



Thursday, 07 July 2016

ASX ANNOUNCEMENT

S&P Credit Rating Outlook

National Australia Bank Limited (NAB) notes that today S&P Global Ratings (S&P) revised its rating outlook on the Commonwealth of Australia to negative from stable. At the same time, S&P affirmed their 'AAA' long term and 'A-1+' short term unsolicited sovereign ratings on Australia.

As a result of the change in outlook to Australia's sovereign rating, S&P today have also revised the ratings outlook of Australian major banks and a range of their strategically important subsidiaries. This included an outlook revision of NAB and Bank of New Zealand (BNZ) from stable to negative. S&P affirmed NAB's 'AA-' long term and 'A-1+' short term ratings and BNZ's 'AA-' long term and 'A-1+' short term ratings. Today's announcement by S&P is attached.

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Outlooks On Australian Major Banks And Strategically Important Subs Revised To Negative On Similar Sovereign Action

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- Earlier today, we revised the rating outlook on the Commonwealth of Australia to negative from stable (see "Australia Outlook Revised To Negative On Growing Fiscal Vulnerabilities; 'AAA/A-1+' Ratings Affirmed," published July 7, 2016).
- We are therefore taking similar action on the four major Australian banks--Australia and New Zealand Banking Group Ltd., Commonwealth Bank of Australia, National Australia Bank Ltd., and Westpac Banking Corp.--and a range of strategically important subsidiaries of these banking groups.
- The negative outlooks on these banks reflect our view that the ratings benefit from government support and that we would expect to downgrade these entities if we lower the long-term local currency sovereign credit rating on Australia. We are also affirming the issuer credit ratings on these banks and their strategically important subsidiaries that benefit from government support.
- The stable outlooks on Macquarie Bank Ltd. and Cuscal Ltd. are unaffected by the sovereign action.
- We are keeping UDC Finance Ltd. and National Wealth Management Holdings Ltd. on CreditWatch with negative implications. Both are subsidiaries we have previously identified as being subject to structural or ownership changes.
- We have not changed our view of the stand-alone credit profiles of the Australian major banks or their rated group subsidiaries or our view of the unsupported group credit profile of these banking groups.

Outlooks On Australian Major Banks And Strategically Important Subs Revised To Negative On Similar Sovereign Action

MELBOURNE (S&P Global Ratings) July 7, 2016--S&P Global Ratings Services said today that it revised the rating outlooks on the following four major banks in Australia to negative from stable: Australia and New Zealand Banking Group Ltd., Commonwealth Bank of Australia, National Australia Bank Ltd., and Westpac Banking Corp. At the same time, we affirmed the 'AA-' long-term and 'A-1+' short-term issuer credit ratings on each of the banks. These actions follow our revision of the sovereign rating outlook on the Commonwealth of Australia earlier today to negative from stable (see "Australia Outlook Revised To Negative On Growing Fiscal Vulnerabilities; 'AAA/A-1+' Ratings Affirmed," published July 7, 2016). The outlook revisions of the bank ratings reflect our view of a potential reduction in Australia's capacity to support systemically important banks.

At the same time, we revised the outlooks to negative from stable on a range of strategically important entities of these banking groups (see ratings list below). The outlooks on Macquarie Bank Ltd. (A/Stable/A-1) and Cuscal Ltd. (A+/Stable/A-1) are unaffected by the outlook change on Australia. Although ratings on these entities also benefit from government support, a one-notch downgrade of the local-currency sovereign rating would not in our opinion significantly reduce the government's ability to support these entities at their current rating levels.

We would expect to lower the ratings on affected entities if we downgrade the long-term local currency sovereign credit rating on Australia to 'AA+' from 'AAA' and our view of the stand-alone credit profile of these entities remains unchanged. In this scenario, we would expect to lower our issuer credit ratings on the Australian major banks--and senior debt issued by these banks--by one notch to 'A+/A-1' from 'AA-/A-1+', and keep our ratings on hybrid and subordinated debt issued by these banks unchanged because these ratings do not incorporate any uplift from government support.

We could revise the outlook on these entities back to stable if we revise the outlook on Australia's 'AAA' local currency sovereign credit rating back to stable. Downward pressure on the ratings on the Australian major banks, Macquarie Bank Ltd., and Cuscal Ltd. could also emerge independently of any rating action on the sovereign if, in our opinion, there is a reduced tendency for the government to support systemically important banks due to changes in the resolution framework or from other factors.

Additionally, downward rating pressure could emerge for a range of the major bank life insurance operations or other subsidiaries that benefit from group support if our views around their strategic importance were to change (see "Capital Requirements, Business Rationalization Could Weigh On The Creditworthiness Of Australian Major Bank Subsidiaries," published on RatingsDirect May 19, 2016). UDC Finance Ltd. and National Wealth Management Holdings Ltd.--subsidiaries previously identified as being subject to structural or ownership changes--remain on CreditWatch Negative under these sovereign and banking group actions. Macquarie Life Ltd. and MLC Ltd.--subsidiaries already classified as nonstrategic to their banking groups--are

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unaffected by these actions.

RELATED CRITERIA AND RESEARCH

Related Criteria

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016

RATINGS LIST

***** Australia and New Zealand Banking Group Ltd. *****

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
ANZ Wealth Australia Ltd. Counterparty Credit Rating Local Currency	A+/Negative/A-1	A+/Stable/A-1
Australia and New Zealand Banking Group Ltd. ANZ Bank New Zealand Ltd. Counterparty Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+
OnePath Life (NZ) Ltd. OnePath Life Ltd. Counterparty Credit Rating Local Currency	AA-/Negative/--	AA-/Stable/--
Financial Strength Rating Local Currency	AA-/Negative/--	AA-/Stable/--
ANZ Bank (Taiwan) Ltd. Counterparty Credit Rating Taiwan National Scale	A+/Negative/A-1 twAAA/Negative/ twA-1+	A+/Stable/A-1 twAAA/Stable/ twA-1+
Australia and New Zealand Bank (China) Co. Ltd. Counterparty Credit Rating	A+/Negative/A-1	A+/Stable/A-1

***** Commonwealth Bank of Australia *****

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Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Colonial Holding Co. Ltd.		
Counterparty Credit Rating	A+/Negative/A-1	A+/Stable/A-1

The Colonial Mutual Life Assurance Society Ltd. (NZ Branch)

The Colonial Mutual Life Assurance Society Ltd.

Financial Strength Rating

Local Currency	AA-/Negative/--	AA-/Stable/--
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ASB Bank Ltd.

Commonwealth Bank of Australia

CommBank Europe Ltd.

ASB Finance Ltd.

Counterparty Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+
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The Colonial Mutual Life Assurance Society Ltd.

Counterparty Credit Rating

Local Currency	AA-/Negative/--	AA-/Stable/--
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***** National Australia Bank Ltd. *****

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Bank of New Zealand		
National Australia Bank Ltd.		
Counterparty Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+

***** Westpac Banking Corp. *****

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Westpac Lenders Mortgage Insurance Ltd.		
Westpac Life-NZ-Ltd.		
Westpac Life Insurance Services Ltd.		
Counterparty Credit Rating		
Local Currency	AA-/Negative/--	AA-/Stable/--
Financial Strength Rating		
Local Currency	AA-/Negative/--	AA-/Stable/--

Westpac Banking Corp.

Westpac New Zealand Ltd.

Westpac Europe Ltd.

Counterparty Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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