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ASX ANNOUNCEMENT

NAB announces agreement to sell MLC Wealth to IOOF

NAB has today entered into a Sale and Purchase Agreement to sell 100% of MLC Wealth (**MLC**) to IOOF Holdings Ltd. (**IOOF**) for a purchase price of $1,440 million.

The agreement follows the strategic decision announced by NAB in 2018 to pursue an exit of MLC and is in line with NAB's strategy to simplify and focus on its core banking business, while creating a stronger future for MLC.

"We have a clear plan and we are getting on with it. The sale of MLC will enable NAB to prioritise investment and focus on executing our refreshed strategy of delivering simpler, more streamlined products and processes for our customers and colleagues," NAB Group CEO, Mr Ross McEwan said.

"NAB has taken a disciplined approach over the past two years to transform the business and prepare it for exit. Significant work has been done by MLC CEO Geoff Lloyd and his executive team to modernise and strengthen the MLC business and remediate customers.

"We have explored a range of transaction options and are confident this sale provides the best outcome for NAB shareholders and for MLC stakeholders. We recognise the specialised nature of wealth management and the opportunity for the MLC business as part of IOOF.

"Consolidation has the potential to deliver significant benefits for clients and members, including scale and reducing costs, complexity and risks. The combined business is expected to be a highly competitive, advice-led retail wealth manager," he said.

Summary of proceeds and financial impact of the transaction

The purchase price of $1,440 million represents a multiple of 17.3x MLC's cash earnings of approximately $83 million[1] and comprises:

- $1,240 million in cash proceeds from IOOF
- $200 million in the form of a 5-year structured subordinated note in IOOF, that will provide NAB with the opportunity to participate in the potential value created through the combination of MLC and IOOF over the medium term[2]

In addition, NAB is expected to receive approximately $220 million of surplus cash from MLC in the form of a pre-completion dividend.

[1] Based on MLC's reported 1H20 cash earnings of $41.6 million, annualised.
[2] The subordinated note provides NAB with cash settled equity-linked upside with a maturity of 5 years and potential for redemption from 3.5 years.

On a pro forma 30 June 2020 basis, NAB Group's Core Equity Tier 1 (CET1) capital is expected to increase by approximately 30bps, which will result in a pro forma CET1 ratio of approximately 11.9%.[3] It is also expected the transaction will deliver a modest uplift in NAB's ROE.[4]

By entering into a transaction with IOOF, NAB will not incur additional separation costs and strategic investment which would have been required for a standalone MLC business.

The transaction is estimated to result in a post-tax loss on sale of approximately $400 million[5], which includes estimated post-tax separation and transaction costs for NAB of approximately $200 million.

Scope of transaction

The transaction includes MLC's advice, platforms, superannuation & investments and asset management businesses.

As part of NAB's ongoing commitment to its customers, NAB will retain legal ownership of MLC's advice entities, for the purpose of completing advice-related remediation programs.

Other assets of the advice entities and related employees of the advice business will be transferred to IOOF as part of the transaction. MLC's aligned advisers will be provided with an opportunity to transfer to IOOF's licenses at completion of the transaction.

NAB will provide protection to IOOF for certain pre-completion conduct matters via a combination of provisions, warranties and indemnities.

NAB will continue to offer targeted wealth management products and services through JBWere and nabtrade. NAB and IOOF will also enter into a strategic partnership that will cover a range of products and services. This will include a referral agreement through which NAB customers will have access to financial advice.

Timing and conditions

Completion of the transaction is subject to certain conditions, including regulatory approvals from APRA and ACCC. Subject to the timing of regulatory approvals, completion is expected to occur before the middle of calendar year 2021.

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The release of this announcement was authorised by Ross McEwan, NAB Group Chief Executive Officer.

[3] Increase in CET1 ratio of approximately 30bps incorporates: expected proceeds of $1.44 billion; surplus cash released of approximately $220 million; and estimated transaction and separation costs after tax of approximately $200 million.
[4] ROE for MLC based on 1H20 annualised cash earnings was approximately 4.5%.
[5] Based on carrying value of MLC of $1,862 million as at 30 June 2020. The final loss on sale will be determined at completion and will be impacted by separation and transaction costs, net assets at completion and other accounting adjustments.

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About MLC
Founded in 1886, MLC is a provider of investments, superannuation and financial advice to corporate, institutional and retail customers. As at 30 June 2020, MLC had over 1.1 million clients, $111 billion in funds under administration and $158 billion in assets under management.

About IOOF
Established in 1846, IOOF is an Australian financial services company which provides advisers and their clients with a range of products and services including financial advice, superannuation, investment management and trustee services. As at 30 June 2020, IOOF had over 1.1 million customers and $202 billion in funds under management, administration and advice.

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