



Monday, 23 March 2020

NATIONAL AUSTRALIA BANK

NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT 2001 (CTH)

This notice is given by National Australia Bank Limited (ASX Code: NAB) (“**NAB**”) under section 708A(5)(e) of the *Corporations Act 2001* (Cth) (“**Act**”). It is a cleansing notice relating to the conversion of NAB Capital Notes issued on 23 March 2015 into Ordinary Shares.

Potential impacts of the COVID-19 pandemic

NAB continues to closely monitor the unprecedented COVID-19 global pandemic and its impact on the global and domestic economy.

In Australia and globally, measures have already been introduced, and are being further extended, to control the spread of the COVID-19 outbreak, including travel and trade restrictions, restrictions on public gatherings and business closures. These measures have had a sudden and substantial negative impact on global economic activity, with certain sectors already experiencing significant financial stress. The functioning of global capital markets has also been impaired by increased volatility and negative investor sentiment.

The expected duration and magnitude of this pandemic and its potential impacts on the economy and financial markets are unclear. It is not known whether the measures being taken will be sufficient to control the spread of the virus or to limit the impact on the economy. Should the impact of the virus be severe or prolonged, it is expected to have a material adverse impact on the global and Australian economies, which in turn may have a material adverse impact on NAB’s financial performance and position.

Further details about the impact of the COVID-19 pandemic across NAB’s business will be assessed as NAB prepares its half-year results over coming weeks. In particular we note the current volatility and dislocation in global capital markets may negatively impact on mark-to-market valuations in the markets and treasury portfolios¹. The broader economic impact of the pandemic is expected to impact on asset quality, leading to increased provisions and risk weights over time.

NAB welcomes the series of measures announced to date by the Federal Government, the Reserve Bank of Australia and APRA, that will help to stabilise the financial system through this difficult period, provide support for individuals, households and businesses and assist NAB in supporting its customers. These measures include:

- *Interest rates*: setting the cash rate at 0.25% and targeting a 3 year government bond yield of 0.25%;
- *RBA Funding Facility*: a new term funding facility which will support increased lending, particularly to small and medium-sized businesses;

¹ Predominantly comprising high quality liquid asset portfolios (such as Australian semi-government and Commonwealth government securities and securities issued by foreign sovereigns) and assets eligible for the committed liquidity facility (CLF) as defined in APS 210 Liquidity.

- *Coronavirus SME Guarantee Scheme*: the Government will provide a 50 per cent guarantee to lenders to support new short-term unsecured loans to small and medium-sized businesses to meet their cash flow needs, up to a maximum loan size of \$250,000 per borrower; and
- *Capital*: a temporary reduction in APRA's capital expectations. NAB anticipates that this will result in a suspension of APRA's "unquestionably strong" requirements in the short term, to encourage Australian ADIs to use some of these capital buffers to support additional lending into the economy. Banks will still need to meet prudential minimum requirements.

On Friday 20 March 2020, NAB announced a wide range of measures to support its business and personal customers. NAB's priorities through this crisis are to continue to support customers, to support the economy and maintain a strong and stable financial system and to protect employees.

NAB is well-placed to provide the necessary support with strong capital and liquidity positions.

Cleansing notice

NAB confirms that:

- (a) it has today converted 7,500,000 NAB Capital Notes issued by NAB on 23 March 2015 ("**NCN**") into fully paid ordinary shares pursuant to the NCN Terms as amended ("**Conversion**") and issued 35,140,972 fully paid ordinary shares in connection with the Conversion at a price of \$21.342608 per share (together, the "**New Shares**");
- (b) the NCN were converted and the New Shares were issued without disclosure under Part 6D.2 of the Act;
- (c) as at the date of this notice, NAB has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to NAB; and
 - (ii) section 674 of the Act; and
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708A(7) and 708A(8) of the Act that is required to be set out in this notice under section 708A(6)(e) of the Act other than as set out in this notice.

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The release of this announcement was authorised by the Disclosure Committee.