



Monday 9 August 2021

ASX ANNOUNCEMENT

NAB announces agreement to acquire Citigroup's Australian consumer business

National Australia Bank Limited (NAB) today announced it has entered into a Sale and Purchase Agreement with Citigroup Pty Limited (**Citigroup**) to purchase Citigroup's Australian consumer business (**Citigroup Consumer Business**) (the **Proposed Acquisition**).

The Proposed Acquisition, which remains subject to regulatory approvals, is structured primarily as an asset and liability transfer, with NAB to pay Citigroup cash for the net assets of the Citigroup Consumer Business plus a premium of \$250 million.

NAB CEO, Ross McEwan, said the proposed acquisition supported NAB's strategic growth ambition for its Personal Banking business.

"The proposed acquisition of the Citigroup Consumer Business brings scale and deep expertise in unsecured lending, particularly credit cards, which continue to be an important way for customers to make payments and manage their cashflows," he said.

"The cards and payments sector is rapidly evolving and access to a greater share of payments and transaction data will help drive product and service innovation across our Personal Banking business and deliver market leading customer experiences.

"Citigroup's management team has also built strong white label partnerships with household names in the airline, retail and financial services sectors over many years. This expertise, together with our commitment to deliver market leading products and services, provides an opportunity to grow with existing partners and add new partners."

Scope of the Proposed Acquisition

The Proposed Acquisition includes a home lending portfolio, unsecured lending business (operating under the Citigroup brand as well as white label partner brands)¹, retail deposits business, and private wealth management business².

As at 30 June 2021, the Citigroup Consumer Business had lending assets of approximately \$12.2 billion (comprising residential mortgages of approximately \$7.9 billion and unsecured lending of approximately \$4.3 billion), and deposits of approximately \$9.0 billion.

¹ NAB has also agreed to acquire the shares in Diners Club Pty Limited as part of the Proposed Acquisition, subject to certain additional conditions.

² NAB has recently completed the sale of its MLC Wealth Business to IOOF with its retained wealth businesses focused on servicing the High Net Worth and Self Directed segments, through its Private Wealth division. NAB will review opportunities to extend its Private Wealth offer to Citigroup's clients and potentially utilise relevant services offered by Citigroup to enhance its current product and service offering.

NAB will not be acquiring all of the technology systems or platforms that currently service these portfolios. NAB will enter into a Transitional Services Agreement (TSA) with Citigroup to assist with the integration of the Citigroup business into NAB. The TSA is expected to be in place for approximately 30 months. During this period, NAB will invest in a new technology platform to support the combined unsecured lending business.

As part of the Proposed Acquisition, senior management and approximately 800 Citigroup employees in total are expected to join NAB.

Citigroup's institutional business in Australia is not included in the Proposed Acquisition.

Financial impact of the Proposed Acquisition

Based on the anticipated increase in risk-weighted assets of \$8.9 billion³ plus the premium to net assets to be paid on completion, the required equity is approximately \$1.2 billion. This implies a multiple of 8x the Citigroup Consumer Business pro forma NPAT of \$145 million for the 12 months to June 2021.

The Proposed Acquisition is expected to be marginally accretive to cash earnings and cash return on equity from completion. Pre-tax cost synergies of approximately \$130 million per annum are expected to be realised over three years, with the majority achieved in the first two years.

The Proposed Acquisition will be fully funded by NAB's existing balance sheet resources. Based on NAB's capital position as at 31 March 2021, the impact of the incremental risk-weighted assets plus the premium to net assets on NAB's CET1 capital ratio is 32bps. NAB remains well capitalised with a pro forma CET1 ratio as at March 2021 of 11.83%⁴, above our target CET1 of 10.75% - 11.25%.

Approximately \$220 million of capital (~5bps of CET1)⁵ is expected to be released approximately three years post completion following migration of the Citigroup Consumer Business to NAB and achievement of advanced accreditation status. NAB's future capital ratios will also be impacted by the expected acquisition and integration costs of \$375 million anticipated to be largely incurred over two years following completion.

Proposed Acquisition timing

Completion of the Proposed Acquisition is subject to certain conditions, including approvals from the Commonwealth Treasurer, APRA and the ACCC.

Subject to the timing of these approvals, completion is expected to occur by March 2022.

Citigroup will continue to operate its consumer banking businesses until the Proposed Acquisition is finalised, with no immediate changes in the way it serves its customers.

³ Estimated credit risk-weighted assets based on mortgage and unsecured portfolio balances as at 30 June 2021 plus estimated impacts on other risk-weighted assets

⁴ Based on the pro forma CET1 of 12.15% provided with the announcement of the \$2.5 billion on-market buy-back on 30 July 2021 less the impact of the Proposed Acquisition (-0.32%)

⁵ Estimated impact based on NAB capital position as at 31 March 2021

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The release of this announcement is authorised by Gary Lennon, Group Chief Financial Officer.