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Monday, 22 May 2017

ASX Announcement

Open letter to shareholders on major bank tax

An open letter from NAB Chairman, Dr Ken Henry, to shareholders in relation to the major bank tax is attached.

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Monday, 22 May 2017

Dear shareholder,

As one of NAB's valued shareholders, I feel it is important you hear from me directly about the major bank tax announced in the Federal Budget on 9 May and what it will mean for NAB.

The tax – \$6.2 billion over four years – is poor public policy that will affect every Australian.

We are concerned the tax has been developed without sufficient consultation or consideration of the impact on bank customers, shareholders, suppliers and employees – or indeed the broader economy.

There remain many unanswered questions. But based on what the Government has announced to date, and applied to our business as it stands, the tax could cost NAB approximately \$350 million annually, or \$245 million post tax.

However the actual cost will not be known until the final legislation for the tax has been passed and we can fully assess its impact on NAB's business.

NAB will continue to strongly object to this tax and will do so by engaging with you, the broader community and with the Government and Parliament.

We are encouraging a Senate committee to conduct an inquiry into the legislation to enact the tax, so Australians can have a deeper understanding of the process behind the tax and how it will work.

We have also called for the exposure draft legislation to be released for public consultation so the community can have its say. This is an important step for a reform of this scale and nature.

Given the tax is being enacted for the purposes of budget repair, we have encouraged, through our initial public response, the inclusion of an end date for the legislation once its stated objectives have been met.

The Government has said this tax can be simply "absorbed". You know, I know and the Government knows that a tax cannot be "absorbed". It must be passed on somewhere.

No decisions have been made on how we will seek to manage the cost of this new tax. While we must balance the interests of all of our stakeholders, the options available to us are limited.

We could reduce what we spend with our more than 1700 suppliers. Many of these are small businesses that have provided great support and service to our bank over many years. Reducing our spend on suppliers also affects our customers and shareholders.

We could increase the rates we charge borrowers or reduce the rates we pay savers.

We could invest less in new products, facilities and services for our 10 million customers.

We could invest less in our workforce; all 34,000 employees, most of whom live and work in the communities they serve across Australia.

Or we could allow this new tax to affect our profitability. This would impact our shareholders - the 570,000 people like you who own shares in the bank directly and the millions of Australians who own NAB shares through their superannuation fund.

We will continue to advocate for you, our shareholders. You invest your savings in NAB and together with all our stakeholders are what make our company what it is today.

The Board is interested in your views on this tax and how we can represent you. Please share any feedback or thoughts you might have by emailing Shareholder.Centre@nab.com.au

Thank you for your continued support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Dr Ken Henry', with a stylized flourish at the end.

Dr Ken Henry AC
Chairman