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ASX Announcement

NAB demerger and proposed IPO of CYBG

As previously announced, National Australia Bank Limited (NAB) is proceeding with the demerger and proposed Initial Public Offering (IPO) to institutional investors of CYBG PLC (CYBG), and today has announced the next step in the process.

Highlights

- NAB proposes a 75% demerger of CYBG to NAB shareholders with a proposed divestment of 25% by IPO to institutional investors
- If approved, eligible NAB shareholders will receive one CYBG security for every four NAB shares they own
- CYBG is expected to have a primary listing on the London Stock Exchange (LSE) and a listing of fully fungible CHESS Depository Interests (CDIs) on the Australian Securities Exchange (ASX)
- Unanimous recommendation by NAB directors, who believe the demerger is in the best interests of NAB shareholders and is likely to enhance value for NAB shareholders over the long term
- Independent Expert Grant Samuel has also concluded the demerger proposal is in the best interests of NAB shareholders
- Scheme Meeting and General Meeting to be convened on 27 January 2016 to approve the demerger
- Demerger remains conditional on court, shareholder and final regulatory approvals
- Expected completion in early February, subject to approvals
- Scheme booklet and investor presentation expected to be released later today

NAB today announced the Supreme Court of Victoria has ordered a meeting (Scheme Meeting) of NAB's shareholders to be convened to vote on a scheme of arrangement for the proposed demerger of CYBG.

NAB's intention is to pursue a demerger of 75% of CYBG to NAB shareholders and proposed divestment of the remaining 25% by IPO to institutional investors.

The Scheme Meeting and the General Meeting will be held on Wednesday 27 January 2016 at the Melbourne Convention and Exhibition Centre, 1 Convention Centre Place, South Wharf, Victoria. The Scheme Meeting will commence at 10.00am AEDT, and a General Meeting to consider the

proposed capital reduction of NAB shares as part of the demerger of CYBG will follow the Scheme Meeting¹.

Further information in relation to the proposed demerger and IPO will be provided to shareholders in the scheme booklet, which is expected to be lodged with the ASX and posted on the NAB website and the demerger website (www.clydesdaledemerger.com.au) later today, and dispatched to shareholders from mid-December.

If the demerger is implemented, shareholders will retain their existing NAB shares and eligible NAB shareholders will receive one CYBG share or CDI for every four NAB shares they hold². It is proposed that CYBG shares and CDIs will be listed on the London Stock Exchange's main market for listed securities (LSE: CYBG) and on the Australian Securities Exchange (ASX: CYB) respectively. Eligible NAB shareholders can elect to receive either CYBG shares or CDIs.

NAB has sought a tax ruling from the ATO confirming the tax consequences of the transaction for NAB shareholders who are Australian residents and who hold their NAB shares on capital account. On the basis of discussions with the ATO, NAB does not expect the distribution of either CYBG shares or CDIs to such shareholders to be treated as an assessable dividend for Australian tax purposes. Further information on the general Australian tax implications of the demerger will be available in the scheme booklet. Shareholders should seek specific tax advice for individual circumstances.

NAB Chairman Michael Chaney said the NAB directors unanimously recommend NAB shareholders vote in favour of all of the proposed resolutions to be considered in relation to the demerger, as the NAB directors intend to do in respect of their own shareholdings in NAB. The Independent Expert Grant Samuel has also concluded that the demerger is in the best interests of NAB shareholders.

"Having assessed a number of alternatives, the NAB Board considers the demerger (in conjunction with the opportunity to undertake the IPO) is the best exit option and is likely to enhance value for NAB shareholders over the long term," Mr Chaney said.

"In recent years, NAB has taken a number of steps and initiatives to strengthen CYBG's standalone position. The NAB directors are of the view that CYBG is now in a position to be demerged to NAB shareholders and be listed as a standalone retail and SME bank with a strong franchise across its core regional UK markets, a strong balance sheet and capital position, a robust business plan and operating platform, as well as an experienced management team.

"The demerger provides eligible shareholders with separate investments in NAB and CYBG and if they choose to retain their CYBG securities, the ability to benefit from any improvement in the UK economy and CYBG's strategy and performance going forward," Mr Chaney said.

NAB Group CEO Andrew Thorburn said post demerger NAB's focus and resources can be directed towards NAB's core priorities within its strong Australia and New Zealand businesses.

"Following the demerger, NAB is likely to benefit through a combination of improved return on equity and capital generation given the higher profitability and returns currently generated from NAB's core Australia and New Zealand businesses," Mr Thorburn said.

Subject to the outcome of the shareholder vote and the satisfaction of other conditions (including receiving the relevant court and regulatory approvals), NAB expects the completion of the demerger and IPO of CYBG to occur in early February 2016.

¹ Certain NAB Tier 1 securityholders are also entitled to vote on this resolution. In addition, a reduction of capital of CYBG will be considered at this meeting to create distributable reserves on the balance sheet of CYBG (which will be the new holding company of the Clydesdale group).

² Eligible shareholders include those with a registered address in Australia or New Zealand and others as per the scheme booklet.

NAB shareholders or NAB Tier 1 securityholders with questions in relation to the demerger should contact their financial, legal, taxation or other professional adviser.

Following the release of the scheme booklet, shareholders can also visit www.clydesdaledemerger.com.au or contact the NAB Shareholder Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia) between 8:00am and 7:30pm during business days in Melbourne, London or Glasgow.

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