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ASX ANNOUNCEMENT

NAB to buy back up to $2.5 billion of ordinary shares on-market

NAB today announced it intends to buy back up to $2.5 billion of its ordinary shares on-market to progress managing its Common Equity Tier 1 (CET1) towards its target range of 10.75–11.25%[1]. Subject to market conditions, NAB expects to commence the buy-back in mid to late August 2021.

“Through the pandemic, NAB has continued to build its financial strength while providing significant support to our customers and colleagues,” NAB Group Chief Executive Officer Ross McEwan said.

“Our support for customers and colleagues continues through ongoing lockdowns and as the COVID-19 situation evolves. At the same time, NAB’s strong financial performance, combined with the divestment of MLC Wealth, has created an opportunity for NAB to reduce our surplus capital while retaining a strong balance sheet during these uncertain times.

“Our target CET1 range reflects a balance between retaining a strong balance sheet through the cycle, supporting growth and recognising the importance of capital discipline to improve shareholder returns. We consider the on-market buy-back to be the most appropriate mechanism to achieve our previously stated bias towards reducing share count, which will help drive sustainable ROE benefits.”

Capital impact

NAB continues to operate well above APRA’s Unquestionably Strong benchmark of 10.50%, with a reported CET1 capital ratio of 12.37% at Level 2 and 12.40% at Level 1 as at 31 March 2021.

The $2.5 billion on-market buy-back will reduce the CET1 capital ratio at Level 2 by around 60 basis points. Following the sale of MLC Wealth to IOOF as well as previously announced items[2], NAB’s pro forma March 2021 Level 2 CET1 ratio is 12.15%, inclusive of the intended share buy-backs.

The timing and actual number of shares purchased under the buy-back will depend on market conditions, the prevailing share price and other considerations.

Future capital management actions

NAB will continue to assess various options to return capital to shareholders, consistent with managing capital towards the target CET1 range.

In addition to the on-market buy-back announced today, NAB intends to purchase shares on-market to satisfy Dividend Reinvestment Plan requirements over the buy-back period.

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[1] As announced as part of the Half Year results on 6 May 2021.

[2] Including MLC Wealth sale, completed in May 2021 (+0.35%); purchase of 86400, completed in May 2021 (-0.04%); and sale of BNZ Life, expected to complete in early 2022 (+0.07%). The expected capital impact for BNZ Life remains subject to finalisation.

The finalisation of APRA's regulatory capital framework over the course of 2021 and 2022 will provide NAB with improved clarity to consider further capital management initiatives, alongside an assessment of the continued medium-term economic impacts of COVID-19.

The exact nature, amount and timing of any further capital returns beyond the $2.5 billion on-market buy-back announced today, will be dependent upon market conditions and capital outlook.

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The release of this announcement was authorised by Gary Lennon, Group Chief Financial Officer.

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