

## ASX Announcement

*Tuesday 25 July 2006*

### National Australia Bank Limited - Capital Update

The National Australia Bank today announced two developments relating to its capital position:

1. National Australia Bank's capital target ranges have been revised to more closely align with peer group banks with the same credit rating.

NAB will reduce its Tier 1 target range to 6.25% to 7.00% and the Adjusted Common Equity (ACE) target range to 4.25% to 5.00% with immediate effect. The previous ranges were 7.00% to 7.50% and 4.75% to 5.25% respectively.

The widening of the ranges also reflects the potential for increased capital volatility under AIFRS. These changes have been approved by APRA.

2. APRA has confirmed that National Income Securities will be treated as non-innovative residual Tier 1 capital under the Tier 1 hybrid capital framework that became effective on 1 July 2006.

This classification creates further capital flexibility.

No change is proposed to the total capital target of more than 10%, in line with APRA's remedial action requirements.

The timing of any capital management initiatives is still to be determined.

Shareholder approval has been obtained to redeem the National Income Securities and National Australia Bank continues to retain the option to do so.

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