

ASX ANNOUNCEMENT*Monday, 5 May, 2014***APRA CLARIFIES DEFINITION OF LEVEL 2 ENTITIES FOR CAPITAL PURPOSES**

National Australia Bank has received notification from APRA regarding the definition of entities to be included within the composition of a Level 2 Authorised Deposit-taking Institution (ADI) group.

APRA has indicated that intermediate holding companies should be considered as part of the Level 2 ADI group. As a result this would require subsidiaries (principally, National Wealth Management Holdings Limited (NWMH) to be included in the Level 2 ADI group.

NAB is currently working through the detailed impact of this change and will explore mitigating actions to reduce the impact of this change. The change is expected to remove over time the capital benefit that NAB gains from the debt on the NWMH balance sheet. As of 31 March, 2014, NWMH has \$1.97 billion of debt outstanding (through the issuance of Notes and bank facilities) which is equivalent to 53 basis points of Common Equity Tier 1 capital.

APRA has approved a transition period which will allow the capital benefit of the majority of the outstanding debt to be progressively reduced through to December 2017. The Group is in a strong capital position and is well placed to mitigate the transitional impact on capital through organic means.

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