



Monday, 27 April 2020

ASX ANNOUNCEMENT

Letter from the Chairman and Group CEO

National Australia Bank has today released a joint letter to shareholders from NAB Chairman Philip Chronican and NAB Group CEO Ross McEwan.

Please see attached.

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The release of this announcement was authorised by Louise Thomson, Group Company Secretary.

LETTER FROM THE CHAIRMAN AND GROUP CEO

27 April 2020

Dear Shareholders

As your Chairman and CEO, we write to you together at a time unlike any other in the history of our industry. Throughout the 70 years of experience in banking we share, we have never seen such an immediate and deep impact on the economy and health of our global community.

Our customers need us now, and they have our support as we face this crisis together. We have endeavored to take the necessary steps to keep them going. The reason is simple: our bank will only succeed by helping customers and our communities to prosper. Our response during this time will have an impact for years to come.

Drawing on our experience during the global financial crisis, we know that taking early and decisive action to strengthen our business and support our customers is critical.

We are working side-by-side with governments and our regulators to offer support to the economy. The series of measures announced by the Federal Government, the Reserve Bank of Australia and APRA are helping to stabilise the financial system in this difficult period – and protect Australians.

For our customers, we have already taken firm steps including:

- Allowing home loan and business loan customers impacted by COVID-19 to pause repayments for six months
- Providing impacted businesses with low-cost funding as a bridge through this uncertainty
- Lowering interest rates on home loans and other products and removing many fee charges
- Putting more of our colleagues into customer-facing roles so they can work with those many customers who need help understanding what support is available and to try and find a sustainable path forward

And while we are here in support of every business customer, we will be honest and upfront with those who struggled before this crisis that their operations may not survive it with or without our support. It is the responsible thing to do.

Our response has required a rapid evolution in the way we work. The vast majority of our colleagues, including our customer-facing service teams, are now working from home. We are deeply proud of our colleagues as they serve our customers in this time.

Where we stand today

Of course, none of this comes without cost. Our result for the half year ending 31 March has been materially impacted by the COVID-19 pandemic, with cash earnings (ex large notable items) declining 24.6% relative to the first half of 2019.

We entered this crisis in a robust position, with our capital significantly strengthened over recent years.

Our regulators have provided guidance on dividends and capital to manage the overall stability of the financial system, and we have also had to make hard decisions on these matters with a long-term view.

In light of the uncertain economic outlook due to the COVID-19 pandemic, we are taking proactive steps to build capital via an equity raising and a reduction in the interim dividend. We are bolstering our capital base through a fully underwritten institutional placement of \$3 billion and non-underwritten Share Purchase Plan targeting to raise approximately \$500 million. Eligible Shareholders will have the opportunity to participate in the Share Purchase Plan, the details of which will be contained in a Booklet to be released on 4 May 2020.

We acknowledge you are feeling the pain of significant recent drops in the value of your investments across the market. Many of you rely on investments for your livelihood, particularly in retirement.

We also know that reducing the 2020 interim dividend to 30 cents per share has a direct impact on our shareholders, and those invested in NAB through their superannuation.

These actions are intended to provide us with sufficient capacity to continue supporting our customers through the challenging times ahead, as well as increasing our capital level to assist to manage through a range of possible scenarios, including a prolonged and severe economic downturn.

It is very clear our customers, both personal and business, are feeling the pain of the impact of COVID-19 and now our shareholders are feeling this as well. With this in mind, the Board and senior management have decided to cut elements of their remuneration. The Chairman and each of the Directors will forego 20 per cent of their base fees for the second half of NAB's financial year, from 1 April to 30 September. The Group CEO will also reduce his base remuneration by 20 per cent over the same period. In addition, the Group CEO and Executive Leadership Team have decided that they will not be awarded any short-term variable reward for the 2020 financial year.

Looking to the future

This is where we stand today. We must move forward.

It's why, as part of our Half Year Results, we outlined our ambition for NAB and where we want to take the bank in the next five to 10 years. We encourage you to read the details of our strategy online at www.nab.com.au/about-us

We go to work to deliver for you, to grow the value of this business and your investment in us. We are already taking decisive action including reducing the number of key investment projects across the Group by two-thirds, so that we can focus on what matters most.

We are also prepared to go further to ensure that every dollar we spend is spent well. Each dollar that can be saved responsibly will be.

We have no expectations that the world will return to what it was at the start of this year. But we approach this knowing the current disruption offers us great opportunities to change how we operate.

Our belief in the opportunities that lie ahead is undiminished.

We thank our colleagues at NAB for adapting to our new reality wholeheartedly and with great compassion for customers and each other. Our people are our greatest strength. As shareholders, this should give you confidence in our future at a time when confidence is paramount.

Our financial success will flow from our ambition to serve our customers well and help our communities prosper. The responsibility we have to you to build on our financial performance in the face of the headwinds is great.

We acknowledge that you as shareholders have a choice as to who you invest your money with and would like to thank you for your ongoing support. These steps will help to ensure we remain a strong bank able to serve the needs of customers, our communities, colleagues and you our shareholders.

We will guide our organisation through these challenges. We will get there together.

Yours sincerely



Philip Chronican
Chairman



Ross McEwan
Group CEO

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