



Monday, 13 July 2015

## ASX Announcement

### National Australia Bank response to APRA's release of international capital comparison study

National Australia Bank today noted APRA's release of its international capital comparison study which compares the capital position of the Australian major banks against a group of international banking peers.

The key findings of the report demonstrate that Australia's major banks are well capitalised, and when reported on a more consistent basis relative to their international peers, their capital ratios would be, on average, in the order of 300 basis points higher. The major banks' CET1 ratios are above the median, but not in the top quartile as recommended by the Financial System Inquiry. They rank similarly or lower for other measures of capital adequacy (Tier 1 capital, Total capital and leverage).

The APRA study also found that to be comfortably positioned in the top quartile of their international peers across all four measures of capital adequacy over the medium to longer term, the major banks would need to increase their capital adequacy ratios by at least 200 basis points relative to their position in June 2014. In relation to CET1 ratios, to achieve the bottom of the top quartile would require an increase of around 70 basis points in CET1.

A strong balance sheet has always been a priority at NAB, and since June 2014, the Bank has increased its CET1 ratio from 8.46% to approximately 10% on a proforma basis following completion of a \$5.5bn rights issue in May and taking into account finalisation of other near term major initiatives<sup>1</sup>. Total capital ratios have increased by a larger margin over this same time period. This increase represents a CET1 capital buffer of approximately 100 basis points to the midpoint of NAB's 8.75-9.25% CET1 target operating range. As a result, NAB is well placed to respond to changes in regulatory capital requirements.

NAB also notes that APRA is committed to ensuring that any strengthening of capital requirements is done in an orderly manner over a reasonable transition period.

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<sup>1</sup> This is not a projection of NAB's future capital position or intended to be a forecast of that position, but sets out the potential capital impact of the proposed strategic initiatives outlined in NAB's 1H15 investor result presentation on the basis of certain assumptions which may or may not reflect the actual position at the relevant time. These strategic initiatives involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB. There is no certainty that all of these strategic initiatives will occur or will occur as currently proposed