

ASX Announcement

Wednesday, 13 December 2006

NAB completes foreign exchange options trading remedial action program

National Australia Bank (NAB) today announced the Australian Prudential Regulation Authority (APRA) has closed the remaining remedial actions associated with the foreign exchange options trading issue.

Following the completion of the remedial action program, APRA has approved NAB's return to the use of the internal model for the calculation of the market risk component of risk weighted assets, from 1 January 2007.

APRA has also removed the regulatory requirement to maintain a capital target of 10%, effective immediately. However, this will have no impact on NAB's capital planning for this financial year, which had assumed a return to the internal model during the first half of 2006/07.

As indicated in the recent 2006 Profit Announcement, had the internal model applied at 30 September 2006, then on a pro-forma basis the effect would be to reduce previously advised risk weighted assets by approximately \$9.9 billion.

National Australia Bank Group Chief Executive Officer, John Stewart, welcomed the closure of the program and thanked APRA for the professional and constructive way in which the program had been undertaken.

"Today's outcome is very pleasing, but we recognise that there is more work to be done as part of a continuous improvement program to ensure our risk management framework continues to strengthen. Everyone at the National Australia Bank is looking forward to continuing to develop a business that is well regarded by all our stakeholders and creates sustainable satisfactory returns for shareholders.

"Together with the positive assurance from our independent auditors over internal controls that we received as part of our annual financial close, and as published in the annual financial report on 1 December 2006, this marks a major step forward for the organisation," Mr Stewart said.

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