutions.
Intra-financial system liabilities	Holdings of liabilities due to other financial institutions.
Securities outstanding	Reflects the value of all outstanding securities that were issued by, or on behalf of, the reporting entity.
Payments made in the reporting year (excluding intragroup payments)	The total gross value of all cash payments sent by the reporting group via large value payment systems, along with the gross value of all cash payments sent through an agent or correspondent bank (e.g. using a correspondent or nostro account), over the reporting year.
Assets under custody	The value of all assets, including cross-border assets that the reporting group holds as a custodian on behalf of customers, including other financial institutions (i.e. financial institutions outside of the reporting group).
Underwritten transactions in debt and equity markets	All underwriting (public and private) over the reporting year where the bank was obligated to purchase unsold securities.
Notional amount of over-the-counter (OTC) derivatives	The face value or gross amount of derivative positions.
Trading and available-for-sale securities	This indicator seeks to capture the value of securities (e.g. bonds and shares) that, if sold quickly during periods of severe market stress, are more likely to incur larger fire-sale discounts or haircuts to compensate for high market risk. It is measured as the total amount of securities in the held-for-trading (HFT) and available-for-sale (AFS) accounting categories less the subset of securities held in those categories that meet the definition of Level 1 and Level 2 assets as defined in the Basel III liquidity coverage ratio (LCR).
Level 3 assets	The gross fair value of all assets that are priced on a recurring basis using Level 3 measurement inputs (three-level fair value hierarchy).
Cross-Jurisdictional claims	The value of all claims over all sectors that, on an ultimate-risk basis, are cross-border claims, local claims of foreign affiliates in foreign currency, or local claims of foreign affiliates in local currency. Claims include deposits and balances placed with other banks, loans and advances to banks and non-banks and holdings of securities and participations.
Cross-Jurisdictional liabilities	The value of all foreign liabilities including deposits by banks and customers, trading portfolio liabilities, repurchase agreements and various debt securities. This indicator excludes liabilities from positions in derivative contracts.

