



Monday, 3 October 2016

## **ASX Announcement**

# **NAB completes sale of 80% of Life Insurance business and commences long term partnership with Nippon Life**

National Australia Bank Limited (NAB) today announced completion of the sale of 80% of its life insurance business to Nippon Life Insurance Company (Nippon Life) for \$2.4 billion<sup>1</sup>. As previously advised, NAB will retain ownership of 20% of the new life insurance business, and retain full ownership of the existing investments business which includes superannuation, platforms, advice and asset management.

As part of the sale, NAB is also today commencing a long term partnership with Nippon Life which includes a 20 year distribution agreement to provide life insurance products through NAB's owned and aligned distribution networks.

NAB Group CEO Andrew Thorburn: "This is a significant and important transaction, marking the end of the Group's major divestments – enabling us to totally focus on our core business in Australia and New Zealand, to deliver improved returns to shareholders and our mission to become the most respected bank in these markets.

"From today we move forward with a simpler, clearer wealth model designed to serve our customers better – with continued ability to offer leading life insurance products and services.

"We have also streamlined our superannuation business, merging five super funds into one to create Australia's largest retail super fund. This simplifies our superannuation business, which NAB will retain, and over time makes it easier for customers to access various products and features within the fund as their needs change.

"I am proud of the achievements of our team and pleased to be entering this strategic partnership with Nippon," he said.

In July, NAB announced changes to its organisational structure, which included combining Consumer Banking and Wealth Management customer businesses under the leadership of Andrew Hagger (Chief Customer Officer, Consumer & Wealth) and wealth product manufacturing forming part of our broader Australian Banking product business led by Antony Cahill (Chief Operating Officer, Customer Products & Services).

"NAB has also committed additional investment of at least \$300 million over the next four years in our superannuation, platform, advice and asset management business. The combination of these initiatives will allow us to deliver a better and more aligned customer experience," Mr Thorburn said.

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<sup>1</sup> Of the \$2.4 billion, \$0.2bn was received as a dividend during FY16 and \$2.2bn was received on completion (3 October 2016)

The financial details of the sale will be finalised and reported with the FY16 Full Year Results on 27 October 2016. The key details relating to the transaction are materially consistent with those outlined in the FY15 Full Year Results ASX announcement and Investor Presentation and include:

- Following completion, the transaction is expected to deliver an increase of approximately 50 basis points to NAB's CET1 capital ratio.
- Goodwill for the Wealth business is expected to reduce by approximately \$1.6 - \$1.7 billion.
- The transaction has resulted in a loss on sale, which is expected to be approximately \$1.2 - \$1.3 billion.
- NAB will retain the MLC brand, although it will be licensed for use by MLC Life Insurance for 10 years and will continue to be used (as is currently the case) in NAB's superannuation, investments and advice business.

The deconsolidation date, from an accounting and capital perspective, is 30 September 2016. For statutory reporting purposes and in accordance with Australian Accounting Standard AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", MLC Life Insurance earnings and transaction costs will be classified as 'discontinued operations' for the financial year ended 30 September 2016. NAB intends to release revised comparative historical financial information prior to the FY16 Full Year Results ASX announcement.

For cash earnings, in the upcoming NAB Group FY16 Full Year Results, 80% of earnings for MLC Life Insurance will be treated as discontinued operations outside of cash earnings. NAB's 20% interest in MLC Life Insurance will be included in cash earnings as a share of associate profit. Consistent with statutory reporting, loss on sale including transaction costs, will also be reported as discontinued operations outside of cash earnings.

With the completion of the transaction, there are several changes to the board of MLC Limited, the entity that operates the MLC Life Insurance business. Former Australian Ambassador to Japan, Mr Peter Grey, has been appointed Chairman of the company, and will be joined on the board by the following new board members:

- Independent board member: Mr Andrew Cornish
- Non-Executive board members: Mr Hiroyuki Nishi and Mr Toshihiro Nakashima

Current independent Non-Executive Director and Chair of the MLC Audit Committee, Sandra Birkenleigh, and current board members David Hackett (CEO & Managing Director, MLC Limited) and Andrew Hagger will continue as directors on the board. The renewed board will collectively hold a deep understanding of MLC's history and the insights and leadership to guide MLC Life Insurance as it looks to grow into the future.

For further information:

## **Media**

Mark Alexander  
M: +61 (0) 412 171 447

Chris Owens  
M: +61 (0) 409 945 476

## **Investor Relations**

Ross Brown  
M: +61 (0) 417 483 549