

HD *S&PBulletin: Ratings On NAB Unaffected By Half-Year Results

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Standard & Poor's:

MELBOURNE (Standard & Poor's) May 8, 2014--Standard & Poor's Ratings Services said today that its ratings on National Australia Bank Ltd. (NAB; AA-/Stable/A-1+) are unchanged following the announcement by NAB today of its fiscal 2014 first-half results.

While earnings of A\$3.15 billion for the 2014 first-half year were 8.5% and 4.8% higher than the previous two half-year reporting periods, this was primarily driven by the materially lower A\$528 million charge for bad and doubtful debts. Reported underlying profit of A\$5.03 billion declined by 1.5% compared with the prior half year driven by factors including slightly lower revenues in the Australian Banking division and U.K. conduct-related expenses.

Group credit quality ratios improved, with the ratio of past due and impaired assets to gross loans and acceptances decreasing to 1.52% at March 31, 2014, from 1.69% at Sept. 30, 2013. The U.K. **commercial** real **estate** bad and doubtful debt charge for the half year declined significantly.

Capitalization remains consistent with our current outlook and rating. NAB's common equity Tier 1 ratio at March 31, 2014, was 8.64% (APRA adaptation of Basel III basis) and 10.46% (internationally-harmonized Basel III basis). NAB has articulated its common equity Tier 1 target range being between 8.75% and 9.25% (APRA adaptation of Basel III basis) from Jan. 1, 2016.

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