



ASX ANNOUNCEMENT

Wednesday, 19 July 2017

NAB responds to APRA's announcement on 'unquestionably strong' capital benchmarks

National Australia Bank Limited (NAB) today noted the Australian Prudential Regulation Authority (APRA) announcement of an increase in capital requirements for the Australian banking sector.

This addresses the 2014 Financial System Inquiry (FSI) recommendation that capital standards should be set such that Australian authorised deposit-taking institution (ADI) capital ratios are unquestionably strong.

APRA has advised that ADIs using Advanced Internal Ratings Based models, which includes NAB, will be required to target a Common Equity Tier 1 (CET1) ratio of at least 10.5% by January 2020. As at 31 March 2017, NAB's CET1 ratio was 10.1% on an APRA basis.

APRA also noted in its Information Paper today that it "expects that any changes to the capital framework that may eventuate from the finalisation of international reforms will be able to be accommodated within the calibration set out in this paper, and will not necessitate further increases to requirements at a later date".

NAB Group Chief Financial Officer, Gary Lennon, said: "APRA's announcement provides clarity and certainty and helps ensure the strength and stability of the Australian banks at what is an important time for the Australian economy."

"NAB is well placed to respond to these new requirements. We have a strong balance sheet and through discipline and focus have built a capital buffer above our CET1 target range in anticipation of such changes."

"Acknowledging the reasonable timelines that APRA has set for implementation, NAB expects that we can meet these additional capital requirements in an orderly fashion."

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