



ASX ANNOUNCEMENT

Thursday, 11 July 2019

APRA applies additional capital requirements in response to self-assessments

National Australia Bank Limited (NAB) today noted the Australian Prudential Regulation Authority (APRA) announcement applying additional capital requirements to three major banks in response to risk governance self-assessments. This announcement follows the 22 May 2019 APRA Information Paper.

As announced today, APRA will require NAB to hold an additional \$500m of operational risk capital. This equates to an impact of 16 basis points on Common Equity Tier 1, based on NAB's 31 March 2019 capital position.

APRA noted that "the capital add-ons will apply until the banks have completed their planned remediation to strengthen risk management, and closed gaps identified in their self-assessments."

NAB CEO and Chairman-elect, Philip Chronican said: "NAB's self-assessment on culture, accountability and governance sets out a clear program of reform to ensure NAB meets the highest standards and to further strengthen non-financial risk management.

"The Board and Executive Leadership Team take the findings seriously and we are moving forward with rigour and discipline to change the way we operate.

"We have stood up a program of work with the requisite resources and capability required to accelerate and drive far-reaching change.

"Work is already underway on all 26 actions identified and we have made material progress on a number of these," said Mr Chronican.

NAB has publicly released its self-assessment. In November 2019, NAB will report against the 26 actions, as part of its annual report. Examples of material progress to date include:

- The Board Customer Committee is now in place – and has approved a new customer outcomes framework to define the principles and standards in the design, pricing and structure of all NAB products
- Significant uplift in NAB's customer remediation practices, reporting and governance – with \$170 million repaid to customers in the past twelve months (June 2018 to June 2019)
- Improved experience for Business Banking Customers, with reduction of aged small business complaints by 50 per cent this financial year (beginning October 2018)

NAB's self-assessment program is Board-led, sponsored by the Chief Executive Officer with active leadership by Chief Risk Officer, Shaun Dooley. Executive program management is led by Kyle McNamara, Chief Transformation Officer, supported by 150 dedicated employees.

The program has a significant amount of Executive engagement, with Group Executive oversight of the program's five workstreams.

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