



Thursday, 18 April 2019

ASX Announcement

NAB announces additional costs for customer remediation matters

National Australia Bank Ltd (NAB) today announced additional charges of \$525 million after tax (\$749 million before tax) in connection with increased provisions for its customer-related remediation program. This is expected to reduce 1H19 cash earnings by an estimated \$325 million and earnings from discontinued operations by an estimated \$200 million.

NAB's Chief Executive Officer, Philip Chronican said: "We are putting things right where we have treated our customers poorly and making sure that they are compensated more quickly. Since June 2018 we have made approximately 360,000 payments to customers with a total value of approximately \$145 million. There are currently around 350 people dedicated to remediating customers and we will soon have around 500 across NAB as we bring greater focus and discipline to resolving issues and making sure they do not happen again."

Of the 1H19 charges, approximately 91% are for Wealth related matters, with the remainder for Banking. In combination with provisions raised in 2H18 which have not yet been utilised, this brings total provisions for customer-related remediation at 31 March 2019 to \$1,102 million.

The key items giving rise to increased costs for customer-related remediation include:

- Consumer Credit Insurance sales through certain NAB channels. This relates to a previously disclosed remediation program that arose from an ASIC industry-wide review. Provisions have been increased as progression of the program has now allowed remediation estimates to be determined with a greater degree of reliability;
- Non-compliant advice provided to Wealth customers which is being addressed as part of NAB's ongoing wealth advice review;
- Adviser service fees charged by NAB Financial Planning (salaried advisers). Provisions have been increased to reflect a higher assumed refund rate of 23% (or approximately 31% including interest costs);
- Adviser service fees charged by NAB Advice Partnerships (self-employed advisers). Provisions have been increased to cover the expected costs to undertake the review and the approach to remediation, but at this stage exclude any allowance for customer refunds, which are still to be determined; and
- Banking related matters including provisions for incorrectly charged fees on certain fee-exempt transactions.

Details of the expected 1H19 cash earnings impact are provided in the table below. As was the case in FY18, 1H19 customer-related remediation costs will be excluded from FY19 expense growth guidance of 'broadly flat'.

Further detail will be provided when NAB releases its 2019 Half Year results on 2 May 2019.

The matters in this announcement remain subject to finalisation of NAB's 2019 Half Year results, including review by the auditors and, as is the usual practice, the Board will also review NAB's dividend settings.

Impact of customer-related remediation

\$m	2H18	1H19
Net interest income	-	-42
Other operating income	-249	-302
Net operating income	-249	-344
Operating expenses	-111	-120
Cash earnings before tax	-360	-464
Income tax expense	99	139
Cash earnings	-261	-325
Discontinued operations	-53	-200
Net profit attributable to owners of NAB	-314	-525

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