

## OFFERING CIRCULAR DATED 21 NOVEMBER 2018.



**NATIONAL AUSTRALIA BANK LIMITED**

(ABN 12 004 044 937)

*(incorporated with limited liability in the Commonwealth of Australia)*



**BANK OF NEW ZEALAND**

*(incorporated in New Zealand with limited liability under registered number 428849)*



**BNZ INTERNATIONAL FUNDING LIMITED,**

**acting through its London Branch**

*(incorporated in New Zealand with limited liability under registered number 1635202*

*and registered as a branch in England & Wales under numbers BR008377 and FC026206)*

### **U.S.\$100,000,000,000 Global Medium Term Note Programme**

**unconditionally and irrevocably guaranteed in the case of Notes issued by  
BNZ International Funding Limited, acting through its London Branch by**

**BANK OF NEW ZEALAND**

*(incorporated in New Zealand with limited liability under registered number 428849)*

Under this U.S.\$100,000,000,000 Global Medium Term Note Programme (the **Programme**), National Australia Bank Limited (ABN 12 004 044 937) (**NAB**), Bank of New Zealand (**BNZ**) and BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each, an **Issuer** and together, the **Issuers**), may from time to time issue notes (the **Notes**, which include Senior Notes (in the case of NAB and BNZ), Guaranteed Senior Notes (in the case of BNZ-IF) and Subordinated Notes (in the case of NAB only) as such terms are defined on pages 140 and 141 of this Offering Circular) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes in issue prior to the date hereof. The payment of all amounts owing in respect of Guaranteed Senior Notes issued by BNZ-IF will be unconditionally and irrevocably guaranteed by BNZ (in such capacity, the **Guarantor**). Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 2 of this Offering Circular and any additional Dealer appointed under the Programme from time to time by the Issuers (each, a **Dealer** and together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to:

- (i) the *Commission de Surveillance du Secteur Financier* in its capacity as competent authority (the **Competent Authority** or the **CSSF**) under the Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act 2005**) to approve this Offering Circular in connection with:
  - (a) the issue by the Issuers of Notes with a minimum denomination of at least €100,000 (or its equivalent in any other currency) to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**) (the **PD Notes**); and
  - (b) in the case of NAB only, the issue by NAB of certain Tranches of Notes under the Programme with a minimum denomination of less than €100,000 (or its equivalent in any other currency) which are offered to the public in the European Economic Area in circumstances in which the requirement to publish a prospectus under the Prospectus Directive arises and are either (i) admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive, or (ii) admitted to trading on another regulated market (as defined in Directive 2014/65/EU (as amended, **MiFID II**)), or (iii) unlisted and not admitted to trading on any market (the **Non-Exempt PD Notes**); and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of Notes with a minimum denomination of at least €100,000 (or its equivalent in any other currency) (the **Exempt Notes**) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market (the Euro MTF market is not a regulated market pursuant to the provisions of MiFID II, but is subject to the supervision of the Luxembourg financial sector and stock exchange regulator, the CSSF) (the **Euro MTF Market**).

Each Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market and, where such Notes are, in addition, issued with a minimum denomination of at least €100,000 or otherwise fall within an exemption under the Prospectus Directive from the requirement to publish a prospectus, such Notes are, in addition, hereinafter also referred to in this Offering Circular as **Exempt Notes**.

For the avoidance of doubt, each Issuer may also issue Notes with a minimum denomination of less than €100,000 (or its equivalent in any other currency) which are offered to the public in the European Economic Area and fall within an exemption under the Prospectus Directive from the requirement to publish a prospectus.

**The CSSF has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes, including the form of Final Terms in respect of Exempt Notes. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Offering Circular or the quality or solvency of the Issuers in accordance with Article 7(7) of the Prospectus Act 2005.**

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or additional stock exchange(s), or market(s), as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Senior Notes) and the relevant Dealer. References

in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the official list and to trading on (i) the Regulated Market of the Luxembourg Stock Exchange or (ii) the Euro MTF Market.

Notice of, *inter alia*, the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes and the issue price of Notes which are applicable to each Tranche of Notes will be set out in the applicable Final Terms (the **Final Terms**) which, with respect to all Notes to be listed on the Regulated Market of the Luxembourg Stock Exchange or the Euro MTF Market, will be delivered to the Luxembourg Stock Exchange and, where applicable, the Competent Authority, on or before the date of issue of the Notes of such Tranche.

**Information relating to the ratings of the Programme and issues of Notes under the Programme is set out on pages 72 to 73 of this Offering Circular.**

Neither the Notes nor the Guarantee (as defined under "*Terms and Conditions of the Notes*") (in the case of Guaranteed Senior Notes) have been or will be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered or sold or, in the case of Bearer Notes, delivered in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

**Arranger**  
**DEUTSCHE BANK**

**Dealers**

<b>BOFA MERRILL LYNCH</b>	<b>BNP PARIBAS</b>
<b>CITIGROUP</b>	<b>CREDIT SUISSE</b>
<b>DEUTSCHE BANK</b>	<b>GOLDMAN SACHS INTERNATIONAL</b>
<b>HSBC</b>	<b>J.P. MORGAN</b>
<b>MORGAN STANLEY</b>	<b>NATIONAL AUSTRALIA BANK LIMITED</b>
<b>RBC CAPITAL MARKETS</b>	<b>UBS INVESTMENT BANK</b>
<b>WELLS FARGO SECURITIES</b>	

**This Offering Circular comprises (i) a prospectus for the issuance of Notes under the Programme by NAB; (ii) a prospectus for the issuance of Notes under the Programme by BNZ; and (iii) a prospectus for the issuance of Guaranteed Senior Notes under the Programme by BNZ-IF. Each prospectus constitutes, in respect of all Notes other than Exempt Notes issued under the Programme, a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and, for Exempt Notes to be listed on the Euro MTF Market, a base prospectus for the purposes of Part IV of the Prospectus Act 2005. When used in this Offering Circular, Prospectus Directive means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the EEA).**

**Each Issuer and the Guarantor (together, the Responsible Persons) accepts responsibility for the information contained in this Offering Circular (and the Final Terms for each Tranche of Notes issued under the Programme) in respect to itself only and the Notes. The Responsible Persons, each having taken all reasonable care to ensure that such is the case, confirm that such information is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.**

**The description of the 'AA-' credit rating on page 73 in "*Documents Incorporated by Reference and Credit Ratings*" has been extracted from information published by S&P Global Ratings. The description of the 'Aa3' credit rating on page 73 in "*Documents Incorporated by Reference and Credit Ratings*" has been extracted from information published by Moody's Investors Service. NAB confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**Copies of Final Terms will be available from the registered office of the relevant Issuer and the Guarantor (in the case of Guaranteed Senior Notes) and specified office set out below of each of the Paying Agents (as defined below).**

**This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference and Credit Ratings*" below). This Offering Circular shall be read and construed on the basis that those documents are incorporated in, and form part of, this Offering Circular.**

**Following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Competent Authority pursuant to Article 16 of the Prospectus Directive may be prepared by any of the Issuers (a Supplement to this Offering Circular). Pursuant to Article 14(2) of the Prospectus Directive, any such Supplement to this Offering Circular will be available, free of charge, at the registered offices of the Issuers and the Guarantor and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained free of charge from the specified office of the Agent (as defined below) at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Each of the Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.**

**In relation to Exempt Notes to be listed, following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Luxembourg Stock Exchange (as competent entity for the purposes of Part IV of the Prospectus Act 2005) may be prepared by any of the Issuers pursuant to Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (an Exempt Notes Supplement to this Offering Circular). In accordance with Article 10.1 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange, any such Exempt Notes Supplement to this Offering Circular will be available, free of charge, at the registered offices of the Issuers and the Guarantor and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained free of charge from the specified office of the Agent at Winchester House,**

1 Great Winchester Street, London EC2N 2DB. Each of the Issuers and the Guarantor will, in the event of any significant new factor relating to information included in this Offering Circular which is capable of affecting the assessment of any Exempt Notes to be listed, prepare an Exempt Notes Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Exempt Notes to be listed.

Deutsche Trustee Company Limited, as trustee for the holders of the Notes (the Trustee), has not independently verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers, the Guarantor, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor or any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuers, the Guarantor or any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes nor the issue of any Notes constitutes an offer or invitation by or on behalf of any Issuer or the Guarantor or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning any Issuer and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of any Issuer or the Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the Code), and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Dealers or the Trustee represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction,

or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, subject to the section of this Offering Circular below entitled "*Important Information relating to offers of Non-Exempt PD Notes where there is no exemption from the obligation under the Prospectus Directive to publish a Prospectus*", no action has been taken by any Issuer, the Guarantor, any of the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. No Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offer and sale of Notes. In addition, there are particular restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and its territories or possessions or to any resident thereof, the EEA (including the United Kingdom, Austria, France, The Netherlands, Italy, Ireland and Belgium), New Zealand, Hong Kong, Japan, Singapore, Switzerland, Canada, China, the Republic of Korea and the Commonwealth of Australia (Australia); see "*Subscription and Sale and Transfer and Selling Restrictions*".

This Offering Circular has not been submitted for clearance to the *Autorité des marchés financiers* of France.

#### SUITABILITY OF INVESTMENT

In making an investment decision, investors must rely on their own examination of the relevant Issuer and the Guarantor (in the case of Guaranteed Senior Notes) and the terms of the Notes being offered, including the merits and risks involved.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable Supplement to this Offering Circular;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of

borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

#### **MIFID II PRODUCT GOVERNANCE / TARGET MARKET**

The Final Terms in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

#### **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NON-EXEMPT PD NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NON-EXEMPT PD NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. NAB WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NON-EXEMPT PD NOTES CONCERNED AND, ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF NAB OR, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.**

## U.S. INFORMATION

NEITHER THE NOTES NOR THE GUARANTEE (IN THE CASE OF GUARANTEED SENIOR NOTES) HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED OR SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NONE OF THE DEALERS, THE ISSUERS, THE GUARANTOR OR THE TRUSTEE MAKES ANY REPRESENTATION TO ANY INVESTOR IN THE NOTES REGARDING THE LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE NOTES SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

This Offering Circular has been prepared by the Issuers and the Guarantor for use in connection with the offer and sale of the Notes (1) outside the United States to persons that are not U.S. persons pursuant to Regulation S under the Securities Act and (2) with respect to Registered Notes within the United States, in reliance upon Rule 144A of the Securities Act (Rule 144A) to qualified institutional buyers within the meaning of Rule 144A (QIBs) or in transactions otherwise exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Notes in bearer form, delivered, in the United States or to or for the account or benefit of, United States persons as defined in the Code and regulations thereunder.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" as defined in Rule 144(a)(3) of the Securities Act, each of the Issuers has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the relevant Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

NAB is a corporation organised under the laws of Australia. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of NAB and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Australia upon NAB or such persons, or to enforce judgments against them obtained in courts outside Australia predicated upon civil liabilities of NAB or such directors and officers under laws other than Australian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in Australia in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

BNZ, BNZ-IF and the Guarantor are corporations organised under the laws of New Zealand. All of the respective officers and directors of BNZ, BNZ-IF and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of each of BNZ, BNZ-IF and the Guarantor and of their respective officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside New Zealand upon BNZ or BNZ-IF or the Guarantor or upon such persons, or to enforce judgments against them obtained in courts outside New Zealand predicated upon civil liabilities of BNZ or BNZ-IF or the Guarantor, as the case may be, or their respective directors and officers under laws other than New Zealand law, including any judgment predicated upon United States federal securities laws. Each of BNZ, BNZ-IF and the Guarantor has been advised by Russell McVeagh, their New Zealand counsel, that there is doubt as to the enforceability in New Zealand in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

## FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuers' and the Guarantor's financial position, business strategy, plans, targets, intentions and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the relevant Issuer or the Guarantor, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the relevant Issuer or the Guarantor and the environment in which they will operate in the future. These forward-looking statements speak only as of the date of this Offering Circular. Each of the Issuers and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the relevant Issuer or the Guarantor with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## BENCHMARKS REGULATION

Amounts payable on certain Floating Rate Notes issued under the Programme may be calculated by reference to LIBOR, EURIBOR, Compounded Daily SONIA, HIBOR, BA-CDOR, SIBOR, CNH HIBOR, NIBOR, BBSW or BKBM as specified in the applicable Final Terms. As at the date of this Offering Circular, each of ICE Benchmark Administration Limited (as administrator of LIBOR) and Thomson Reuters Benchmark Services Limited (as administrator of BA-CDOR) appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 of the Regulation (EU) No. 2016/1011 (the Benchmarks Regulation). As at the date of this Offering Circular, the administrators of EURIBOR,



SONIA, CNH HIBOR, SIBOR, HIBOR, NIBOR, BBSW and BKBM do not appear on ESMA's register of administrators and benchmarks under Article 36 of the Benchmarks Regulation. As far as each Issuer is aware, (i) SONIA does not fall within the scope of the Benchmarks Regulation, and (ii) the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that each of the European Money Markets Institute (as administrator of EURIBOR), Treasury Markets Association (as administrator of CNH HIBOR), ABS Benchmarks Administration Co Pte Ltd. (as administrator of SIBOR), Norske Finansielle Referanser AS (as administrator of NIBOR), ASX Limited (as administrator of BBSW) and New Zealand Financial Markets Association (as administrator of BKBM) is not currently required to obtain authorisation/registration (or, if located outside the European Union (EU), recognition, endorsement or equivalence).

#### SECTION 309B NOTIFICATION

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the CMP Regulations 2018), the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), unless otherwise specified before an offer of Notes, that all Notes issued or to be issued under the Programme are classified as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

NAB maintains its financial books and records and prepares its financial statements in Australian dollars in accordance with the requirements of the Corporations Act 2001 of Australia, accounting standards and interpretations issued by the Australian Accounting Standards Board which differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP).

In this Offering Circular all references to the "NAB Group" refer to NAB and its controlled entities. In addition, references to "U.S. dollars" and "U.S.\$" refer to United States dollars, references to "Australian dollars" and "A\$" refer to Australian dollars, references to "New Zealand dollars" and "NZ\$" refer to New Zealand dollars, references to "£" refer to pounds Sterling, references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended and references to "Renminbi", "RMB" and "CNY" are to the lawful currency of the People's Republic of China and all references to the "PRC" and "China" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan. All references in the "*Summary of the Programme relating to Non-Exempt PD Notes*" set out on page 11 herein to "prospectus" refer to this Offering Circular (and any applicable Final Terms related thereto), references to "securities" are to the Non-Exempt PD Notes and references to an "offer" are to a Non-exempt Offer.

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**In connection with the issue of any Tranche of Notes, any relevant Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions (in each case outside Australia and New Zealand and not on any market in Australia or New Zealand) with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allocation must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

NAB does not have authorisation of De Nederlandsche Bank N.V. to pursue the business of a bank in the Netherlands and is not registered as a "licensed financial enterprise" pursuant to section 1:107 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*). NAB has authorisation of the Australian Prudential Regulation Authority to pursue the business of a credit institution. In addition, NAB's London Branch is authorised and regulated by the Financial Conduct Authority, is subject to limited regulation by the Prudential Regulation Authority, and has permission to carry on the regulated activity of (amongst other things) accepting deposits, and is an authorised person for the purposes of the Financial Services and Markets Act 2000.

## SUMMARY OF THE PROGRAMME RELATING TO NON-EXEMPT PD NOTES

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and NAB. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of “not applicable”.

### Section A – Introduction and warnings

Element		
A.1	<ul style="list-style-type: none"> <li>• <b>This summary should be read as an introduction to the prospectus.</b></li> <li>• <b>Any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor.</b></li> <li>• <b>Where a claim relating to information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</b></li> <li>• <b>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</b></li> </ul>	
A.2	<p>Consent by the Issuer to the use of the Offering Circular for subsequent resale or final placement by financial intermediaries, during the offer period indicated and the conditions attached to such consent.</p>	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a <b>Non-exempt Offer</b>.<sup>1</sup></p> <p>[Not Applicable – the Notes are not being offered to the public as part of an offer of Notes where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus.]</p> <p>[<i>Consent</i>: Subject to the conditions set out below, the Issuer consents, within any Offer Period (as defined below) occurring within 12 months from the date of the Offering Circular, to the use of this Offering Circular in connection with an offer of Notes where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a <b>Non-exempt Offer</b>) by the [Dealers/Managers][, [names of specific financial intermediaries listed in final terms,] [and] [each financial</p>

<sup>1</sup> Delete this paragraph when preparing an issue specific summary.

Element	
	<p>intermediary whose name is published on the Issuer’s website (<a href="http://www.nab.com.au/">http://www.nab.com.au/</a>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under applicable legislation implementing Directive 2014/65/EU (as amended, <b>MiFID II</b>) and publishes on its website the following statement (with the information in square brackets being duly completed):</p> <p><i>“We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the <b>Notes</b>) described in the Final Terms dated [insert date] (the <b>Final Terms</b>) published by National Australia Bank Limited (ABN 12 004 044 937) (the <b>Issuer</b>). In consideration of the Issuer offering to grant its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in [Luxembourg/Austria/Belgium/France/Germany/Ireland/Italy/The Netherlands/The United Kingdom (the <b>Public Offer Jurisdictions</b>)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Offering Circular, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Offering Circular) and confirm that we are using the Offering Circular accordingly.”]</i></p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the <b>Offer Period</b>).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer’s consent (in addition to the conditions referred to above) are that such consent (a) is only valid during the Offer Period; [and] (b) only extends to the use of this Offering Circular to make Non-exempt Offers of the relevant Tranche of Notes in [specify each relevant Member State in which the particular Tranche of Notes can be offered] [and (c) [specify any other conditions applicable to the Non-exempt Offer of the particular Tranche, as set out in the Final Terms][will not be valid in Austria until the day following the bank working day in Austria on which the OeKB, as registration office (<i>Meldestelle</i>), has been notified of the intended Non-exempt Offer]].</p> <p><b>INFORMATION ON THE TERMS AND CONDITIONS OF THE OFFER BY ANY FINANCIAL INTERMEDIARY IS TO BE PROVIDED AT THE TIME OF THE OFFER BY THE FINANCIAL INTERMEDIARY</b></p>
	<p>Notice to investors that information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.</p>

## Section B – The Issuer

Element	Title	
<b>B.1</b>	Legal and commercial name of the Issuer	The legal name of the Issuer is National Australia Bank Limited (ABN 12 004 044 937) and the Issuer trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	The Issuer is incorporated in Australia as a public limited company and registered in the State of Victoria and has its registered office at Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia. The Issuer operates under Australian legislation including the Corporations Act 2001 of Australia (the <b>Corporations Act</b> ) and the Banking Act 1959 of Australia (the <b>Banking Act</b> ).
<b>B.4b</b>	Trends affecting the Issuer and the industries in which it operates	There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year, other than contingent liabilities relating to certain litigation, conduct and regulatory matters within the Issuer and its controlled entities (the <b>NAB Group</b> ), for which provisions have been made where appropriate.
<b>B.5</b>	Description of the group and the Issuer's position within the group	<p>The NAB Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with over 584,000 shareholders and serving approximately nine million customers. The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom and the United States.</p> <p>The Issuer is the holding company and main operating company for the NAB Group.</p>
<b>B.9</b>	Profit forecast or estimate	<p>Not Applicable.</p> <p>No profit forecast or estimate has been made in the Offering Circular.</p>
<b>B.10</b>	Audit report qualifications	<p>Not Applicable.</p> <p>There are no qualifications in the audit report on historical financial information.</p>
<b>B.12</b>	Selected historical key financial information regarding the Issuer	<p><b><i>Income Statement</i></b></p> <p>The table below sets out summary information extracted from the Issuer's audited consolidated income statement for each of the two years ended 30 September 2018 and 30 September 2017:</p>

Element	Title		
		<b>30 September</b>	
		<b>2018<sup>(1)</sup></b>	<b>2017<sup>(1)</sup></b>
		<b>Profit before income tax expense (A\$(m))</b>	<b>8,400</b>
		<b>8,400</b>	<b>8,661</b>
		<b>Net profit for the year from continuing operations (A\$(m))</b>	<b>5,945</b>
		<b>5,945</b>	<b>6,181</b>
		<b>Statutory earnings per share (cents) from continuing operations - Basic</b>	<b>215.6</b>
		<b>215.6</b>	<b>228.2</b>
		<b>Statutory earnings per share (cents) from continuing operations - Diluted</b>	<b>207.2</b>
		<b>207.2</b>	<b>220.1</b>
		<sup>(1)</sup> Information is presented on a continuing operations basis.	
		The table below sets out summary information including discontinued operations for the years ended 30 September 2018 and 30 September 2017:	
		<b>30 September</b>	
		<b>2018</b>	<b>2017</b>
		<b>Net profit attributable to the owners of NAB<sup>(2)</sup> (A\$(m))</b>	<b>5,554</b>
		<b>5,554</b>	<b>5,285</b>
		<b>Statutory earnings per share (cents) - Basic</b>	<b>201.3</b>
		<b>201.3</b>	<b>194.7</b>
		<b>Statutory earnings per share (cents) - Diluted</b>	<b>194.0</b>
		<b>194.0</b>	<b>189.1</b>
		<sup>(2)</sup> Excludes A\$3m non-controlling interest share of the profit.	
		<b>Balance Sheet</b>	
		The table below sets out summary information extracted from the Issuer's audited consolidated balance sheet as at 30 September 2018 and 30 September 2017:	
		<b>30 September</b>	
		<b>2018</b>	<b>2017</b>
		<b>A\$(m)</b>	<b>A\$(m)</b>
		<b>Total assets</b>	<b>806,510</b>
		<b>806,510</b>	<b>788,325</b>
		<b>Total liabilities</b>	<b>753,798</b>
		<b>753,798</b>	<b>737,008</b>
		<b>Net assets</b>	<b>52,712</b>
		<b>52,712</b>	<b>51,317</b>

Element	Title										
		<table> <tr> <td><b>Total equity (parent entity interest)</b></td> <td style="text-align: right;"><b>52,701</b></td> <td style="text-align: right;"><b>51,306</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> <td></td> </tr> <tr> <td><b>Total equity</b></td> <td style="text-align: right;"><b>52,712</b></td> <td style="text-align: right;"><b>51,317</b></td> </tr> </table>	<b>Total equity (parent entity interest)</b>	<b>52,701</b>	<b>51,306</b>		<hr/>		<b>Total equity</b>	<b>52,712</b>	<b>51,317</b>
<b>Total equity (parent entity interest)</b>	<b>52,701</b>	<b>51,306</b>									
	<hr/>										
<b>Total equity</b>	<b>52,712</b>	<b>51,317</b>									
	Significant changes in the financial or trading position of the Issuer / Material adverse change in the prospects of the Issuer	There has been no significant change in the financial or trading position of the NAB Group since 30 September 2018 and there has been no material adverse change in the prospects of the NAB Group since 30 September 2018.									
<b>B.13</b>	Events impacting the Issuer's solvency	<p>Not Applicable.</p> <p>There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.</p>									
<b>B.14</b>	Dependence upon other group entities	<p>Not Applicable.</p> <p>The Issuer is not dependent on other NAB Group entities.</p> <p>See Element B.5 for information on the Issuer's position in the NAB Group.</p>									
<b>B.15</b>	A description of the Issuer's principal activities	The principal activities of the NAB Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management services, funds management and custodian, trustee and nominee services.									
<b>B.16</b>	Controlling shareholders	<p>Not Applicable.</p> <p>The Issuer is not directly or indirectly owned or controlled.</p>									
<b>B.17</b>	Solicited credit ratings	<p>The Programme (in respect of Senior Notes issued by the Issuer with a maturity of more than one year) has been rated AA- by S&amp;P Global Ratings Australia Pty Ltd. and Aa3 by Moody's Investors Service Pty Limited.</p> <p>Notes issued under the Programme may be unrated or rated by either of the rating agencies set out above or another independent credit rating agency. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.<sup>2</sup></p> <p>[The Notes [have been]/[are expected to be] rated [●] by [●].]</p>									

<sup>2</sup> Delete the preceding wording in item B.17 when preparing an issue specific summary.

Element	Title	
		<p>[The Issuer's Senior Notes with a maturity of more than one year issued under the Programme are rated [●] by [●].]</p> <p>[Not Applicable - no ratings have been assigned to the Notes at the request of or with the co-operation of the Issuer in the rating process.]</p>

### Section C – Securities

Element	Title	
<b>C.1</b>	Description of Notes/ISIN	<p>The Notes described in this section are debt securities of the Issuer with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.<sup>3</sup></p> <p>The Notes are [£/€/U.S.\$/CNY/[●]][[●] per cent./Floating Rate/Zero Coupon] Notes due [●].</p> <p>International Securities Identification Number (ISIN): [●]</p> <p>[The Notes will be consolidated and form a single series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [<i>date</i>]].]</p>
<b>C.2</b>	Currency of the securities issue	<p>Subject to compliance with all applicable laws, regulations and directives, the currency of each Series of Notes issued will be agreed between the Issuer and the relevant Dealer at the time of issue.<sup>4</sup></p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/Renminbi (CNY)/[●] ([●])].</p>
<b>C.5</b>	A description of any restrictions on the free transferability of the securities	Not Applicable – There are no restrictions on the free transferability of the Notes.
<b>C.8</b>	Rights attaching to the notes, ranking and limitations to those rights	<p><i>Status</i></p> <p>The Notes and any Coupons are unsubordinated, direct and unsecured obligations of the Issuer and rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law including but not limited to those referred to in Division 2 of Part II of the</p>

<sup>3</sup> Delete this paragraph when preparing an issue specific summary.

<sup>4</sup> Delete this paragraph when preparing an issue specific summary.



Element	Title	
		<p>Banking Act and section 86 of the Reserve Bank Act 1959 of Australia). The Notes do not constitute deposit liabilities of the Issuer, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or of any other jurisdiction or by any other party.</p> <p><i>Taxation</i></p> <p>All payments of principal and interest in respect of the Notes and any Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, assessments, other governmental charges or duties of whatever nature imposed or levied by or on behalf of Australia (and, in the case of Notes issued by a borrowing office of the Issuer located outside Australia, the jurisdiction in which such borrowing office is located), unless such withholding or deduction is required by law. In such event, the Issuer will, subject to certain exceptions described herein, pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction. Any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the <b>Code</b>), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.</p> <p><i>Negative pledge</i></p> <p>The terms of the Notes do not contain a negative pledge provision.</p> <p><i>Events of default</i></p> <p>The terms of the Notes contain, amongst others, the following events of default (the <b>Events of Default</b>) (the events described in paragraphs (c), (d), (e), (f), (h) or (i) inclusive below, are subject to the Trustee having certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders):</p>

Element	Title	
		<p>(a) default by the Issuer in any payment when due of principal on the Notes or any of them and the default continues for a period of seven days;</p> <p>(b) default by the Issuer in payment when due of any instalment of interest on the Notes or any of them and the default continues for a period of 30 days;</p> <p>(c) a failure by the Issuer to perform or observe any of its other obligations under the Conditions or the Trust Deed and the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied;</p> <p>(d) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;</p> <p>(e) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of monies borrowed or raised on a non-recourse basis);</p> <p>(f) the Issuer (i) becomes insolvent or is unable to pay its debts as they mature; or (ii) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of monies borrowed or raised on a non-recourse basis); or (iii) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;</p> <p>(g) an order is made or an effective resolution passed for a Winding Up (as defined in Condition 3.2) of the Issuer other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency;</p> <p>(h) a moratorium shall be agreed or declared in respect of any indebtedness of the Issuer or any governmental authority or agency shall have</p>

Element	Title	
		<p>condemned, seized or compulsorily purchased or expropriated all or a substantial part of the assets of or capital of the Issuer; or</p> <p>(i) the Issuer (i) ceases to carry on a banking business in Australia, or the Issuer's authority under the Banking Act or any amendment or re-enactment thereof to carry on banking business in Australia is revoked; or (ii) enters into an arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (ii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes and Coupons; or (b) with the consent of the Noteholders by Extraordinary Resolution.</p> <p>No Event of Default (other than (g) above) in respect of the Notes shall occur solely on account of any failure by the Issuer to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital (as defined by the Australian Prudential Regulation Authority from time to time).</p> <p><i>Meetings</i></p> <p>The conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><i>Governing law</i></p> <p>English law.</p>
C.9	Interest: The interest rate and the due dates for interest	<p>See also C.8 above.</p> <p><i>Interest</i></p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate.<sup>5</sup></p> <p>[The Notes bear interest [from their date of issue] at the</p>

<sup>5</sup> Delete this paragraph when preparing an issue specific summary.

Element	Title	
	<p>Redemption: The maturity date, amortisation and repayment procedures</p> <p>Representative of the debt security holders</p>	<p>fixed rate of [●] per cent. per annum[, subject to adjustment for non-business days.]. The yield of the Notes is [●] per cent. Interest will be paid [semi-annually/annually] in arrear on [●][ and [●]] in each year.]</p> <p>[The Notes bear interest [from their date of issue] at floating rates calculated by reference to [●] [plus/minus] a margin of [●] per cent. Interest will be paid [quarterly] in arrear on [●], [●], [●] and [●] in each year[, subject to adjustment for non-business days.]]</p> <p>[Not Applicable. The Notes do not bear any interest.]</p> <p><b>Redemption</b></p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.<sup>6</sup></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [●] at [●] per cent. of their nominal amount. The Notes may be redeemed early for tax reasons [or [●]] at [●].</p> <p><b>Representative of holders</b></p> <p>Deutsche Trustee Company Limited will act as trustee for the holders of the Notes (the <b>Trustee</b>). The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders.</p>
C.10	If the security has a derivative component, an explanation of	Not Applicable.

<sup>6</sup> Delete this paragraph when preparing an issue specific summary

Element	Title	
	how the value of the investment is affected by the value of the underlying instrument	<p>The Notes do not have a derivative component in the interest payment.</p> <p>See Element C.9 for information on the interest payable in respect of the Notes.</p>
C.11	Application for admission to trading with a view to their distribution in a regulated market	[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange][ <i>other</i> ].][Not Applicable.]

#### Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer	<p>In purchasing the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together may result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control.</p> <p>Set out below is a summary of the principal risks and uncertainties associated with the Issuer's business and its ability to make payments due under the Notes (not listed in order of significance). These risks may adversely impact the Issuer's financial performance and position, operations, and / or its reputation.</p> <p><b>The following risks are specific to the banking and financial services industry:</b></p> <ul style="list-style-type: none"> <li>• The Issuer may be impacted by macro-economic and geopolitical risks and changes to the financial market conditions in which it operates, which may adversely impact its financial performance and position;</li> <li>• The Issuer is subject to extensive regulation. Regulatory changes may adversely impact the NAB Group's reputation, operations, and financial performance and position; and</li> <li>• The Issuer faces intense competition across the markets in which it operates, from established financial services providers and new market entrants, which may lead to compression in profit</li> </ul>

Element	Title	
		<p style="text-align: center;">margins or loss of market share.</p> <p><b>The following risks are specific to the Issuer as a direct result of its operations as a major participant in the banking and financial services industry and its organisational structure:</b></p> <ul style="list-style-type: none"> <li>• The Issuer is exposed to credit risk, in particular from the lending activities of the NAB Group, which may adversely impact its reputation, and financial performance and position;</li> <li>• The Issuer is exposed to operational risks resulting from inadequate or failed internal processes, people and systems or from external events, which may adversely impact its reputation, and financial performance and position;</li> <li>• The Issuer may be exposed to risk arising from non-compliance with laws or standards, regulations, licence conditions, codes and internal policies and procedures, which may adversely impact its reputation, and financial performance and position;</li> <li>• The Issuer may be subject to disruption of its technology systems or breaches of data security, which may adversely impact its operations, reputation, and financial performance and position;</li> <li>• Transformation and change programmes across the NAB Group involve significant investment and may not deliver some or all of their anticipated benefits, which may adversely impact the Issuer’s reputation, and financial performance and position;</li> <li>• The Issuer may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect, which may adversely impact the Issuer’s reputation, and financial performance and position;</li> <li>• The Issuer may be subject to litigation and contingent liabilities arising from its business conduct, which may adversely impact its reputation, and financial performance and position;</li> <li>• The Issuer may have insufficient capital to meet prudential requirements, achieve strategic plans and objectives, cover the risks to which it is exposed, or protect against unexpected losses, which may adversely impact the Issuer’s reputation, operations and financial performance</li> </ul>

Element	Title	
		<p>and position;</p> <ul style="list-style-type: none"> <li>• The Issuer’s funding and liquidity position may be adversely impacted by dislocation in global capital markets;</li> <li>• The Issuer may be subject to a significant downgrade in its credit ratings, which may adversely impact its cost of funds, market access and competitive position;</li> <li>• Changes in interest rates may adversely impact the Issuer’s financial performance and position;</li> <li>• The Issuer is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position; and</li> <li>• Certain strategic decisions, including acquisitions or divestments, may adversely impact the Issuer’s reputation, and financial performance and position. For example, there are reputational and economic risks and uncertainties associated with the Issuer’s sale of 80 per cent. of MLC Limited and actions the Issuer has agreed to take to establish MLC Limited as a standalone entity.</li> </ul> <p>The operations of the NAB Group are also exposed to a variety of other risks which include, but are not limited to, the failure, in whole or in part, of the NAB Group’s risk management framework, foreign exchange and translation risk, risk arising from the Issuer’s exposure to traded market activities, and underwriting risk. If any of these risks are realised, they may have an adverse impact on the financial performance and position of the NAB Group.</p>
<b>D.3</b>	Key risks regarding the Notes	<p>There are also risks associated with the Notes, including a range of market risks, as follows:</p> <ul style="list-style-type: none"> <li>• [if the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return;]</li> <li>• there may be no, or only a limited, secondary market in the Notes and this would adversely affect the value at which an investor could sell their Notes;</li> <li>• [any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes;]</li> </ul>

Element	Title	
		<ul style="list-style-type: none"> <li>• the conditions of the Notes may be modified without the consent of the holder in certain circumstances;</li> <li>• the Australian Prudential Regulation Authority has extensive powers to intervene in the operations of the Issuer, including, in certain circumstances, a power to direct the Issuer to conduct or not to conduct certain activities or transactions, or not to make payments, which may limit or affect an investor's ability to enforce certain rights in connection with the Notes;</li> <li>• investors are exposed to the risk of changes in law or regulation affecting the value of the Notes; and</li> <li>• an investor's investment may be adversely affected by exchange rate movements.</li> </ul> <p>In addition, there are also a range of risks which may apply, depending on the particular structure of the Notes to be issued, including:</p> <ul style="list-style-type: none"> <li>• [a holder of Fixed Rate Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate;]</li> </ul>
		<ul style="list-style-type: none"> <li>• [a holder of Floating Rate Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of Floating Rate Notes in advance;]</li> <li>• [the market values of Zero Coupon Notes issued at a substantial discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities;]</li> <li>• [the regulation and reform of benchmarks (including, but not limited to, LIBOR, EURIBOR and BBSW) may adversely affect the value of Notes linked to or referencing such benchmarks;]</li> <li>• [investors in Notes referencing Compounded Daily SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR; and]</li> <li>• [there are certain risks specific to Notes denominated in</li> </ul>



Element	Title	
		RMB, such as restrictions on remittance of RMB into and out of the PRC. Limited availability of RMB outside of the PRC may affect the liquidity of the Notes and the ability of the Issuer to make payments in RMB under the Notes.]

### Section E – Offer

Element	Title	
<b>E.2b</b>	Reasons for the offer and the use of proceeds when different from making profit and/or hedging risk	<p>The net proceeds from each issue of Notes will be used for the general purposes of the Issuer (which include making a profit) and its subsidiaries or may be used for particular uses, as determined by the Issuer.<sup>7</sup></p> <p>[The net proceeds from the issue of the Notes will be used for the general purposes of the Issuer (which include making a profit) and its subsidiaries [and [ ]].]</p>
<b>E.3</b>	Terms and conditions of the offer	<p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue.<sup>8</sup></p> <p>[Not Applicable – the Notes are not being offered to the public as part of a Non-exempt Offer.]</p> <p>[An Investor intending to acquire or acquiring any Notes from an Authorised Offeror other than the Issuer will do so, and offers and sales of Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p><b>Offer Period:</b> [The period from [[●] until [●]/[the Issue Date]]/[the date which falls [●] Business Days thereafter]] [●]</p> <p><b>Offer Price:</b> [The Offer Price shall, on the Issue Date, be equal to the Issue Price. The offer price of the Notes thereafter will, for subsequent re-offers of the Notes, be determined by the seller and purchaser of such Notes in accordance with market conditions then prevailing, including supply and demand for the Notes and other similar securities.] [●]</p> <p><b>Conditions to which the offer is subject:</b> [Offers of the Notes are conditional on their issue. As between the Authorised Offerors and their customers, offers of the Notes</p>

<sup>7</sup> Delete this paragraph when preparing an issue specific summary.

<sup>8</sup> Delete the preceding wording in item E.3 when preparing an issue specific summary.

Element	Title	
		<p>are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.] [●]</p> <p><b><i>The time period, including any possible amendments, during which the offer will be open and description of the application process:</i></b> [A prospective Noteholder should contact the applicable Authorised Offeror in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Authorised Offeror and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer in connection with the subscription of the Notes.] [●]</p> <p><b><i>Details of the minimum and/or maximum amount of application:</i></b> [There are no pre-identified allotment criteria. The Authorised Offerors will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations.] [●]</p> <p><b><i>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</i></b> [Not Applicable. The terms of the offers of the Notes do not provide for any reductions of subscriptions.] [●]</p> <p><b><i>Details of the method and time limits for paying up and delivering the Notes:</i></b> [Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof. The Notes will be issued on the Issue Date against payment to the Issuer of the net subscription moneys.] [●]</p> <p><b><i>Manner in and date on which results of the offer are to be made public:</i></b> [Not Applicable.] [●]</p> <p><b><i>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</i></b> [Not Applicable. The terms of the offers of the Notes do not provide for a procedure for the exercise of any right of pre-emption or negotiability of subscription rights.] [●]</p> <p><b><i>Categories of potential Investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:</i></b> Offers may be made by the Authorised Offerors in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the</p>

Element	Title	
		<p>[Dealers/Managers] pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes by the Authorised Offerors will be made in compliance with all applicable laws and regulations.</p> <p><b><i>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</i></b> [A prospective Noteholder will receive 100 per cent. of the amount of the Notes allocated to it during the Offer Period. Prospective Noteholders will be notified by the applicable Authorised Offeror in accordance with the arrangements in place between such Authorised Offeror and the prospective Noteholders. No dealings in the Notes on a regulated market for the purposes of MiFID II may take place prior to the Issue Date.] [●]</p> <p><b><i>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</i></b> [Not Applicable. The terms of the offers of the Notes do not provide for any expenses and/or taxes to be charged to any subscriber and/or purchaser of the Notes.] [●]</p> <p><b><i>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:</i></b> [None] [●]</p>
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.<sup>9</sup></p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [●] per cent. of the nominal amount of the Notes.] [Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]</p>
E.7	Expenses charged to the Investor by the Issuer	[Not Applicable – No expenses will be charged to Investors by the Issuer.] [●]

<sup>9</sup> Delete this paragraph when preparing an issue specific summary.

## RISK FACTORS

*Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and none of the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and in the documents incorporated by reference and reach their own views prior to making any investment decision.*

*Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of any of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the relevant Issuer or the Guarantor based on information currently available to them or which they may not currently be able to anticipate.*

***Investors should be aware that the materialisation of any of the below risks may adversely affect the value of any securities.***

### **Factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee**

The Notes and the Guarantee (as applicable) will constitute unsecured obligations of the relevant Issuer and the Guarantor (as applicable), respectively. A purchaser of Notes relies on the creditworthiness of the relevant Issuer and the Guarantor (as applicable) and no other person, except in the case of certain Index Linked Notes, where payment of principal or interest under such Notes may be determined by reference to changes in the prices of securities in other entities or other factors. Investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the relevant Issuer and the Guarantor (as applicable) may adversely affect the market value of the Notes.

References in the following risk factors to “BNZ” are to BNZ in its capacity as an Issuer and as the Guarantor.

#### ***Risks Related to the Business of NAB and BNZ***

#### ***Risks specific to NAB and BNZ including those related to general banking, economic and financial conditions***

Set out below are the principal risks and uncertainties associated with NAB and BNZ (in its capacity as an Issuer and the Guarantor). These risks and uncertainties are not listed in order of significance and it is not possible to determine the likelihood of these risks occurring. In the event that one or more of these risks materialise, NAB’s and BNZ’s reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

Reputational damage may adversely impact the NAB Group’s ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may result in a higher risk premium being applied to the NAB Group, and impact the cost of funding its operations or its financial condition. It may also result in regulators requiring the NAB Group to hold additional capital, pay fines or incur additional costs, including costs to undertake remedial action. These impacts may affect the viability of some or all of the NAB Group’s business activities.

The NAB Group's risk management framework and internal controls may not be adequate or effective in accurately identifying, evaluating or addressing risks faced by the NAB Group. There may be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known or material. These may individually or in aggregate adversely impact NAB and BNZ. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by NAB and BNZ.

### ***Risks specific to the banking and financial services industry***

The nature and impact of these external risks are generally unpredictable and are beyond the direct control of NAB and BNZ.

*The NAB Group may be adversely impacted by macro-economic and geopolitical risks and financial market conditions*

The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches in Asia, the United Kingdom (**UK**) and the United States (**US**). The business activities of the NAB Group are dependent on the nature and extent of banking and financial services and products required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates, and market volatility and uncertainty.

Deterioration in any of these factors may lead to:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- An increase of customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings. In particular, the NAB Group's wealth business earnings are highly dependent on asset values, mainly the value of listed equities.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

Economic conditions may also be impacted by climate change and major shock events, such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

The following are examples of macro-economic and financial market conditions that are currently relevant to the NAB Group and may adversely impact its financial performance and position:

- Continued above-trend global growth is leading to lower unemployment rates and reductions in spare productive capacity. Modest inflation, which has allowed key central banks to keep their policy interest rates low by historical standards, is starting to reverse. Policy rates have risen most rapidly in the US, but have also increased in Canada and the UK. While not yet raising rates, the

European Central Bank has stated that it intends to end its asset purchase programme by the end of 2018, reducing monetary stimulus. Further increases in policy rates are expected going forward as global monetary policy is gradually normalised.

- Sustained low central bank policy rates, combined with unconventional monetary policy in a number of regions, have created considerable financial vulnerabilities across the globe with high debt levels and elevated asset prices in many regions. Potentially significant risks are associated with rising interest rates, both in terms of asset repricing and mismatches in asset and debt maturities. If the rise in US inflation and interest rates is above the gradual pace currently expected by markets, these risks will be magnified. Increases in global bond yields could also affect Australian and New Zealand markets. The increased spread between bank bill rates and overnight indexed swap rates adds to potential funding costs, and it remains unclear how long market pricing will continue at these higher spreads.
- Government debt is exceptionally high across large advanced economies, impacting on sovereign credit ratings and funding costs. While Australian and New Zealand government debt remains low by advanced economy benchmarks, any decreases in their sovereign credit ratings could have an adverse effect on the NAB Group's businesses located in both countries. The global economy is highly leveraged and as bond rates increase, it adds business risks in key export markets. Household debt is also at elevated levels across a range of emerging and advanced economies, including Australia and New Zealand.
- Regulators have warned that many valuations look stretched by either historical or conventional valuation standards. Prices for US equities, commercial real estate in the US and UK, and residential property in Pacific Rim metropolitan centres appear elevated. An increase in interest rates or a decrease in income could trigger declines in some of the collateral values.
- Low central bank policy rates and compressed risk premiums led investors to take on more risk in their search for yield. This has resulted in capital flowing towards a range of riskier government and corporate borrowers who are more vulnerable to default as interest rates start to rise.
- Emerging market currencies have fallen sharply since the first quarter of 2018, as have equity markets in these regions. Although concerns are currently localised in a few countries, negative sentiment could result in contagion across the regions, driving capital outflows that could place strain on financial markets. Countries with large foreign currency denominated debts are particularly exposed.
- Capital flows back to the US could lead to lower exchange rates elsewhere, and to higher interest rates and credit downgrades in borrowing countries, particularly those with current account deficits and net foreign debt. Countries across Latin America, Africa, Asia and Eastern Europe appear vulnerable to movements in capital back toward the US as yields increase.
- Concerns around the stability of emerging market economies have risen in recent months. While largely related to specific domestic issues in a limited number of economies (most notably Turkey, Argentina and Brazil), credit default swap spreads across a broad range of emerging market economies have risen considerably since early 2018. These measures are often an early warning indicator of financial stress in economies.
- Risks are increasing across the banking sector in East Asia. China's banks are exposed to highly geared corporates and real estate, and there is uncertainty over the outlook for Chinese non-performing loans. The high property prices and positive credit growth to gross domestic product gaps that exist in Hong Kong, Singapore and China illustrate potential problems in the event of a negative shock to the region's economies. China's extensive and complex shadow banking sector presents added risks.

- There are still pockets of concern throughout the global banking sector. In addition to emerging markets and East Asia, bank stresses still remain in parts of the Eurozone, especially in Italy, Spain and Portugal.
- Trade tensions between the US and major trading partners, most notably China, continue to escalate following the introduction of a series of tariff measures in both countries. Although China is the primary target of US trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. China's policy response to these trade measures also presents a degree of uncertainty. There is some evidence of China's monetary policy easing and the potential for greater fiscal spending, which could worsen existing imbalances in its economy. This could undermine efforts to address already high debt levels, and increase medium-term risks.
- Continued economic growth in China is important to Australia and New Zealand, with ongoing trade and investment exposure to any sharp slowdown in the rapid pace of Chinese economic growth. China's high and growing debt burden presents a risk to its medium-term growth prospects. Due to its export mix, Australia's economy is especially exposed to a sudden downturn in Chinese investment in business, infrastructure or housing.
- As commodity exporting economies, Australia and New Zealand are exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income, tax receipts and exchange rates. Previous sharp declines in commodity prices in Australia and New Zealand were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and the NAB Group has sizeable exposures to commodity producing and trading businesses.
- Residential property prices in certain major metropolitan areas in Australia and New Zealand are high relative to standard affordability metrics. High levels of immigration have underpinned elevated levels of housing demand, supporting these property market values. A range of factors could contribute to lower residential property prices. This includes regulatory changes which may impact the availability of credit, shifts in political platforms that are less favourable to immigration and overseas investment, changes to policy regarding negative gearing and capital gains tax, and rising unemployment.
- Geopolitical risks continue to present uncertainty to the economic outlook. An increasing fragmentation and a rise in populism in many major democratic economies have led to difficulties in policy implementation. The likelihood of the UK leaving the European Union without a withdrawal agreement has increased, posing greater economic uncertainty for the European region. In addition, the changing nature of US foreign policy has contributed to higher geopolitical risk, particularly given the ongoing uncertainty around the Korean Peninsula, South China Sea and Iran nuclear sanctions.

*NAB and BNZ are subject to extensive regulation. Regulatory changes may adversely impact NAB's and BNZ's reputation, operations, and financial performance and position*

The NAB Group is highly regulated in jurisdictions in which it operates, trades or raises funds, and is subject to supervision by a number of regulatory authorities and industry codes of practice.

Regulations vary across jurisdictions and are designed to protect the interests of customers, policy holders, security holders, and the banking and financial services system as a whole. Changes to laws and regulations or changes to regulatory policy or interpretation can be unpredictable, are beyond NAB's and BNZ's control, and may not be harmonised across the jurisdictions in which the NAB Group operates. Regulatory change may result in significant capital and compliance costs, changes to corporate structure and increasing demands on management, employees and information technology systems. This may also result in changes

in the viability of the NAB Group's participation in certain markets, or the need to divest components of its operations.

The financial services and banking industries in Australia and New Zealand are currently operating in an environment of heightened regulatory and political scrutiny. Recommendations from reviews and inquiries, and regulatory and legislative changes, may result in significant reforms to the financial services and banking industry. For instance:

- In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the **Royal Commission**). A Royal Commission is a formal public inquiry that can only be instigated by the executive branch of the Australian Government and is directed by terms of reference. During 2018, the Royal Commission has conducted public hearings on a wide range of matters that relate to the business and operations of the NAB Group, including consumer lending, business lending, provision of financial advice and the conduct of the financial regulators. The final report of the Royal Commission is due by February 2019. In the Interim Report released on 28 September 2018, the Commissioner has identified a series of questions that have arisen from the Royal Commission's work so far. These questions are intended to provoke further debate around the reasons for prior conduct and what changes could be made to the financial services industry to prevent misconduct in the future. In its final report, the Royal Commission is expected to make recommendations which, if implemented, could impact the NAB Group's business. The NAB Group remains committed to fully co-operating with the Royal Commission to ensure its success.
- In May 2018, the Reserve Bank of New Zealand (**RBNZ**) and the New Zealand Financial Markets Authority (**FMA**) initiated a review of conduct and culture in the New Zealand banking industry, with a number of industry-wide recommendations included in a report published 5 November 2018. Specific recommendations for individual New Zealand banks (including BNZ) are expected to be provided in November 2018. The outcome of this review may lead to further increased political or regulatory scrutiny of the banking industry in New Zealand, which could adversely impact BNZ.
- In April 2018, the Australian Prudential Regulation Authority (**APRA**) released the Final Report of its 'Prudential Inquiry into the Commonwealth Bank of Australia'. APRA has requested that the other major banks (including NAB) conduct a self-assessment against each of the issues raised by the report.
- Supervision, regulation and enforcement in relation to anti-bribery and corruption, anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) laws and trade sanctions has increased. In June 2018, Australia's financial intelligence agency, AUSTRAC, reached an agreement with another major Australian bank for a \$700 million penalty relating to serious breaches of AML/CTF laws.
- Legislation to implement the Banking Executive Accountability Regime came into effect for the NAB Group from July 2018. This legislation is intended to increase the responsibility and accountability of authorised deposit-taking institutions (**ADIs**) and their directors and senior executives.
- In September 2018, a Bill was introduced into Parliament that would, if passed, impose additional obligations on the NAB Group regarding the design and distribution of financial products. The Bill would also grant product intervention powers to the Australian Securities and Investments Commission (**ASIC**) if it believes significant consumer detriment may occur.
- ASIC announced in August 2018 that it plans to strengthen its enforcement and supervisory capabilities, including embedding dedicated supervisory staff within large financial institutions to monitor their governance and compliance with laws.



- In March 2018, legislation was passed to extend and enhance APRA's powers to address crises affecting financial sector entities. The legislation confers broad powers on APRA to intervene in the operation of ADIs and, in some cases, their subsidiaries.
- There have been a number of other ongoing inquiries such as the House of Representatives Standing Committee on Economics' 'Review of the Four Major Banks'; the Productivity Commission's inquiry into 'Competition in the Australian Financial System'; and the Australian Competition and Consumer Commission's 'Residential mortgage products price inquiry' and 'Inquiry into foreign currency conversion services'.

Implementation of the Basel Committee on Banking Supervision's (BCBS) reforms will continue in Australia and other jurisdictions relevant to the NAB Group. In December 2017, the BCBS finalised the Basel III framework. Regulatory changes that have followed include:

- In Australia, APRA commenced consultation on revisions to the capital framework in February 2018 and reaffirmed its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. The major Australian banks are expected to have Common Equity Tier 1 capital ratios of at least 10.5 per cent. by January 2020. Consultation is expected to continue into 2019, and has to date included consideration of 'benchmarks for capital strength', 'risk sensitivity' and 'transparency, comparability and flexibility' of the capital framework. Revised prudential requirements are expected to commence from 1 January 2021.
- In New Zealand, the RBNZ is undertaking a review of the capital adequacy framework applying to registered banks incorporated in New Zealand. The aim is to identify a framework for setting capital requirements for New Zealand banks, while taking into account how the current framework has operated and international developments in bank capital requirements. In December 2017, the RBNZ published its 'in-principle' decisions on the definition of capital, which included the removal of contingent capital instruments, and has subsequently released 'in-principle' decisions relating to the calculation of risk weighted assets. The RBNZ will perform an analysis of the potential costs and benefits of decisions made to date, with further consultation to be undertaken on the setting of minimum capital ratios.

Examples of other current and potential regulatory changes impacting the NAB Group are:

- The Australian Government announced its support for recommendations arising from the release of the report and public consultation on the 'Review into Open Banking in Australia'. This is designed to increase access to banking products and data by customers and third parties. Consultation on the exposure draft legislation for the regime has commenced, with reforms expected to phase in from July 2019. This, in addition to the passing of legislation to relax restrictions on the use of the term 'bank', is expected to reduce the barriers to new entrants to, and increase competition in, the banking industry.
- On 8 November 2018, APRA released a discussion paper outlining its proposals for increasing the loss-absorbing capacity of ADIs. The proposals are consistent with the Financial System Inquiry recommendation to implement a framework sufficient to facilitate the orderly resolution of Australian ADIs and minimise taxpayer support. The paper outlines, for Domestic Systemically Important Banks (D-SIBs), an increase in the total capital requirement of between 4-5 per cent. of risk-weighted assets. It is anticipated that D-SIBs (including the NAB Group) would satisfy this requirement predominantly with the issue of additional Tier 2 capital, which is expected to increase the NAB Group's ongoing cost of funds. APRA's consultation process is expected to be completed during 2019, with adjusted capital requirements to apply by 2023.
- In July 2018, APRA commenced consultation regarding revisions to the related parties framework, including proposals to update related entity exposure limits and the extended licensed entity framework. The final framework is scheduled to be implemented from January 2020.

- The RBNZ issued its revised Outsourcing Policy in September 2017 which focuses on services outsourced by New Zealand registered banks, including services provided by parent banks offshore. Compliance with the policy is required by September 2022. Implementation of, and compliance with, the final policy may impact the NAB Group's operations.
- Introduction of legislation in Australia to improve accountability in superannuation. There are also proposed changes to the superannuation prudential framework to lift operational governance practices of APRA-regulated superannuation trustees.
- Changes to financial benchmarks in Australia, including their supervision and regulation, payments, data protection and privacy laws, data quality, accounting and reporting requirements, tax legislation and bank specific tax levies. This includes the major bank levy which became effective in July 2017, and similar levies that Australian State and Territory Governments may introduce.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms, such as these, or how they will be implemented (if at all in some cases), is not known. Depending on the specific nature of the requirements and how they are enforced, they may have an adverse impact on NAB's and BNZ's business, operations, structure, compliance costs or capital requirements, and ultimately their reputation, financial performance and prospects.

*The NAB Group faces intense competition, which may adversely impact its financial performance and competitive position*

There is substantial competition across the markets in which the NAB Group operates. Increasing competition for customers can lead to compression in profit margins or loss of market share. The NAB Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower costs and new operating and business models. Evolving industry trends and anticipated rapid changes in technology may impact customer needs and preferences. NAB and BNZ may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to keep pace with industry developments and meet customer expectations.

### ***Risks specific to NAB and BNZ***

There are a number of risks which arise directly from the operations of NAB and BNZ as major participants in the banking and financial services industry and from the specific structure of the NAB Group. The financial performance and position of NAB and BNZ have been, and in the future may continue to be, impacted by these risks, as set out below.

*NAB and BNZ are exposed to credit risk, which may adversely impact their reputation, and financial performance and position*

Credit risk is the potential that a customer will fail to meet its obligations to NAB or BNZ in accordance with agreed terms. Lending activities account for most of the NAB Group's credit risk. Other sources of credit risk also exist in banking and trading books, other financial instruments and loans, extension of commitments and guarantees, and transaction settlements.

The NAB Group's lending portfolio includes residential housing loans, a material component of the NAB Group's total gross loans and acceptances, and commercial real estate loans (largely in Australia and New Zealand). Credit risk may increase in response to adverse business or economic conditions (including deterioration in valuations or prices of residential and commercial property), a decline in employment levels, volatility in the political environment, or high levels of household debt in Australia and New Zealand.

NAB and BNZ may also be exposed to the increased risk of counterparty or customer default should interest rates rise above the record or near record lows of recent years. In particular, the NAB Group's portfolio of

interest-only loans across retail and non-retail segments and the residential investor mortgage portfolio may be susceptible to losses in the event of a rise in interest rates or a decline in property prices. NAB and BNZ may also be exposed to counterparty default in the event of deterioration in the market for apartments, through retail lending and non-retail lending to property developers.

The NAB Group's large business lending market share in Australia and New Zealand exposes it to potential losses and reputational damage should adverse conditions be experienced by customers in the non-retail segment. Similarly, the NAB Group has a large market share in the Australian and New Zealand agricultural sectors, particularly the dairy sector in New Zealand. Volatility in commodity prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions and other risks may adversely impact these sectors and the NAB Group's financial performance and position.

Key sources of potential credit risk currently include:

- A decline in the value of residential property has been observed in a number of areas of Australia. Should this trend continue, the NAB Group may be subject to an increase in credit losses from lending secured by these assets.
- The retail trade sector is confronting challenges that may impact the ability of some retail traders and owners of retail property to meet their credit obligations. These include low household income growth, international entrants, and the growth of online channels.
- Climate change may present risks arising from extreme weather events that affect property or business operations, the effect of new laws and government policies designed to mitigate climate change, and impacts on certain customer segments as the economy transitions to renewable and low-emission technology. As a result, there is a risk of the NAB Group funding customers secured by assets in sectors experiencing structural decline and with limited liquidity.
- Parts of eastern Australia are experiencing severe drought conditions. The impact is expected to extend beyond primary producers, to customers who are suppliers to the agricultural sector, and to those who reside and operate businesses within regional and rural communities.
- The New Zealand dairy sector experienced financial pressure due to lower milk solid payouts in 2015/16. While milk solid payouts have improved, global dairy prices have eased slightly since May 2018. A significant decrease in global dairy prices or milk solid payouts may adversely impact the sector's ability to service debt. The Australian dairy industry has also faced lower milk prices and industry disruption.

NAB and BNZ provide for losses in relation to loans, advances and other assets. Estimating losses in the loan portfolio is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgements. If the information or the assumptions upon which assessments are made prove to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact NAB's and BNZ's financial performance and position.

*The NAB Group may suffer losses due to its exposure to operational risks, which may adversely impact its reputation, and financial performance and position*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal risk but excludes strategic and reputational risk.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the NAB Group as well as strategic projects and business change initiatives. Given that operational risks cannot be fully mitigated, the NAB Group determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

An operational risk event may give rise to substantial losses, including financial loss, fines, penalties, personal injuries, reputational damage, loss of market share, property or information, customer redress, litigation, or a fall in NAB's share price. In addition, the event may adversely affect the perceptions of the NAB Group held by the public, shareholders, investors, customers, regulators or ratings agencies. Social media may also influence perceptions of the NAB Group. Losses from operational risk events may adversely impact the NAB Group's reputation, and financial performance and position.

Examples of operational risk events include:

- Fraudulent or unauthorised acts by employees, contractors and external parties.
- Systems, technology and infrastructure failures, cyber incidents, including denial of service and malicious software attacks, or unauthorised access to customer or sensitive data.
- Process errors or failures arising from human error, including incorrect or incomplete data capture and records maintenance, or inadequate design of processes or controls.
- Operational failures by third parties, including off-shored and outsourced service providers.
- Weaknesses in employment practices, including diversity, discrimination and workplace health and safety.
- Deficiencies in product design or maintenance.
- Business disruption and property damage arising from events such as natural disasters, climate change, biological hazards or acts of terrorism.

In addition, the NAB Group is dependent on its ability to retain and attract key management and operating personnel. The unexpected loss of key resources, or the inability to attract personnel with suitable experience, may adversely impact the NAB Group's ability to operate effectively and efficiently, or to meet strategic objectives.

Models are used extensively in the conduct of the NAB Group's business, for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect the NAB Group's financial performance and position.

*The NAB Group may be exposed to compliance and conduct risk, which may adversely impact its reputation, and financial performance and position*

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives, as well as internal policies, standards, procedures and frameworks. This includes compliance with financial crime obligations in the jurisdictions in which the NAB Group operates. Conduct risk is the risk that any action of the NAB Group, or those acting on behalf of the NAB Group, will result in unfair outcomes for customers. This may include detrimental practices, such as:

- Selling or unduly influencing customers to purchase products or services that do not meet their needs or are not suitable.
- Conducting inappropriate market practices or being a party to fraudulent or illegal transactions.
- Non-adherence to applicable fiduciary requirements or provision of financial advice which is inappropriate or not in the best interests of customers.
- Delays in appropriately escalating regulatory issues.

- Failure to resolve issues and remediate customers on a timely basis.

Significant regulatory change and public scrutiny of the global financial services industry by conduct-based regulators and government is driving increased standards and customer expectations.

Interpretation of, and guidance in relation to, responsible lending obligations under the National Consumer Credit Protection Act 2009 of Australia have evolved in recent years and have been the subject of recent focus at the Royal Commission. Changes to these regulations or their interpretation, or the potential for increased regulatory and public scrutiny in relation to these obligations may necessitate the changing of processes or procedures in relation to consumer lending.

If NAB's and BNZ's compliance and conduct related controls were to fail significantly, be set inappropriately, or not meet legal, regulatory or community expectations, then the NAB Group may be exposed to:

- Increased costs of compliance, fines, additional capital requirements, public censure, litigation, settlements and restitution to customers.
- Increased supervision, oversight or enforcement by regulators or other stakeholders.
- Unenforceability of contracts such as loans, guarantees and other security documents.
- Enforced suspension of operations, amendments to licence conditions or loss of licence to operate all or part of the NAB Group's businesses.
- Other enforcement or administrative action or agreements, such as enforceable undertakings.

This may adversely impact NAB's and BNZ's reputation, and financial performance and position.

There have been a number of domestic and international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations.

From time to time, NAB Group members are subject to regulatory reviews, which may be industry-wide or specific to the NAB Group. In addition, the NAB Group carries out investigations of certain conduct itself or with the assistance of a third party.

Currently, there are a number of ongoing reviews, investigations and court proceedings involving the NAB Group. These include matters relating to: the provision of financial advice; the charging of fees for services that may not have been provided to customers; selling practices and advice in relation to consumer credit insurance products; and the identification, notification and remediation of AML/CTF compliance issues and weaknesses. Refer to '*Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments*' on page 138 in the 2018 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, for further details on the matters referred to above and other regulatory compliance and conduct investigations and reviews, class actions and court proceedings involving the NAB Group. The potential outcome and total costs associated with these investigations, reviews and court proceedings remain uncertain at this time, and it is possible that further class actions could arise in relation to these matters.

In August 2018, plaintiff law firm, Slater & Gordon, announced that it will be launching a series of class actions against bank-owned superannuation funds. The actions will focus on certain financial advice fees, as well as circumstances in which superannuation trustees are alleged to have failed to act in the best interests of members (for example, by not obtaining the most competitive interest rate available on cash investments). To date, one class action of this nature has been filed against another major bank.

Where appropriate, provisions are held for conduct and litigation matters based on a number of assumptions derived from a combination of past experience, forecasts, industry comparison and the exercise of subjective

judgement based on (where appropriate) external professional advice. Risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to the NAB Group. These factors mean that the eventual costs of conduct and compliance-related matters may differ materially from those estimated and further provisions may be required, adversely impacting the NAB Group's reputation, and financial performance and position.

*Disruption of technology systems or breaches of data security may adversely impact the NAB Group's reputation, operations, and financial performance and position*

Most of the day-to-day operations of the NAB Group are based on technology, and therefore the reliability and security of the NAB Group's information technology systems and infrastructure are essential to its business. Technology risk may arise from an array of factors including complexity within the technology environment, a failure of these systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, failure to keep technology up-to-date, a breach of data security, or other forms of cyber-attack or physical attack. These factors may be wholly or partially beyond the control of the NAB Group. Such events may result in disruption to operations, customer compensation, reputational damage, adverse impact on speed and agility in the delivery of change and innovation, litigation, loss or theft of customer data, or regulatory investigations and penalties. These risks may adversely impact the NAB Group's reputation, and financial performance and position.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand, expose the NAB Group to new challenges in these areas.

The NAB Group processes, stores and transmits large amounts of personal and confidential information through its computer systems and networks. The NAB Group invests significant resources in protecting the confidentiality and integrity of this information. However, threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated. The NAB Group may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimise the resulting damage. An information security breach may result in operational disruption, regulatory enforcement actions, financial losses, theft or loss of customer data, or breach of privacy laws, all of which may adversely impact the NAB Group's reputation, and financial performance and position.

As with other business activities, the NAB Group uses select external providers (in Australia and overseas) to store confidential data and to also develop and provide its technology solutions, including the increasing use of cloud infrastructure. The failure of any external providers to perform their obligations to the NAB Group or the failure of the NAB Group to appropriately manage those providers, may adversely impact the NAB Group's reputation, and financial performance and position.

*Certain strategic decisions, including acquisitions or divestments, may adversely impact the NAB Group's reputation, and financial performance and position*

Strategic risk is the risk associated with the pursuit of the NAB Group's strategic objectives, and includes the risk that the NAB Group may fail to execute the chosen strategy. There is a risk that the assumptions underlying the NAB Group's strategic decisions are (or prove to be) incorrect, or that the conditions underpinning those strategic decisions may change. The NAB Group may not have the resources or flexibility to adapt quickly (or at all) to such change. In addition, any one or more of the NAB Group's strategic initiatives may prove to be too difficult or costly to execute effectively. The NAB Group regularly considers a range of corporate opportunities including acquisitions, divestments, joint ventures and investments. Opportunities that are pursued may change the NAB Group's risk profile and capital structure, and inherently come with transaction risks including over-valuation of an acquisition (or under-valuation of a divestment), and exposure to reputational damage and financial risks.

Risks may arise through the integration or separation of a business, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. In

addition, the NAB Group may have ongoing exposures to divested businesses, including through the provision of continued services and infrastructure (such as the transitional services being provided to CYBG PLC (**CYBG**) and MLC Limited) or the retention of liabilities, including through warranties and indemnities in sale agreements such as the Conduct Indemnity Deed with CYBG.

Refer to ‘*Notes to the Financial Statements– Note 29 – Contingent liabilities and credit commitments*’ on page 138 in the 2018 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, under the heading “*UK conduct issues and the Conduct Indemnity Deed*”.

In addition to the risks described above, a number of specific risks exist in connection with the sale of 80 per cent. of MLC Limited to Nippon Life Insurance Company (**Nippon Life**). NAB gave certain covenants, warranties and indemnities in favour of Nippon Life, a breach or triggering of which may result in NAB being liable to Nippon Life. NAB also entered into long-term agreements in relation to the distribution of life insurance products and the continued use of the MLC brand by MLC Limited. The duration and nature of these agreements give rise to certain risks, including that changes in the regulatory or commercial environment may impact the commercial attractiveness of these agreements and limit future opportunities for NAB through non-compete arrangements.

NAB agreed to take certain actions to establish MLC Limited as a standalone entity, including the provision of transitional services, data migration and the development of technology systems. As this work is yet to be completed, there is a risk that implementation costs may ultimately prove higher than anticipated. NAB may also be liable to MLC Limited if it fails to perform its obligations in accordance with the agreements relating to these matters. Refer to ‘*Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments*’ on page 138 in the 2018 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, under the heading “*MLC Limited life insurance transaction*”.

As announced on 3 May 2018, the NAB Group intends to pursue a divestment of its Advice, Platform & Superannuation and Asset Management businesses (**MLC Wealth Divestment**). The NAB Group’s decision to proceed with, and ability to execute, the MLC Wealth Divestment is subject to a number of factors, including market conditions, the impact of any findings from the Royal Commission, the cost and complexity of separation, and obtaining Board and regulatory approvals. If the NAB Group does proceed with the MLC Wealth Divestment, the NAB Group will incur costs associated with the transaction and the terms of the transaction and execution of separation may create risks and uncertainty for the NAB Group and its customers, aligned advisors, employees, suppliers and other counterparties. If the NAB Group decides not to, or is unable to, proceed with the MLC Wealth Divestment, the NAB Group will incur costs associated with the incomplete transaction and uncertainty may be created for customers, aligned advisors, employees, suppliers and other counterparties of the Advice, Platform & Superannuation and Asset Management businesses.

*Transformation and change programmes across the NAB Group may not deliver some or all of their anticipated benefits and may adversely impact the NAB Group’s reputation, and financial performance and position*

The NAB Group invests significantly in change across the organisation, including technology, infrastructure and cultural transformation. There is a risk that these programmes may not realise some or all of the anticipated benefits. The NAB Group also continues to pursue business process improvement initiatives and invest in technology to achieve its strategic objectives, meet changing customer expectations and respond to competitive pressures. These process changes may increase operational, compliance and other risks, which may adversely impact the NAB Group’s reputation, and financial performance and position.

*The NAB Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect, which may adversely impact the NAB Group's reputation, and financial performance and position*

Preparation of the NAB Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include the estimates used in the calculation of provisions (including those pertaining to conduct-related matters), the valuation of goodwill and intangible assets, and the fair value of financial instruments.

If the judgements, estimates and assumptions used by the NAB Group in preparing consolidated financial statements are subsequently found to be incorrect, there could be a significant loss to the NAB Group beyond that anticipated or provided for, which may adversely impact the NAB Group's reputation, and financial performance and position.

*Litigation and contingent liabilities arising from NAB's and BNZ's business conduct may adversely impact their reputation, and financial performance and position*

Entities within the NAB Group may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability and costs in respect thereof cannot be accurately assessed.

Refer to 'Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments' on page 138 in the 2018 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, for details in relation to the NAB Group's material legal proceedings and contingent liabilities.

*Insufficient capital may adversely impact NAB's and BNZ's reputation, operations and financial performance and position*

Capital risk is the risk that NAB and BNZ do not have sufficient capital to meet prudential requirements, achieve strategic plans and objectives, cover the risks to which they are exposed, or protect against unexpected losses. NAB and BNZ are required to hold minimum levels of capital relative to the balance sheet size and risk profile of their operations across jurisdictions.

Prudential capital requirements and proposed changes to these requirements may:

- Limit NAB's and BNZ's ability to manage capital across the entities within the NAB Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the NAB Group to raise or use more capital of higher quality, or to restrict balance sheet growth.

Additionally, if the information or the assumptions upon which assessments of capital requirements are made prove to be inaccurate, this may adversely impact NAB's and BNZ's operations, and financial performance and position.

*NAB's and BNZ's funding and liquidity position may be adversely impacted by dislocation in global capital markets*

Funding risk is the risk that NAB and BNZ are unable to raise short and long-term funding to support their ongoing operations, strategic plans and objectives. The NAB Group accesses domestic and global capital markets as well as raising customer deposits to help fund their businesses. Dislocation in any of these capital markets, or reduced investor and customer appetite to hold the NAB Group's securities or place deposit



funds, may adversely affect the NAB Group's ability to access funds or require access to funds at a higher cost or on unfavourable terms.

Liquidity risk is the risk that NAB and BNZ are unable to meet their financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature and the payment of interest on borrowings. Any significant deterioration in NAB's and BNZ's liquidity position may lead to an increase in the funding costs of NAB and BNZ, constrain the volume of new lending, or result in NAB drawing upon its committed liquidity facility with the Reserve Bank of Australia. This may adversely impact the reputation, and financial performance and position of NAB and BNZ.

*A significant downgrade in NAB's and BNZ's credit ratings may adversely impact their cost of funds, market access and competitive position*

Credit ratings are an opinion on the general creditworthiness of a borrower and may be an important reference for market participants in evaluating NAB, BNZ and their products, services and securities.

Credit rating agencies conduct ongoing review activities which can result in changes to credit rating settings and outlooks for the NAB Group, or for sovereign governments in countries in which the NAB Group conducts business. Credit ratings may be affected by operational and market factors, and changes in the rating methodologies used by the agencies.

A downgrade in the credit ratings within the NAB Group or of the NAB Group's securities, or a downgrade in the sovereign rating of one or more of the countries in which NAB and BNZ operate, may increase NAB's and BNZ's cost of funds or limit their access to the capital markets. This may also cause a deterioration of the liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to NAB's or BNZ's credit ratings relative to peers could also adversely impact NAB's and BNZ's competitive position.

*Changes in interest rates may adversely impact NAB's and BNZ's financial performance and position*

Interest rate risk is the risk to NAB's and BNZ's financial performance and position caused by changes in interest rates. As interest rates and yield curves change over time, including negative interest rates in countries in which NAB or BNZ operates, NAB and BNZ may be exposed to a loss in earnings and economic value due to the interest rate profile of their balance sheets. In the banking industry, such exposure commonly arises from the mismatch between the maturity profile of a bank's lending portfolio compared to its deposit portfolio (and other funding sources). Interest rate risk also includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles. It is also possible that both short and long-term interest rates may change in a way that NAB and BNZ have not correctly anticipated.

*NAB and BNZ are exposed to foreign exchange and translation risk, which may adversely impact their financial performance and position*

Foreign exchange and translation risk arises from the impact of currency movements on the value of NAB's and BNZ's cash flows, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

The NAB Group's ownership structure includes investment in overseas subsidiaries and associates and exposures from known foreign currency transactions (such as repatriation of capital and dividends from off-shore subsidiaries). The NAB Group also conducts business outside of Australia and transacts with customers, banks and other counterparties in a number of different currencies. NAB's and BNZ's businesses may therefore be affected by a change in currency exchange rates, or a change in the reserve status of any of these currencies. Any unfavourable movement in foreign exchange rates may adversely impact the NAB Group's financial performance and position.

The NAB Group's financial statements are prepared and presented in Australian dollars, and any fluctuations in the Australian dollar against other currencies in which the NAB Group invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

*NAB and BNZ may suffer significant losses from their trading activities, which may adversely impact their reputation, and financial performance and position*

Traded market risk is the risk of losses arising from trading activities, including proprietary trading, undertaken by NAB and BNZ. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices. This includes changes in interest rates, foreign exchange rates, commodity and equity prices, and credit spreads.

*Failure to sell down underwriting risk may result in losses to the NAB Group and adversely impact its reputation, and financial performance and position*

As financial intermediaries, members of the NAB Group underwrite or guarantee different types of transactions, risks and outcomes, including the placement of listed and unlisted debt, equity-linked and equity securities. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and the NAB Group may therefore be exposed to potential losses if it fails to sell down some or all of this risk to other market participants.

#### ***Risks specific to BNZ and BNZ-IF***

*BNZ-IF is an offshore funding entity*

BNZ-IF is a funding entity, the primary business of which is carrying out offshore wholesale funding for BNZ through the issuance of debt securities (see "*Description of BNZ-IF*" on pages 224 to 226 of this Offering Circular for further details). BNZ-IF's debt securities are unconditionally and irrevocably guaranteed by BNZ to enable BNZ-IF to carry out such fundraising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations in respect of Guaranteed Senior Notes will be entirely dependent on the ability of BNZ to fund its debt obligations to BNZ-IF.

*BNZ may be adversely impacted by the risk of changes in general business, economic and political conditions in New Zealand*

The business activities of BNZ are dependent on the level of banking, financial products and services required by its customers. Further competition in the banking sector by non-traditional competitors could impact customer needs and preferences in New Zealand. Levels of borrowing in New Zealand are heavily dependent on customer confidence, employment trends, market interest rates and macro-economic and financial market conditions and forecasts. As BNZ primarily conducts business in New Zealand, BNZ's performance is dependent on the performance of the economy in New Zealand, which is affected by both New Zealand and international economic and political events, including trade restrictions, that are beyond BNZ's control. Economic and political factors and events in New Zealand that could adversely affect BNZ's financial performance and position include, but are not limited to, changes in: fiscal and monetary policies, government policies, short-term and long-term interest rates, inflation, monetary supply, commodity prices, capital markets (including debt and equity), foreign exchange rates, consumer and business confidence and the relative strength of the New Zealand economy.

The current New Zealand Government has instigated an extensive agenda of policy review, including in relation to employment relations, taxation, environmental considerations, foreign-investor rules, consumer lending, monetary policy and financial frameworks which could have the potential to impact the New Zealand business sector and the macro-economy as a whole.

In recent years, the New Zealand housing sector has experienced strong house price appreciation. However, in 2018, house price appreciation has slowed, particularly in Auckland (New Zealand's largest city). A

material slowdown in the housing sector could have a significant impact on lending volumes and property values. A decrease in property values in New Zealand could increase the losses that BNZ may experience from its existing property loans and decrease the amount of new loans that BNZ is able to originate.

General macro-economic events, such as, among others, a sustained increase in unemployment or lower consumer and business confidence may negatively affect household or corporate incomes in New Zealand. A material downturn in the New Zealand economy or changes in the economic environment may adversely impact BNZ's operations, liquidity, capital resources, and financial performance and position.

*BNZ is subject to extensive regulation. Regulatory changes may adversely impact BNZ's operations, and financial performance and position*

BNZ is subject to laws, regulations and codes of practice in New Zealand and other jurisdictions in which it conducts business, trades or raises funds. The New Zealand Government and its agencies, including the RBNZ and the FMA, have supervisory oversight of BNZ, as does APRA, indirectly through its supervisory oversight of NAB. BNZ continues to expect increased regulatory focus on capital and liquidity requirements, macro-prudential tools, consumer outcomes and other aspects of its business that may impose increased regulatory burdens. BNZ's failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by regulatory agencies or compensatory action by affected persons, and could damage BNZ's reputation.

BNZ is a registered bank under the Reserve Bank of New Zealand Act 1989 (New Zealand) (the **RBNZ Act**) and supervised by the RBNZ. As part of its registration BNZ is subject to conditions of registration imposed by the RBNZ (the **Conditions of Registration**). The Conditions of Registration may be changed at any time and any changes may be beyond BNZ's control. If the RBNZ concluded that BNZ did not satisfy the Conditions of Registration, sanctions could be imposed on BNZ. These sanctions could include disclosure of the breach, increases in required levels of capital, fines, additional limitations on the conduct of BNZ's business and, in the case of a material breach or breaches, cancellation of BNZ's registration as a bank or a recommendation that BNZ be placed under statutory management. In addition, the RBNZ could require BNZ to take additional steps and incur additional expense to satisfy the Conditions of Registration.

Examples of current and potential regulatory changes impacting BNZ are set out below:

In November 2017, the New Zealand Government announced that it would undertake a review of the RBNZ Act. The purpose of the review is to ensure that the RBNZ's monetary policy and financial frameworks continue to provide the most efficient and effective model for New Zealand. The first phase of the review recommended changes primarily relating to monetary policy decision-making. These include re-specifying the objectives of monetary policy to also include supporting maximum sustainable employment and establishing a formal committee to make monetary policy decisions. The first phase of the review resulted in the introduction of the Reserve Bank of New Zealand (Monetary Policy) Amendment Bill to the New Zealand Parliament in July 2018. The second phase of the review will primarily focus on the financial policy provisions of the RBNZ Act that provide the legislative basis for prudential regulation and supervision, and the broader governance arrangements for the RBNZ. The second phase involves a series of consultations, starting in November 2018 and continuing throughout 2019. The review is expected to result in regulatory reform impacting the industry, including BNZ.

The RBNZ is undertaking a comprehensive review of the capital adequacy framework applying to New Zealand incorporated registered banks. The aim of the review is to identify the most appropriate framework for setting capital requirements for New Zealand incorporated registered banks, taking into account how the current framework has operated and international developments in bank capital requirements. The RBNZ has published its 'in-principle' decisions on the definition of 'capital' (which will impact the types of instruments that the RBNZ will recognise as 'regulatory capital'). One of those 'in-principle' decisions was that contingent capital instruments would no longer be included in the definition of 'capital'. The RBNZ has subsequently released further 'in-principle' decisions in relation to the calculation of risk-weighted assets (**RWAs**). The capital framework will continue to permit qualifying banks to use internal models to estimate

credit-risk related RWAs, although there will be restrictions on modelling. The RBNZ is continuing to consult on details of the capital review. The next phase of the review will involve a quantitative impact study which will inform the RBNZ's analysis of the potential costs and benefits of the 'in-principle' decisions made thus far, followed by further public consultation with a focus on the setting of minimum capital ratios. This may have implications on the level of capital and the type of capital BNZ is required to hold, which may have associated costs.

Open Bank Resolution (**OBR**) is an RBNZ policy option aimed at resolving a bank failure quickly, including by suspending payment of a portion of liabilities so the bank can be promptly reopened for business, consequently minimising stresses on the overall banking and payments system. Under the Conditions of Registration, New Zealand incorporated registered banks with retail deposits over NZ\$1 billion (which includes BNZ) are required to comply with the OBR Pre-positioning Requirements Policy (Banking Standard 17), which describes the process and requirements on banks.

The RBNZ has macro-prudential tools that may be used to manage financial system risks. These include quantitative restrictions on the share of high loan-to-value ratio (**LVR**) loans to the residential property sector, adjustments to sectoral capital requirements, adjustments to the minimum RBNZ core funding ratio requirements, and the Basel III countercyclical capital buffer of common equity (which has an indicative range of up to 2.5 per cent.) in addition to the conservation buffer of 2.5 per cent. above the core Basel III minimum capital adequacy ratios.

The RBNZ from time to time has introduced changes to the capital regime and the Framework for Restrictions on High-LVR Residential Mortgage Lending (Banking Standard 19) to respond to its concerns about housing market conditions. The current policy setting for LVR restrictions has been in place since 1 January 2018. For owner-occupiers, high LVR lending (greater than 80 per cent.) is to be no more than 15 per cent. of total new residential mortgages (previously 10 per cent.). For residential property investors, no more than 5 per cent. of new mortgage lending can be at an LVR of more than 65 per cent. (previously 60 per cent.).

The RBNZ published a final version of its Outsourcing Policy (Banking Standard 11) in September 2017, which was incorporated into BNZ's Conditions of Registration from 1 October 2017. Under the policy, among other things, large banks (including BNZ) are required to maintain a compendium of outsourced services, and there is a formal engagement process with the RBNZ on outsourcing arrangements with related parties. Each large non-New Zealand owned bank (including BNZ) will also be required to produce a separation plan for abrupt separation from its parent. The separation plan must be signed off by the bank's senior management and board of directors and must receive non-objection from the RBNZ. The policy provides for a five-year transitional path for affected banks (including BNZ) to become compliant with the policy. Implementation of, and compliance with, the final policy is likely to result in increased costs and operational and strategic execution risks to BNZ.

The New Zealand Ministry of Business, Innovation and Employment (**MBIE**) has been reviewing retail payment systems in New Zealand to determine whether they are producing good economic outcomes. In response to this review, Payments New Zealand (a governance organisation in respect of core payment systems) has been working with payments industry participants to develop a shared application programming interface (**API**) framework that can be used by third parties to deliver alternative payment options. Payments New Zealand, along with other payments industry participants (including BNZ), have developed an API pilot programme to test the functionality of certain API standards. The New Zealand Minister of Commerce and Consumer Affairs has stated that this pilot should serve as an initial building block on which open banking (a standardised and secure framework for sharing banking customer data with trusted third parties) can develop in New Zealand. The RBNZ has noted that open banking has the potential to increase competition and reduce concentration in the provision of financial services. To date, the New Zealand Government has left the development of open banking in New Zealand to industry participants. The outcome of these developments may impact future earnings.

New Zealand incorporated registered banks, including BNZ, are required to comply with the RBNZ's Liquidity Policy (Banking Standard 13) (**BS13**). BS13 requires BNZ to meet a minimum core funding ratio of 75 per cent. Basel III has introduced a liquidity policy, the intent of which the RBNZ considers to be broadly reflected by BS13. However, the RBNZ has indicated that certain aspects of the Basel III liquidity standards may not be suitable for adoption in New Zealand. The RBNZ has stated that it will be reviewing BS13 in the future in light of the BCBS's new liquidity requirements. Implementation of Basel III reforms could increase the regulatory compliance costs to BNZ.

A bill proposing amendments to the existing financial advisers regime in New Zealand (the **Financial Services Legislation Amendment Bill**) passed its second reading in the New Zealand Parliament in September 2018. If the proposed amendments are enacted in their current form, new adviser designations, corresponding conduct obligations and licensing requirements for any person providing financial advice in New Zealand will be implemented, and updated conduct obligations will require compliance with specific adviser competency standards. The Financial Services Legislation Amendment Bill is expected to be passed by late 2018 and be in force by May 2019. However, it is expected that a period of transitional licensing will apply from May 2019 to April 2021, which will allow financial advisers to continue providing financial advice under a transitional licence. The Financial Services Legislation Amendment Bill is likely to increase the competency requirements and impose greater duties of care and skill on frontline bankers which may increase the regulatory compliance costs to BNZ.

The RBNZ is currently consulting on a review of mortgage bond collateral standards. The initial consultation focussed on the terms under which the RBNZ would be prepared to accept NZ\$ mortgage bonds (such as internal residential mortgage backed securities (**RMBS**) or covered bonds) as repo-eligible collateral for the RBNZ's lending operations in the future, and proposed a new Residential Mortgage Obligations (**RMO**) standard. In November 2018, the RBNZ released an exposure draft of the new RMO standard for a final round of consultation. The RBNZ proposes to gradually phase-in RMO to replace RMBS over a five-year transition period from 1 July 2019. The outcome of this review may lead to higher costs associated with BNZ's holdings of RMO securities to support the liquid asset portfolio.

In 2017, APRA consulted on proposed revisions to its prudential requirements for ADIs on the framework for the management of large exposures. APRA released its final APS 221 standard in December 2017. APS 221 is applicable to BNZ on the basis that BNZ is a subsidiary of NAB. Under APS 221, APRA will require ADIs to implement most aspects of the new standard by 1 January 2019. For requirements relating to groups of connected counterparties and structured vehicles, full implementation will be required by 1 January 2020. This may impact large exposure limits, measurement and reporting.

In May 2018, the RBNZ and the FMA initiated a review of conduct and culture in the New Zealand banking industry. As part of this review, the RBNZ and the FMA published a report on 5 November 2018 which included a number of industry-wide recommendations for effectively identifying, managing, remediating and reporting on conduct risks and issues. In addition, the RBNZ and the FMA are expected to provide individual New Zealand banks (including BNZ) with specific recommendations in November 2018, with those banks being required to deliver a plan by the end of March 2019 to address any specific issues that are identified. The outcome of the RBNZ's and the FMA's review may lead to further increased political or regulatory scrutiny of the banking industry in New Zealand, and could adversely impact the reputation, operations and financial performance of BNZ.

*BNZ is exposed to credit risk, which may adversely impact its financial performance and position*

The retail trade and construction sectors are confronting challenges that may impact the ability of some borrowers to meet their credit obligations. For the retail trade sector, these challenges include low household income growth, increased competition as a result of new international entrants, and the growth of online channels.

In 2015/16, the New Zealand dairy sector experienced financial pressure due to lower milk solid pay-outs. Although milk solid pay-outs have improved, global dairy prices have eased slightly since May 2018 due to

increased milk production from offshore suppliers, volatility in markets and general risk aversion. A significant decrease in global dairy prices and/or milk solid pay-outs could materially and adversely impact the dairy sector's ability to service debt (depending on particular cost structures), and BNZ's financial performance and position.

Climate change and concerns regarding water in New Zealand may also give rise to regulatory change. These changes may disrupt the operations of BNZ's customers involved in a wide range of sectors and may require investment in emission-reducing and water-cleaning technologies and changes to farming and manufacturing practices. Potential regulatory change could give rise to transitional risk as the New Zealand economy transitions to renewable and low-emission technology, tax changes, revised land use regulation and may require changes to BNZ's operations, strategy, risk profile and risk appetite, which may adversely impact BNZ's financial performance and position.

*BNZ may be exposed to risk from non-compliance with laws or standards and other forms of misconduct, which may adversely impact its reputation, and financial performance and position*

The Labour Inspectorate of MBIE is currently undertaking a programme of compliance audits of a number of New Zealand organisations in respect of the New Zealand Holidays Act 2003 (the **Holidays Act**). BNZ requested early participation in this programme in May 2016 and received the Labour Inspectorate's final report, which set out its findings regarding BNZ's compliance with the Holidays Act, on 18 January 2017. The findings indicated that BNZ has not complied with certain requirements of the Holidays Act, including in respect of annual and public holiday payments to certain employees. BNZ continues to review its compliance with the Holidays Act and is working with the Labour Inspectorate to reach an appropriate resolution in respect of the issues identified in its report. As at the date of this Offering Circular, the final outcome cannot be determined with any certainty. If the outcome of the audit ultimately results in material enforcement action or other costs (including remediation costs), this could have adverse financial consequences for BNZ.

*BNZ may be exposed to climate-related, geological and other extrinsic events which could adversely impact its financial performance and position*

BNZ and its customers may be exposed to natural and biological disasters, such as, but not restricted to, extreme weather events (for example, severe storms, droughts, fires, cyclones, hurricanes, floods or rising sea levels), plant and animal diseases, pandemics or geological events (for example, earthquakes, tsunamis or volcanic eruptions). In recent years, significant earthquakes and aftershocks in New Zealand have caused property and infrastructure damage. There is the potential that these events (or any future natural or biological disaster) may cause negative impacts on property (and hence collateral) values, future levels of insurance and reinsurance coverage across New Zealand and could increase provisioning and lending losses for BNZ. The economic and financial market implications of such events may adversely impact BNZ's business, operations, financial condition and future performance.

*BNZ is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position*

BNZ's financial statements are prepared and presented in New Zealand dollars, and any fluctuations in the New Zealand dollar against other currencies in which BNZ invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

***Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme***

***Risks related to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such

features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

### ***Risks applicable to all Notes***

*If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Senior Notes and Guaranteed Senior Notes when its cost of borrowing is lower than the interest rate on those Senior Notes and Guaranteed Senior Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes and Guaranteed Senior Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Under certain circumstances, NAB will have the right to redeem or repurchase Subordinated Notes before their stated maturity. However, it may only do so with APRA's approval. Noteholders should not expect that APRA's approval will be given for any early redemption of Subordinated Notes.

*If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate and such conversion may affect the secondary market in, and the market value of, the Notes since the relevant Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the relevant Issuer. If the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*Holders of Notes issued in the form of global Notes and deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, a sub-custodian for the CMU or with a nominee for DTC will have to rely on their procedures, including for transfer, payment and communications*

Notes issued under the Programme will be represented on issue by one or more global Notes that may be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, a sub-custodian for the CMU or with a nominee for DTC (each as defined under "*Form of the Notes*"). Except in the circumstances described in each global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, CMU, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each global Note held through it. While the Notes are represented by a global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants, and investors will have to rely on the procedures of the relevant clearing system and of their respective participants, including for transfer, payment and communications.

A holder of a beneficial interest in a global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any global Note.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

*The obligations of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor under the Notes are structurally subordinated to the indebtedness and other obligations, including trade payables, of the subsidiaries of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor*

The obligations of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor under the Notes are structurally subordinated to all indebtedness and other obligations, including trade payables, of the subsidiaries of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor. The effect of this structural subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving a subsidiary of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor, the assets of the affected entity could not be used to pay holders of the relevant Notes until all other claims against that subsidiary, including trade payables, have been fully paid.

*The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks*

Interest rates and indices which are deemed to be “benchmarks” (including, amongst others, LIBOR, SONIA, EURIBOR, BBSW and BKBM) are the subject of recent national and international regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

In Australia, examples of reforms that are already effective include the replacement of the Australian Financial Markets Association as BBSW administrator with ASX Limited, changes to the methodology for calculation of BBSW, and amendments to the Corporations Act made by the Treasury Laws Amendment (2017 Measures No. 5) Act 2018 of Australia which, among other things, enable ASIC to make rules relating to the generation and administration of financial benchmarks. On 6 June 2018, ASIC designated BBSW as a “significant financial benchmark” and made the ASIC Financial Benchmark (Administration) Rules 2018 and the ASIC Financial Benchmarks (Compelled) Rules 2018.

In New Zealand, the current regulatory regime for the bank bill benchmark rate (**BKBM**) has been judged as not sufficient to meet the EU equivalence standard under the Benchmarks Regulation. Without regulatory reform, the use of BKBM will be restricted in the EU from 1 January 2020. A working group comprising MBIE, the FMA and the RBNZ has been established to facilitate changes to New Zealand legislation and/or enter into further negotiations with the EU, to ensure that BKBM remains an approved benchmark.

In Europe, the Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and was applied as of 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

These reforms (including the Benchmarks Regulation) could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements imposed thereunder. Such changes could, among other



things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority (the **FCA**) announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). In a further speech on 12 July 2018, the FCA emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021, which indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021 (as further described under “*The market continues to develop in relation to SONIA as a reference rate*” below).

Separate workstreams are also underway in Europe to reform the euro interbank offered rate (**EURIBOR**) using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate).

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR, BBSW, BKBM or any other benchmark will continue to be supported going forwards. This may cause LIBOR, EURIBOR, BBSW, BKBM or any other such benchmark to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential transition from LIBOR to SONIA or the elimination of LIBOR, EURIBOR, BBSW, BKBM or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that in the case of certain Floating Rate Notes, the Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate (such as LIBOR or EURIBOR) or another relevant reference rate (such as BBSW or BKBM) ceases to exist or be published or another Benchmark Event (as defined in the Terms and Conditions of the Notes) occurs. These fallback arrangements include the possibility that the Rate of Interest could be determined by reference to a Successor Rate or an Alternative Rate and that an Adjustment Spread may be applied to such Successor Rate or Alternative Rate to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant benchmark or screen rate (as applicable) originally specified with the Successor Rate or the Alternative Rate (as the case may be), together with the making of certain Benchmark Amendments to the Terms and Conditions of such Notes (without the consent of the Noteholders, Receiptholders or Couponholders, as further described under Condition 5.5(c) “*Benchmark Discontinuation—Benchmark Amendments*” of the Terms and Conditions of the Notes), which in the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments shall be determined by the relevant Issuer (acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser).

In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or the initial Rate of Interest applicable to such Notes on the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of any Successor Rate or Alternative Rate, any determinations that may need to be made by the relevant Issuer and the involvement of any Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms and the possible application of the benchmark discontinuation provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

*The market continues to develop in relation to SONIA as a reference rate*

Where the applicable Final Terms for a Series of Floating Rate Notes identifies that the interest rate for such Notes will be determined by reference to SONIA, interest will be determined on the basis of Compounded Daily SONIA (as defined in the Terms and Conditions). Compounded Daily SONIA differs from LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for Notes issued under the Programme. The use of Compounded Daily SONIA as a reference rate for Eurobonds is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing Compounded Daily SONIA.

Accordingly, prospective investors in any Notes referencing Compounded Daily SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. For example, in the context of backwards-looking SONIA rates, market participants and relevant working groups are, as at the date of this Offering Circular, currently assessing the differences between compounded rates and weighted average rates, and such groups are also exploring forward-looking 'term' SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The adoption of SONIA may also see component inputs into swap rates or other composite rates transferring from LIBOR or another reference rate to SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions as applicable to Notes referencing Compounded Daily SONIA that are issued under this Offering Circular. Furthermore, each of the Issuers may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued by it under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under the Programme from time to time.

Furthermore, interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 10, or

are otherwise redeemed early on a date which is not an Interest Payment Date, the final rate of interest payable in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable.

In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes.

### **Risks related to the structure of Subordinated Notes**

*NAB's obligations under Subordinated Notes are subordinated to its senior indebtedness, the incurrence of which is not restricted by the terms of the Subordinated Notes*

NAB's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of Senior Creditors as defined in Condition 3.2, *pari passu* among themselves, *pari passu* with Equal Ranking Instruments as defined in Condition 3.2 and ahead of Junior Ranking Instruments as defined in Condition 3.2. As a result, although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Subordinated Notes will lose all or some of its investment should NAB become insolvent. Potential investors in Subordinated Notes should understand that the Subordinated Notes will rank equally with the U.S.\$250 million undated subordinated Floating Rate Notes issued by NAB on 9 October 1986 and behind instruments issued as Lower Tier 2 Capital prior to 1 January 2013. See "*General Information – Additional Disclosure in relation to the Ranking of Subordinated Notes*".

The liabilities which are preferred by Australian law to the claims of a holder in respect of a Subordinated Note will be substantial and the terms and conditions of Subordinated Notes do not limit the amount of such liabilities which may be incurred or assumed by NAB or its subsidiaries from time to time. Further, under the terms of the Subordinated Notes, there is no restriction on the amount of debt that NAB may issue that ranks senior to or *pari passu* with the Subordinated Notes. The issue of debt by NAB or its subsidiaries may reduce the amount recoverable by a holder upon any Winding Up (as defined in Condition 3.2) of NAB. NAB's ability to make payments on a timely basis or at all on its outstanding debt may depend on the amount and terms of NAB's other obligations.

*There are restrictions on the payment of interest, principal and other amounts on Subordinated Notes*

Payment of interest, principal and other amounts in respect of Subordinated Notes is conditional upon NAB being solvent when and immediately after such payment is made.

*There are limited remedies available to holders for non-payment of amounts owing under Subordinated Notes*

If NAB fails to pay any amount of interest or principal on Subordinated Notes when due to be paid, the Trustee may, either at its own discretion or at the direction of the requisite number of holders but subject in each case to it being indemnified and/or secured and/or pre-funded to its satisfaction, take action to recover the amount unpaid provided that NAB may only be compelled to pay the unpaid amount to the extent that it is, and immediately after the payment is made would remain, solvent.

*There may be a limited right to accelerate amounts owing under Subordinated Notes*

The only circumstance where amounts owing under Subordinated Notes may be accelerated by the Trustee or a requisite number of holders is, in summary, upon the making of a court order or the passing of an effective resolution for the winding up of NAB (which is not successfully appealed or permanently stayed within 60 days of making the order).

*Investors in Subordinated Notes shall not have any right to set-off*

To the fullest extent permitted by applicable law, a holder of a Subordinated Note shall not have any right to set-off any amounts owing to it by NAB in connection with that Subordinated Note against any amount owing by it to NAB in connection with the Subordinated Notes or otherwise and NAB shall not have any right to set-off any amounts owing by it to the holder in connection with that Subordinated Note against any amount owing by the holder to it in connection with the Subordinated Notes or otherwise.

*Subordinated Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of NAB*

Under the Terms and Conditions of the Notes, Subordinated Notes are subject to mandatory Conversion into ordinary shares in the capital of NAB (**Ordinary Shares**) or Write-Off if a Non-Viability Trigger Event occurs. The applicable Final Terms will specify whether the Subordinated Notes are to be Converted upon a Non-Viability Trigger Event (or, in certain limited circumstances, Written-Off) (**Conversion Option**) or are to be Written-Off upon a Non-Viability Trigger Event (**Write-Off Option**). Capitalised terms defined in the Terms and Conditions of the Notes shall have the same meanings in this risk factor unless otherwise stated.

A **Non-Viability Trigger Event** occurs when APRA has provided a written determination to NAB that (i) the conversion or write-off of certain regulatory capital instruments of NAB is necessary because without the conversion or write-off, APRA considers that NAB would become non-viable or (ii) without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable.

On the date on which a Non-Viability Trigger Event occurs (the **Conversion Date**), where the requirements of the determination are not satisfied by the conversion or write-off of Tier 1 Capital Instruments of NAB which, in accordance with their terms or by operation of law, are capable of being written-off or converted in the event of non-viability, NAB will be required:

- (i) if the Conversion Option applies:
  - (a) to Convert immediately and irrevocably all or some of the nominal amount of the Subordinated Notes into Ordinary Shares; or
  - (b) alternatively, if, for any reason (including if NAB is prevented by applicable law, order or other reason from Converting the Subordinated Notes into Ordinary Shares) Conversion has not been effected within five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes), NAB will be required to Write-Off and immediately and irrevocably terminate all or some of the nominal amount of the Subordinated Notes with effect on and from the Conversion Date; or
- (ii) if the Write-Off Option applies, to write-off and immediately and irrevocably terminate all or some of the nominal amount of the Subordinated Notes.

For the purposes of paragraph (i) and (ii) above, the Subordinated Notes will be Converted or Written-Off (as applicable) on an approximately proportionate basis with other Tier 2 Capital Instruments of NAB, which in accordance with their terms or by operation of law, are capable of being written-off or converted in the event of non-viability.

Noteholders should note that APRA will not approve partial conversion or partial write-off in those exceptional circumstances where a public sector injection of funds is deemed necessary. In circumstances where APRA considers that NAB would be non-viable without a public sector injection of capital, NAB must immediately convert or write-off all Relevant Capital Instruments. If APRA does not consider that a public sector injection of capital is required, and APRA is satisfied that conversion or write-off of a proportion of Relevant Capital Instruments will be sufficient to ensure that NAB does not become non-viable, NAB must immediately convert or write-off that proportion.

*The holders of Subordinated Notes issued under this Offering Circular are likely to be in a worse position in the event of NAB becoming non-viable than holders of NAB's term subordinated debt issued prior to 1 January 2013*

It is a requirement under APRA's prudential standards, which came into effect on 1 January 2013, that any instruments, in order to be eligible for inclusion as regulatory capital known as Additional Tier 1 Capital and Tier 2 Capital (including term subordinated debt), contain provisions for conversion or write-off in the event of non-viability.

Potential investors in Subordinated Notes should understand that NAB has on issue Tier 1 Capital Instruments and Tier 2 Capital Instruments which were issued prior to the implementation of the above prudential requirements and which, in the event of non-viability, are not capable of being written-off or converted in accordance with their terms or by operation of law. Accordingly, the Subordinated Notes may be Converted or Written-Off before any such instruments (notwithstanding that claims of holders of Tier 1 Capital Instruments may, in the Winding Up (as defined in Condition 3.2) of NAB, rank junior to the claims of the holders of Subordinated Notes). Without limiting the foregoing, the requirement for conversion or write-off on account of a Non-Viability Trigger Event does not apply to certain of NAB's existing term subordinated debt and accordingly the holders of Subordinated Notes issued under this Offering Circular are likely to be in a worse position in the event of NAB becoming non-viable than holders of such existing term subordinated debt of NAB.

*The circumstances under which APRA would consider NAB non-viable are uncertain*

APRA's prudential standards do not define non-viability and APRA has not provided any guidance on how it would determine non-viability. Non-viability could be expected to include a serious impairment of NAB's financial position. However, it is possible that APRA's view of non-viability may not be confined to solvency or capital measures and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which impact the business, operation and financial condition of NAB, such as systemic and non-systemic macro-economic, environmental and operational factors.

*A Non-Viability Trigger Event could occur at any time*

A Non-Viability Trigger Event could occur on dates not previously contemplated by investors or which may be unfavourable in light of the prevailing market conditions or investors' individual circumstances or timing preferences.

*Investors may suffer adverse consequences if Subordinated Notes are Converted into Ordinary Shares as a result of a Non-Viability Trigger Event*

Potential investors in Subordinated Notes should understand that, if a Non-Viability Trigger Event occurs and Subordinated Notes are Converted into Ordinary Shares, investors are obliged to accept the Ordinary Shares or a cash amount pursuant to Condition 10A.9(e)(ii) even if they do not at the time consider Ordinary Shares (or cash) to be an appropriate investment for them at the time and despite any change in the financial position of NAB since the issue of the Subordinated Notes or any disruption to the market for those shares or to capital markets generally. Further, investors have no right to elect to have Subordinated Notes Written-Off instead of Converted.

Potential investors in Subordinated Notes should also consider the additional issues outlined below, which may adversely impact them in the event of Conversion.

- The number of Ordinary Shares that a holder will receive on Conversion is calculated in accordance with a formula which provides for a calculation based on a discounted volume weighted average price (**VWAP**) over five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) but cannot be greater than a maximum conversion number based on 20 per cent. of the VWAP during the period of 20 Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) preceding the issue date of the Relevant Subordinated Notes (as defined in the Schedule to the Terms and Conditions of the Notes) (the **Issue Date VWAP**). For more information on the conversion mechanics see Condition 10A.
- The Issue Date VWAP is adjusted for only limited corporate actions of NAB, including bonus issues and divisions. Accordingly, a holder of Subordinated Notes may receive Ordinary Shares on Conversion worth significantly less than the nominal amount of the holder's Subordinated Notes.
- The Ordinary Shares may not be able to be sold at prices representing the VWAP used to determine the number of Ordinary Shares to be issued, or at all. In particular, the VWAP will be based wholly or partly on trading days which occurred before the Non-Viability Trigger Event.
- The calculation for the number of Ordinary Shares that a holder may receive upon a Conversion of Subordinated Notes relies upon a conversion of Australian dollar amounts (being the currency in which the Ordinary Shares are denominated and are quoted on the Australian Securities Exchange (the **ASX**)). If the Subordinated Notes are denominated in a Specified Currency other than Australian dollars, there are risks that the exchange rate between Australian dollars and the Specified Currency in which the Subordinated Notes are denominated may be subject to material changes, and the imposition or modification of exchange controls by the applicable governments, which may also affect exchange rates. In recent years, exchange rates between certain currencies, including (but not limited to) the exchange rate between the Australian dollar and U.S. dollar, have been highly volatile. Volatility between these currencies or with other currencies may occur in the future, though fluctuations in exchange rates in the past are not necessarily indicative of fluctuations that may occur in the future. Depending upon the exchange rates prevailing around the time that a Non-Viability Trigger Event occurs, the number of Ordinary Shares that a holder of Subordinated Notes actually receives upon a Conversion relating to a particular Non-Viability Trigger Event may be significantly less than the number of Ordinary Shares the holder may have received had the Conversion taken place on a different date or that the holder otherwise expected to receive. Prospective investors in Subordinated Notes could lose a substantial portion of their investment in these circumstances. No interest or other compensation is payable in the event of a loss by an investor due to foreign currency conversions. See risk factor entitled "*Depreciation of the Australian dollar against the Specified Currency of the Subordinated Notes may make it more likely that the maximum conversion number will apply*" for more detail on the risks associated with changes to exchange rates between Australian dollars and the Specified Currency.
- To enable NAB to issue Ordinary Shares to a holder of Subordinated Notes on Conversion, investors need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to NAB, no later than the Conversion Date, their name and address and certain security holder account and other details. Holders of Subordinated Notes should understand that a failure to provide this information to NAB on time, or where the holder is a Foreign Holder (as defined in Condition 10A.9) or notifies NAB that it does not wish to receive Ordinary Shares in connection with a Conversion, may result in NAB issuing the Ordinary Shares to a nominee. The nominee may then sell the Ordinary Shares received on Conversion, paying the net proceeds (if any) to the holders. The nominee will have no duty or obligation to seek a fair market price, or to engage in an arm's length transaction in such sale. NAB and the nominee give no assurance as to whether a sale will be

achieved or the price at which it may be achieved and each has no liability to holders of Subordinated Notes for any loss suffered as a result of the sale of Ordinary Shares. In this situation, holders of Subordinated Notes will have no further rights against NAB in relation to the Conversion.

- There may be no market in Ordinary Shares received on Conversion and holders may not be able to sell the Ordinary Shares at a price equal to the value of their investment and, as a result, may suffer loss. The sale of Ordinary Shares in NAB may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of Ordinary Shares within 12 months of their issue (except where certain exemptions apply) on account of the Subordinated Notes and the Ordinary Shares being issued without disclosure by NAB as required by the Corporations Act. The restrictions may apply to sales by any nominee for holders as well as sales by holders and, by restricting sales, holders may suffer loss. Holders of Subordinated Notes agree under the Terms and Conditions of the Notes not to trade Ordinary Shares issued on Conversion (except where relevant exemptions apply), until NAB has taken all actions required under the Corporations Act, other applicable laws and the listing rules of the ASX (**ASX Listing Rules**) for the Ordinary Shares to be freely tradeable without further disclosure or other action.
- Potential investors in Subordinated Notes should also understand that if NAB is required to Convert a nominal amount of Subordinated Notes but, for any reason (including if NAB is prevented from doing so by applicable law, court order, government action) the Conversion is not effected within five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) after the Conversion Date, the Conversion will not occur and the rights of holders in relation to those Subordinated Notes will be Written-Off and immediately and irrevocably terminated. Such holders will have no recourse to NAB if NAB fails to issue Ordinary Shares in respect of any Subordinated Notes, or portions thereof. In this situation also, holders will lose some or all of the value of their investment and will not receive any compensation.
- The rules and regulations of ASX in certain circumstances limit NAB's ability, without shareholder approval, to issue Ordinary Shares and other equity securities (which may include convertible notes) without the approval of holders of Ordinary Shares. If the issue or Conversion of Subordinated Notes would contravene that limit, then NAB may be prevented from Converting Subordinated Notes and such Subordinated Notes may be required to be Written-Off.
- As described further under "*Description of NAB – Major Shareholders*" on pages 213 to 214 of this Offering Circular, there are provisions of Australian law that are relevant to the ability of any person to acquire interests in NAB beyond the limits prescribed by those laws. These provisions could apply to the Conversion of Subordinated Notes into Ordinary Shares and, in some circumstances, could apply to the acquisition of Subordinated Notes.
- Potential investors in Subordinated Notes should take care to ensure that by acquiring any Subordinated Notes which provide for such Subordinated Notes to be Converted to Ordinary Shares as provided in Condition 10A (taking into account any Ordinary Shares into which they may Convert), such holders do not breach any applicable restrictions on the ownership of interests in NAB. Without limiting this, if Conversion of Subordinated Notes into Ordinary Shares (whether in the hands of the Noteholder or a nominee) would breach those restrictions, NAB may be prevented from Converting such Subordinated Notes and, where Conversion is required under Condition 10A, such Subordinated Notes may be required to be Written-Off.

*Holders of Subordinated Notes will lose some or all of the value of their investment and will not receive any compensation if their Subordinated Notes are Written-Off*

If Subordinated Notes are Written-Off, holders of such Subordinated Notes will lose some or all of the value of their investment and will not receive any compensation. The rights of the holders of such Subordinated Notes or portions thereof (including rights to payment of interest with respect to such principal amount, both in the future or as accrued but unpaid) will be immediately and irrevocably terminated for no consideration

in respect of such amount Written-Off and holders of such Subordinated Notes may receive no consideration for their investment. Noteholders have no right to elect to have Subordinated Notes Converted instead of being Written-Off.

*Depreciation of the Australian dollar against the Specified Currency of the Subordinated Notes may make it more likely that the maximum conversion number will apply*

As the maximum conversion number is calculated based on the market price of Ordinary Shares and the exchange rate in respect of the Australian dollar and the Specified Currency in the 20 Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) preceding the issue date of the relevant Subordinated Notes, any depreciation of the Australian dollar against the Specified Currency by the time that the VWAP is calculated for the purpose of determining the Conversion Number may make it more likely that the maximum conversion number will apply (especially if accompanied by a deterioration in the market price of Ordinary Shares at the time of a Non-Viability Trigger Event). See the risk factor entitled “*Subordinated Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of NAB – Conversion Option*” for more detail of the risks to Holders of the maximum conversion number applying.

Further, the realisable value in the Specified Currency of Ordinary Shares issued, or the proceeds from any sale of such Ordinary Shares, following a Non-Viability Trigger Event could be substantially lower than that implied by the exchange rate in respect of the Australian dollar and the Specified Currency at the time of a Non-Viability Trigger Event.

#### ***Risks applicable to certain types of Exempt Notes***

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile and may be linked to factors other than the credit of the relevant Issuer;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.



The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, potential investors should consult their respective financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of their particular circumstances.

In the case of Notes linked to or referencing a benchmark, potential investors should also refer to the risk factor entitled “*The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks*” above.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of its investment*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of its Notes could result in such investor losing all of its investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

*Noteholders’ ability to enforce certain rights in connection with the Notes may be limited or affected by APRA*

APRA has extensive powers to intervene in the operations of NAB, including a power to direct NAB to conduct or not to conduct certain activities or transactions, or not to make payments in certain circumstances. In addition, under the Banking Act 1959 of Australia (the **Banking Act**), APRA may appoint a Banking Act statutory manager to an ADI (of which NAB is one) in certain circumstances, including where APRA considers that the ADI may become unable to meet its obligations or may suspend payment. Under section 15C of the Banking Act, a party to a contract with an ADI may not deny any obligations under that contract, accelerate any debt under that contract, close out any transaction relating to that contract or enforce any security under that contract, on the grounds that a Banking Act statutory manager is in control of the ADI’s business. Accordingly, this may prevent Noteholders from accelerating repayment of Notes on the grounds that a Banking Act statutory manager has been appointed. Noteholders may also be subject to similar restrictions on enforcement if APRA otherwise intervenes in the conduct of the ADI’s business, including by requiring a compulsory transfer of the ADI’s business. Further, an obligation relating to the issue of Ordinary Shares by NAB on Conversion of Subordinated Notes may be cancelled, and any such Ordinary Shares or rights attaching to them may be varied or cancelled by a Banking Act statutory manager under section 14AA of the Banking Act, notwithstanding the constitution of NAB, the Corporations Act, the terms

of any contract to which NAB is party or the listing rules of any financial market in whose list NAB is included.

On 5 March 2018, the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018 of Australia (the **Crisis Management Act**) came into effect. The Crisis Management Act amends the Banking Act (among other statutes applicable to financial institutions in Australia) and is intended to enhance certain of APRA's powers. Specifically, the Crisis Management Act enhances APRA's powers to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers given to APRA under the Crisis Management Act which could impact the NAB Group and potentially the position of Noteholders, include greater oversight, management and directions powers in relation to NAB and the NAB Group entities which were previously not regulated by APRA, increased statutory management powers over regulated entities within the NAB Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the **Statutory Conversion and Write-Off Provisions**).

The Statutory Conversion and Write-Off Provisions apply in relation to regulatory capital instruments issued by certain financial sector entities (including ADIs, of which NAB is one) that contain provisions for conversion or write-off for the purposes of APRA's prudential standards. Where the Statutory Conversion and Write-Off Provisions apply to an instrument, that instrument may be converted in accordance with its terms. This is so despite any law (other than specified laws, currently those relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity), the constitution of the issuer, any contract to which the issuer is a party, and any listing rules, operating rules or clearing settlement rules applicable to the instrument. In addition, the Banking Act includes a moratorium on the taking of certain actions on grounds relating to the operation of the Statutory Conversion and Write-Off Provisions.

*Notes issued under the Programme are not deposit liabilities of NAB*

Division 2AA of Part II of the Banking Act sets out arrangements for the protection of protected account holders of an insolvent ADI under the Financial Claims Scheme. Pursuant to the Financial Claims Scheme a person who holds a protected account with a net credit balance at an ADI which APRA has applied to be wound up or whose business is under the control of a Banking Act statutory manager and which has been declared by the responsible Australian Government Minister to be covered by the Financial Claims Scheme will be entitled to receive payment from APRA in respect of that balance and certain accrued but uncredited interest, subject to various adjustments and preconditions (including a maximum payment entitlement of A\$250,000 per customer). The rights of account-holders with protected accounts will be reduced to the extent protected under the Financial Claims Scheme and, to the extent of that reduction, will become rights of APRA.

A **protected account** is, subject to certain conditions, an account kept with an ADI and recorded in Australian currency:

- (i) where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or
- (ii) otherwise prescribed by regulation.

The Banking Regulation 2016 of Australia prescribes protected accounts for the purposes of the Banking Act and also formally excludes foreign branches of Australian ADIs from the coverage of the Financial Claims Scheme.

**Notes issued under the Programme are not deposit liabilities of NAB, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the**

**Commonwealth of Australia, Her Majesty the Queen in right of New Zealand or any other jurisdiction.**

*The conditions of the Notes contain provisions which may permit their modification (including for principal and interest) with the consent of a defined majority of investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such, or (iii) the substitution of another company as principal debtor under certain Notes in place of the relevant Issuer, in the circumstances described in Condition 15 of the conditions of the Notes. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.5 without the consent of the Noteholders, Receiptholders or Couponholders.

APRA's prior written approval is required for any modifications which may affect the eligibility of the Subordinated Notes as Tier 2 Capital.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

*The value of the Notes could be adversely affected by a change in English law or administrative practice or other applicable laws*

The conditions of the Notes (except for the subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the Schedule to the Conditions (in relation to NAB)) are based on English law in effect as at the date of this Offering Circular. The subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the Schedule to the Conditions (in relation to NAB) are based on the jurisdiction of incorporation of NAB. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or the laws of the

jurisdiction of incorporation of the relevant Issuer or the Guarantor after the date of this Offering Circular and any such decision or change to English law or administrative practice or the laws of the jurisdiction of incorporation of the relevant Issuer or the Guarantor could materially adversely impact the value of any Notes affected by it.

***Risk factors specific to Notes denominated in Renminbi***

*Renminbi is not completely freely convertible, and there are significant restrictions on remittance of Renminbi into and out of the PRC*

As at the date of this Offering Circular, Renminbi is not completely freely convertible. The PRC government (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. While regulation in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is currently generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system.

Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket of currencies, in addition to the U.S. dollar, euro, Japanese yen and pound Sterling, created by the International Monetary Fund as an international reserve asset, there is no assurance that the PRC Government will liberalise its control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the relevant Issuer's ability to source Renminbi outside the PRC to make payments under the Notes*

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

While the People's Bank of China (the **PBOC**) has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the **Renminbi Clearing Banks**), including but not limited to Hong Kong, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the **Settlement Arrangements**), the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, and are not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

The offshore Renminbi market is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended so as to have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service the Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in the Notes is subject to exchange rate risks*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. Except in the limited circumstances stipulated in Condition 6.9 of the Terms and Conditions of the Notes, all payments of interest and principal will be made with respect to Renminbi-denominated Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other applicable foreign currency between the Issue Date of the relevant Series of Notes and when the relevant Issuer pays back the principal of such Renminbi-denominated Notes in Renminbi at maturity, the value of a Noteholder's investment in U.S. dollar or other applicable foreign currency terms will have declined.

*An investment in the Notes is subject to interest rate risks*

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. Consequently, the trading price in the secondary market of Fixed Rate Notes denominated in Renminbi will vary with fluctuations in interest rates. If a holder of the Notes tries to sell such Notes before their maturity, they may receive an offer that is less than the amount invested.

*If Renminbi is not available in certain circumstances as described in the Terms and Conditions of the Notes, the relevant Issuer can make payments under the Renminbi-denominated Notes in U.S. dollars*

There can be no assurance that access to Renminbi for the purposes of making payments under Renminbi-denominated Notes by the relevant Issuer or generally will remain or that new PRC regulations will not be promulgated which have the effect of restricting availability of Renminbi outside of the PRC.

Although the relevant Issuer's primary obligation is to make all payments with respect to such Notes in Renminbi, in the event access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Terms and Conditions of the Notes), the relevant Issuer is unable to make any payment in respect of such Notes in Renminbi, the terms of such Notes permit (i) the relevant Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, and/or (ii) such payments to be made after the original date that, but for the occurrence of the CNY Disruption Event (as defined in the Terms and Conditions of the Notes), would have been the date of such payments, all as provided in the Terms and Conditions of the Notes. The value of these Renminbi payments in U.S. dollars may vary with the prevailing exchange rates in the market place.

*Payments in respect of Renminbi-denominated Notes will only be made to investors in the manner specified in such Renminbi-denominated Notes*

All payments to investors in respect of Renminbi-denominated Notes will be made solely by (i) when the Renminbi-denominated Notes are represented by global certificates deposited with a sub-custodian for CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) when the Renminbi-denominated Notes are represented by global certificates held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, or (iii) for so long as the Renminbi-denominated Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Terms and Conditions of the Notes, the relevant Issuer cannot be required to make payment by any other

means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

### **Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes*

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

*If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the relevant Issuer, the Guarantor (if applicable) or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Notes, the relevant Issuer or the Guarantor. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold any Notes in so far as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for a given period of time and any rating may be revised, suspended or withdrawn by the relevant rating agency at any time, if, in the judgment of such relevant rating agency, circumstances warrant. The relevant Issuer is under no obligation to update information regarding such ratings should they change over time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in the Offering Circular, see "*Documents Incorporated by Reference and Credit Ratings*".

**IMPORTANT INFORMATION RELATING TO OFFERS OF NON-EXEMPT PD NOTES WHERE  
THERE IS NO EXEMPTION FROM THE OBLIGATION UNDER THE PROSPECTUS  
DIRECTIVE TO PUBLISH A PROSPECTUS**

**Restrictions on offers of Non-Exempt PD Notes in relevant Member States where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus**

Non-Exempt PD Notes may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a **Non-exempt Offer**. This Offering Circular has been prepared on a basis that permits Non-exempt Offers of Non-Exempt PD Notes in each Member State in relation to which NAB has given its consent, as specified in the applicable Final Terms (each specified Member State, a **Non-exempt Offer Jurisdiction**, and together, the **Non-exempt Offer Jurisdictions**). Any person making or intending to make a Non-exempt Offer of Non-Exempt PD Notes on the basis of this Offering Circular must do so only with NAB's consent to the use of this Offering Circular as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below and provided such person complies with the conditions attached to that consent.

Save as provided above, neither NAB nor any Dealer has authorised, nor do they authorise, the making of any Non-exempt Offer of Non-Exempt PD Notes in circumstances in which an obligation arises for NAB or any Dealer to publish or supplement a prospectus for such offer.

**Consent given in accordance with Article 3.2 of the Prospectus Directive**

In the context of a Non-exempt Offer of such Non-Exempt PD Notes, NAB accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Offering Circular in relation to any person (an **Investor**) who acquires any Notes in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Offering Circular are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of NAB or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of NAB or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, NAB has not authorised the making of any Non-exempt Offer by any offeror and NAB has not consented to the use of this Offering Circular by any other person in connection with any Non-exempt Offer of Non-Exempt PD Notes. Any Non-exempt Offer made without the consent of NAB is unauthorised and neither NAB nor, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.** If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Offering Circular for the purposes of the relevant Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Offering Circular and/or who is responsible for its contents it should take legal advice.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) below are together the **Authorised Offerors** and each an **Authorised Offeror**.

***Consent***

In connection with each Tranche of Non-Exempt PD Notes, and subject to the conditions set out below under "*Common Conditions to Consent*":



### *Specific Consent*

- (a) NAB consents to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Non-Exempt PD Notes by:
  - (i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;
  - (ii) any financial intermediaries specified in the applicable Final Terms; and
  - (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on NAB's website (<http://www.nab.com.au/>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

### *General Consent*

- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", NAB hereby offers to grant its consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes by any other financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: [www.fca.org.uk/register](http://www.fca.org.uk/register)), or other applicable legislation implementing MiFID II; and
  - (ii) it accepts NAB's offer to grant consent to the use of this Offering Circular by publishing on its website the following statement (with the information in square brackets duly completed) (the **Acceptance Statement**);

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the **Notes**) described in the Final Terms dated [insert date] (the **Final Terms**) published by National Australia Bank Limited (ABN 12 004 044 937) (NAB). In consideration of NAB offering to grant its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in [Luxembourg/Austria/Belgium/France/Germany/Ireland/Italy/The Netherlands/The United Kingdom] during the Offer Period and subject to the other conditions to such consent, each as specified in the Offering Circular, we hereby accept the offer by NAB in accordance with the Authorised Offeror Terms (as specified in the Offering Circular) and confirm that we are using the Offering Circular accordingly. "*

The **Authorised Offeror Terms**, being the terms to which the relevant financial intermediary agrees in connection with using this Offering Circular, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of NAB and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
  - I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;

- II. comply with the restrictions set out under "*Subscription and Sale and Transfer and Selling Restrictions*" in this Offering Circular which would apply as if the relevant financial intermediary were a Dealer and consider the relevant manufacturer's target market assessment and distribution channels identified under the "MiFID II product governance" legend set out in the applicable Final Terms;
- III. ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by the relevant financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including, where applicable, authorisation under the Financial Services and Markets Act 2000;
- V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, NAB or directly to the appropriate authorities with jurisdiction over NAB and/or the relevant Dealer in order to enable NAB and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to NAB and the relevant Dealer, as the case may be;
- VII. ensure that it does not, directly or indirectly, cause NAB or the relevant Dealer to breach any Rule or subject NAB or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- VIII. immediately inform NAB and the relevant Dealer if at any time it becomes aware, or suspects, that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- IX. comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- X. make available to each potential Investor in the Notes this Offering Circular (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by NAB for such purpose, and not convey or publish any information that is not contained in

or entirely consistent with this Offering Circular and the applicable Final Terms;

- XI. if it conveys or publishes any communication (other than this Offering Circular or any other materials provided to such financial intermediary by or on behalf of NAB for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of NAB, that such financial intermediary is solely responsible for such communication and that none of NAB and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of NAB or the relevant Dealer (as applicable), use the legal or publicity names of NAB or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe NAB as issuer of the relevant Notes on the basis set out in this Offering Circular;
- XII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of NAB or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- XIII. co-operate with NAB and the relevant Dealer in providing relevant information (including, without limitation, documents and records maintained pursuant to paragraph VI above) and such further assistance as is reasonably requested upon written request from NAB or the relevant Dealer in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:
- (i) in connection with any request or investigation by any relevant regulator in relation to the Notes, NAB or the relevant Dealer; and/or
  - (ii) in connection with any complaints received by NAB and/or the relevant Dealer relating to NAB and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in the Rules; and/or
  - (iii) which NAB or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow NAB or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,
- in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- XIV. during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with NAB and the relevant Dealer); (ii) only sell the Notes for

settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with NAB and the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with NAB and the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by NAB and the relevant Dealer; and

- XV. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests the relevant financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- (B) agrees and undertakes to each of NAB and the relevant Dealer that if it or any of its respective directors, officers, employees, agents, affiliates and controlling persons (each a **Relevant Party**) incurs any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) (a **Loss**) arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by the relevant financial intermediary, including (without limitation) any unauthorised action by the relevant financial intermediary or failure by it to observe any of the above restrictions or requirements or the making by it of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by NAB or the relevant Dealer, the relevant financial intermediary shall pay to NAB or the relevant Dealer, as the case may be, an amount equal to the Loss. None of NAB nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and
- (C) agrees and accepts that:
- I. the contract between NAB and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of NAB's offer to use the Offering Circular with its consent in connection with the relevant Non-exempt Offer (the **Authorised Offeror Contract**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
  - II. subject to (C)(IV) below, the courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a **Dispute**) and NAB and the relevant financial intermediary submit to the exclusive jurisdiction of the English courts;
  - III. for the purposes of (C)(II) and (IV), the relevant financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

- IV. to the extent allowed by law, NAB and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- V. each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

**Any Authorised Offeror falling within (b) above who meets the conditions set out in (b) and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Offering Circular in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.**

#### *Common Conditions to Consent*

The conditions to NAB's consent to the use of this Offering Circular in the context of the relevant Non-exempt Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Offering Circular to make Non-exempt Offers of the relevant Tranche of Non-Exempt PD Notes in one or more of Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom (the **Public Offer Jurisdictions**), as specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Offering Circular only.

The only relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any relevant Member States are so specified) as indicated in (ii) above, will be Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom, and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for NAB or any Dealer to publish or supplement a prospectus for such offer.

## DOCUMENTS INCORPORATED BY REFERENCE AND CREDIT RATINGS

### (A) *Documents Incorporated by Reference*

The following documents, which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Competent Authority and the Luxembourg Stock Exchange, shall be incorporated in, and form part of, this Offering Circular:

- (a) NAB's Annual Financial Report for the financial year ended 30 September 2017 (including the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial year ended 30 September 2017) (the **2017 NAB Annual Financial Report**);
- (b) NAB's Annual Financial Report for the financial year ended 30 September 2018 (including the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial year ended 30 September 2018) (the **2018 NAB Annual Financial Report**);
- (c) BNZ's Disclosure Statements for the financial years ended 30 September 2016 (containing the consolidated audited financial statements of BNZ and its subsidiaries) (the **2016 Disclosure Statement**) and 30 September 2017 (containing the consolidated audited financial statements of BNZ and its subsidiaries) (the **2017 Disclosure Statement**) and the six months ended 31 March 2018 (containing the consolidated financial statements of BNZ and its subsidiaries) (the **2018 Half Year Disclosure Statement** and together with the 2016 Disclosure Statement and the 2017 Disclosure Statement, the **Disclosure Statements**);
- (d) BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2016 and 30 September 2017 (the **2016 BNZ-IF Annual Report** and the **2017 BNZ-IF Annual Report**, respectively);
- (e) the statutory documents of NAB, BNZ and BNZ-IF as follows:
  - (i) the constitution of NAB;
  - (ii) the constitution of BNZ; and
  - (iii) the constitution of BNZ-IF; and
- (f) for the purposes of an issue of Notes when the first tranche of Notes which is being increased was issued under an Offering Circular with an earlier date, the Terms and Conditions of the Notes set out on pages 87 to 133 (as amended by the Supplement dated 23 November 2012), 115 to 173, 123 to 183, 113 to 171, 123 to 185, 122 to 181 and 130 to 188, respectively of the Offering Circulars dated 15 December 2011, 14 December 2012, 16 December 2013, 15 December 2014, 19 November 2015, 17 November 2016 and 17 November 2017, respectively shall be incorporated in, and form part of, this Offering Circular.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular will not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either (i) not considered by the relevant Issuer to be relevant for investors or (ii) included elsewhere in this Offering Circular.

Any statement contained herein or in a document and/or information which is incorporated by reference herein shall be modified or superseded for the purpose of the Offering Circular to the extent that a statement

contained in any such subsequent document and/or information which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of supplement to the Offering Circular pursuant to Article 16 of the Prospectus Directive (in the case of PD Notes and Non-Exempt PD Notes) or Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (in the case of Exempt Notes). Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the relevant Issuer and the Guarantor (if applicable). Requests for such documents should be directed to any of the Issuers or the Guarantor at their respective offices set out at the end of this Offering Circular. In addition, such documents will be available from the specified offices of the Paying Agents for the time being in London and Luxembourg, and on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

The content of websites or URLs referred to in this Offering Circular do not form part of this Offering Circular.

The documents listed in (a) – (d) above contain financial information on the Issuers and the Guarantor as described in the tables below. Other information contained in such documents, but not specifically set out in the tables below, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

### Cross Reference Table

	<b>NAB</b>	<b>BNZ</b> (as an Issuer and as the Guarantor)	<b>BNZ-IF</b>
<b>Balance sheet</b>	2018 NAB Annual Financial Report, page 73	2018 Half Year Disclosure Statement, page 6	2017 BNZ-IF Annual Report, page 3
	2017 NAB Annual Financial Report, page 61	2017 Disclosure Statement, page 10 2016 Disclosure Statement, page 10	2016 BNZ-IF Annual Report, page 3
<b>Income statement</b>	2018 NAB Annual Financial Report, page 71	2018 Half Year Disclosure Statement, page 4	2017 BNZ-IF Annual Report, page 1
	2017 NAB Annual Financial Report, page 59	2017 Disclosure Statement, page 8 2016 Disclosure Statement, page 8	2016 BNZ-IF Annual Report, page 1
<b>Cash flow statement</b>	2018 NAB Annual Financial Report, page 74	2018 Half Year Disclosure Statement, page 7	2017 BNZ-IF Annual Report, page 4
	2017 NAB Annual Financial Report, pages 62	2017 Disclosure Statement, pages 11-12 2016 Disclosure Statement, pages 11-12	2016 BNZ-IF Annual Report, pages 4

<b>Accounting policies and explanatory notes</b>	2018 NAB Annual Financial Report, pages 77-157	2018 Half Year Disclosure Statement, pages 8-33	2017 BNZ-IF Annual Report, pages 5-15
	2017 NAB Annual Financial Report, pages 65-142	2017 Disclosure Statement, pages 13-74 2016 Disclosure Statement, pages 13-80	2016 BNZ-IF Annual Report, pages 5-16
<b>Audit reports and Independent Review Report</b>	2018 NAB Annual Financial Report, pages 159-164	2018 Half Year Disclosure Statement, pages 34 and 35	2017 BNZ-IF Annual Report, page 16-17
	2017 NAB Annual Financial Report, pages 144-149	2017 Disclosure Statement, pages 75-78 2016 Disclosure Statement, pages 81-82	2016 BNZ-IF Annual Report, page 17
<b>Legal and arbitration proceedings</b>	2018 NAB Annual Financial Report, Note 29, at pages 140 -142	2018 Half Year Disclosure Statement, page 2	None
	2017 NAB Annual Financial Report, Note 32, at pages 107-109	2017 Disclosure Statement, page 3 2016 Disclosure Statement, page 3	None

(B) *Credit Ratings*

The Programme is, as of the date of this Offering Circular, rated as follows:

	NAB	BNZ	BNZ-IF
Senior Notes and Guaranteed Senior Notes with a maturity of less than one year	S&P Global Ratings Australia Pty Ltd: A-1+ Moody's Investors Service Pty Limited: Prime-1	S&P Global Ratings Australia Pty Ltd: A-1+ Moody's Investors Service Pty Limited: Prime-1	S&P Global Ratings Australia Pty Ltd: A-1+ Moody's Investors Service Pty Limited: Prime-1
Senior Notes and Guaranteed Senior Notes with a maturity of more than one year	S&P Global Ratings Australia Pty Ltd: AA- Moody's Investors Service Pty Limited:	S&P Global Ratings Australia Pty Ltd: AA- Moody's Investors Service Pty Limited:	S&P Global Ratings Australia Pty Ltd: AA- Moody's Investors Service Pty Limited:



	Aa3	A1	A1
Subordinated Notes	S&P Global Ratings Australia Pty Ltd:  BBB  Moody's Investors Service Pty Limited:  Baa1	N/A	N/A

Notes issued under the Programme may be unrated or rated by either of the rating agencies set out above or another independent credit rating agency. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency (if applicable).

There are credit ratings contained in certain of the documents incorporated by reference into this Offering Circular. In the case of the 2017 NAB Annual Financial Report and the 2018 NAB Annual Financial Report, these credit ratings are assigned by S&P Global Ratings (Australia) Pty Ltd (**S&P Australia**), Moody's Investors Service Pty Limited (**Moody's Australia**) and Fitch Australia Pty Ltd (**Fitch Australia**). In the case of BNZ's Disclosure Statements, these credit ratings are assigned by S&P Australia, Moody's Australia and Fitch Australia.

S&P Australia, Moody's Australia and Fitch Australia are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings of S&P Australia, Moody's Australia and Fitch Australia have been endorsed by Standard & Poor's Credit Market Services Europe Limited (**S&P Europe**), Moody's Investors Service Limited (**Moody's Europe**) and Fitch Ratings Limited (**Fitch Europe**) respectively in accordance with the CRA Regulation. Each of S&P Europe, Moody's Europe and Fitch Europe is established in the European Union and registered under the CRA Regulation. As such each of S&P Europe, Moody's Europe and Fitch Europe is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> in accordance with the CRA Regulation. The European Securities Markets Authority has indicated that ratings issued in Australia, which have been endorsed by S&P Europe, Moody's Europe or Fitch Europe may be used in the EU by the relevant market participants.

S&P Global Ratings has, in its October 2018 publication "*S&P Global Ratings Definitions*", described a long-term issue credit rating of 'AA' in the following terms: "*An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong... Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.*".

Moody's Investors Service has, in its November 2018 publication "*Rating Symbols and Definitions*", described a credit rating of 'Aa' in the following terms: "*Obligations rated Aa are judged to be of high quality and are subject to very low credit risk... Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*".

Any credit rating in respect of any Notes or Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

### Information relating to the Issuers and the Guarantor

Description of the Issuers and the Guarantor: National Australia Bank Limited: registered in Australia with ABN 12 004 044 937 and having its registered office at Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

Bank of New Zealand: incorporated as a company under the New Zealand Companies Act 1993 with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.

BNZ International Funding Limited, acting through its London Branch: incorporated as a company under the New Zealand Companies Act 1993 with company number 1635202 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand, acting through its London Branch at 88 Wood Street, London EC2V 7QQ, United Kingdom.

Issuers' Legal Entity Identifiers (LEIs): NAB: F8SB4JFBSYQFRQEH3Z21

BNZ: N7LGVZM7X4UQ66T7LT74

BNZ-IF: 549300HVMZ89HDMELW08

Business of the Issuers and the Guarantor: National Australia Bank Limited (ABN 12 004 044 937): NAB was incorporated on 23 June 1893. The NAB Group is a financial services organisation with approximately 34,000 employees, operating through a network of more than 900 locations, with more than 571,000 shareholders and serving over nine million customers. The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United States and the United Kingdom.

Bank of New Zealand (in its capacity as an Issuer and the Guarantor): BNZ is one of New Zealand's oldest banks, founded in 1861. It provides a broad range of banking and financial products and services to retail, business, agribusiness, corporate and institutional clients. It has been a member of the NAB Group since 1992.

BNZ International Funding Limited, acting through its London Branch:

BNZ-IF is a subsidiary of BNZ carrying out offshore wholesale funding requirements through the issuance of debt securities.

**Information relating to the Programme**

Description: Global Medium Term Note Programme

Arranger: Deutsche Bank AG, London Branch

Dealers: BNP Paribas  
Citigroup Global Markets Limited  
Credit Suisse Securities (Europe) Limited  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
National Australia Bank Limited  
RBC Europe Limited  
UBS AG, London Branch  
Wells Fargo Securities International Limited  
and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*"), including, in relation to BNZ and BNZ-IF, the following restrictions applicable at the date of this Offering Circular.

**Notes having a maturity of less than one year**

Notes issued by BNZ or BNZ-IF having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the United Kingdom Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent; see "*Subscription and Sale and Transfer and Selling Restrictions*".

Trustee: Deutsche Trustee Company Limited

Principal Paying Agent: Deutsche Bank AG, London Branch

Registrars: Deutsche Bank Trust Company Americas

Deutsche Bank Luxembourg S.A.

CMU Lodging Agent:	Deutsche Bank AG, Hong Kong Branch
Programme Size:	Up to U.S.\$100,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to such Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"><li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li><li>(ii) on the basis of the reference rate set out in the applicable Final Terms; or</li><li>(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li></ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p>

Exempt Notes: The relevant Issuer may issue Exempt Notes which are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

***Dual Currency Notes:*** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

***Partly Paid Notes:*** The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

***Notes redeemable in instalments:*** The relevant Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

The relevant Issuer and, in the case of Notes issued by BNZ-IF, the Guarantor may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Final Terms.

Zero Coupon Notes: Zero Coupon Notes will be (i) offered and sold at a discount to their nominal amount or (ii) offered and sold at their nominal amount and redeemed at a premium to their nominal amount, and in each case will not bear interest.

Benchmark Discontinuation: In the case of Floating Rate Notes, if the relevant Issuer determines that a Benchmark Event has occurred, the relevant benchmark or screen rate may be replaced by a Successor Rate or, if there is no Successor Rate but the Issuer determines there is an Alternative Rate (acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser), such Alternative Rate. An Adjustment Spread may also be applied to the Successor Rate or the Alternative Rate (as the case may be), together with any Benchmark Amendments (which in the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments shall be determined by the relevant Issuer acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser). For further information, see Condition 5.5.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity date (other than, in the case of Exempt Notes, in specified instalments, if applicable or for certain taxation reasons or following an Event of Default) or that such Notes will

be redeemable at the option of the relevant Issuer upon giving notice to the Noteholders, as specified in the applicable Final Terms, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Unless previously redeemed or purchased and cancelled, each Note, which is not a Zero Coupon Note or an Exempt Note, will be redeemed at an amount equal to at least 100 per cent. of its nominal value on its scheduled maturity date.

Repayment: In relation to BNZ and BNZ-IF, Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution; see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note (other than an Exempt Note) that will be admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be, in respect of NAB, €1,000 and will be, in respect of BNZ and BNZ-IF, €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the date of issue) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency; see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes to the extent provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Senior Notes) will, save in certain limited circumstances provided in Conditions 6 and 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge: The terms of the Notes will not contain a negative pledge.

Cross Default: The terms of the Notes will not contain cross default provisions.

Set-off: A holder of a Subordinated Note (or any related Receipt or Coupon) issued by NAB shall not, on any account, set-off against any amounts owing to it in respect of such Subordinated Note, Receipt or Coupon amounts owing by the holder thereof to NAB and NAB shall not have any right to set-off any amounts owing by it to a holder against any amount owing by the holder to it.

Status of the Senior Notes and Guaranteed Senior Notes: The Senior Notes and Guaranteed Senior Notes will be unsubordinated, direct and unsecured obligations of the relevant Issuer and will rank *pari passu* with all other unsecured and unsubordinated obligations of the relevant Issuer (save for certain obligations preferred by mandatory provisions of applicable law). Senior Notes issued by NAB do not constitute deposit liabilities of NAB, are not protected accounts for the

purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.

**Status of Subordinated Notes:** The Subordinated Notes will be direct and unsecured obligations of NAB and will be subordinated to the claims of all Senior Creditors of NAB in right of payment with respect to the assets of NAB in the event of a Winding Up of NAB as defined and further described in Condition 3.2 and are liable to be mandatorily Converted into Ordinary Shares or Written-Off where this is determined by APRA to be necessary on the grounds that NAB would otherwise become non-viable as further described in Condition 10A. Subordinated Notes do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.

**Status of the Guarantee & Guaranteed Senior Notes:** Only Notes issued by BNZ-IF will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of BNZ-IF and the Guarantor under the Guaranteed Senior Notes will constitute unsubordinated, direct and unsecured obligations of BNZ-IF and the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of BNZ-IF and the Guarantor (save for certain obligations required to be preferred by law).

**Rating:** See pages 72 to 73 of this Offering Circular for further information on ratings.

A rating is not a recommendation to buy, sell or hold any Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

Any credit rating in respect of any Notes or any Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive the Offering Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.

**Listing and admission to trading:** Application has been made to:

- (i) the Competent Authority to approve this Offering Circular in connection with (a) the issue by the Issuers of PD Notes (as defined above) and (b) in the case of NAB only, the issue by NAB of certain Tranches of Non-Exempt PD Notes (as defined above), in each case, to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive; and

- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of certain Tranches of Exempt Notes (as defined above) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market (the **Euro MTF Market**).

The Notes may be listed or admitted to trading, as the case may be, on such other or additional stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Senior Notes) and the relevant Dealer.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Delivery:** The Notes may be settled on a delivery against payment basis or a delivery free of payment basis, as specified in the applicable Final Terms.

**Risk Factors:** There are certain factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme or the Guarantor's ability to fulfil its obligations under the Guarantee. These factors are set out under "*Risk Factors*" and include, *inter alia*, the risk of subsequent changes in the actual or perceived creditworthiness of the relevant Issuer or the Guarantor (as applicable), which may adversely affect the market value of the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, which include, *inter alia*, risks related to the structure of particular types of Notes, modifications and waivers of the terms and conditions of the Notes in certain circumstances without the consent of all of the Noteholders, changes in laws, taxation laws or regulations which affect the Notes, risks related to secondary market trading of the Notes, exchange rate risks and interest rate risks. For further particulars, please see "*Risk Factors*".

**Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law save that in the case of Notes issued by NAB, Conditions 3.2, 10A and the conversion mechanisms set out in the Schedule to the Conditions will be governed by and construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Austria, France, The Netherlands, Republic of Italy, Ireland and Belgium), New Zealand, Hong Kong, Japan, Singapore, Switzerland, Canada, China, the Republic of Korea and Australia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale and Transfer and Selling Restrictions*".

**United States Selling Restrictions:** Regulation S Compliance Category 1/2/3, Rule 144A, TEFRA C or TEFRA D or TEFRA not applicable, as specified in the applicable Final Terms.



## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

### **Bearer Notes**

Each Tranche of Bearer Notes will initially be issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with the Temporary Bearer Global Note, the **Bearer Global Notes** which, in either case, will:

- (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (ii) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to (A) a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg or (B) a sub-custodian for the Central Moneymarkets Unit Service (the **CMU**), operated by the Hong Kong Monetary Authority (the **HKMA**) (the **CMU Service**).

*It is anticipated that all Bearer Notes issued by the Issuers under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ and/or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.*

Where the global Notes issued in respect of any Tranche of Notes are in NGN form, the applicable Final Terms will also indicate whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life, as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN Form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent, as applicable, has given a like certification (based on the certification it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for

definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN Form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a), in the case of Notes held by a Common Depositary or Common Safekeeper for Euroclear and/or Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b), in the case of Notes held through the CMU Service, from the relevant person(s) for whose account(s) interests in the relevant Bearer Global Note are credited, as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service (each, an **Accountholder**) therein to the CMU Lodging Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have and, in the case of Notes held through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary or Common Safekeeper for Euroclear or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant Accountholder therein, and/or (c) the Trustee, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent, requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

**Tranches of Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.**

A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Bearer Note in respect of such holding and would need to purchase a principal amount of Notes so that it holds an amount equal to one or more Specified Denominations.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be.

#### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**); (ii) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg, (iii), when represented by a Regulation S Global Note, be deposited with a common depository or a common safekeeper, for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, or (iv), when represented by a Regulation S Global Note, be deposited with a sub-custodian for the HKMA as operator of the CMU Service, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the relevant Issuer, (in the case of Guaranteed Senior Notes) the Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of interest in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg, and in the case of Notes held through the CMU Service, the CMU Service, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear, Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the relevant Issuer may also give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging Agent.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions; see "*Subscription and Sale and Transfer and Selling Restrictions*".**

### **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number or, where the CMU Service is able to generate a

temporary CMU Instrument Number, a CMU instrument number which are different from the common code, ISIN, CUSIP, CINS and CMU instrument number assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream, Luxembourg and/or the CMU Service, each person (other than Euroclear, Clearstream, Luxembourg and/or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer, the Guarantor and the Agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made to, or to the order of, the bearer or at the direction of the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Trust Deed) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed, the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## FORM OF FINAL TERMS

### APPLICABLE FINAL TERMS IN RESPECT OF NON-EXEMPT PD NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Non-Exempt PD Notes*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (where **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>2</sup> / <sup>3</sup>**[MiFID II product governance/Retail investors, professional investors and eligible counterparties target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; **EITHER**<sup>4</sup> [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] **OR**<sup>5</sup> [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] [non-advised sales] [and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled "Prohibition of Sales to EEA Investors" should be specified to be "Applicable".

<sup>2</sup> Legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the "ICMA 1" approach.

<sup>3</sup> Legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the "ICMA 2" approach.

<sup>4</sup> Include for securities that are not ESMA complex.

<sup>5</sup> Include for certain ESMA complex securities. This list may need to be amended, for example, if advised sales are deemed necessary. If there are advised sales, a determination of suitability will be necessary. In addition, if the Notes constitute "complex" products, pure execution services are not permitted to retail without the need to make the determination of appropriateness required under Article 25(3) of MiFID II.

refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]<sup>6</sup>.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]<sup>7</sup>

[Date]

**National Australia Bank Limited**  
**(ABN 12 004 044 937)**

**Legal Entity Identifier (LEI): F8SB4JFBSYQFRQE3Z21**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the U.S.\$100,000,000,000**  
**Global Medium Term Note Programme**

#### **PART A—CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 21 November 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular to reflect the provisions of these Final Terms) is annexed to these Final Terms. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

*(The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.)*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017] [and the supplement to it dated 23 November 2012]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 21 November 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the

<sup>6</sup> If the Notes constitute "complex" products, pure execution services are not permitted to retail without the need to make the determination of appropriateness required under Article 25(3) of MiFID II. If there are advised sales, a determination of suitability will be necessary.

<sup>7</sup> To amend notification if the Notes are "capital markets products other than prescribed capital markets products" pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.)*

1. (a) Series Number: [ ]
  - (b) Tranche Number: [ ]
  - (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in Paragraph 22 below, which is expected to occur on or about *[date]*] [Not Applicable]
  2. Specified Currency or Currencies: [ ]
  3. Aggregate Nominal Amount:
    - (a) Series: [ ]
    - (b) Tranche: [ ]
  4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] (*include in the case of fungible issues only, if applicable*)
  5. (a) Specified Denominations: [ ]
  - (b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: [ ]
  - (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
  7. Maturity Date: [Fixed rate-specify date/Interest Payment Date falling in



or nearest to [specify month and year]]/[Undated]  
[Floating rate-Interest Payment Date falling in or  
nearest to [specify month and year]]/ [Undated]

*(N.B. for certain Fixed Rate Notes, including Notes denominated in Renminbi or Hong Kong dollars, or Fixed Rate Notes which apply a Business Day Convention other than Following Business Day Convention specified in paragraph 14(f) below, where the Interest Payment Dates are subject to modification it will be necessary to use the “Interest Payment Date falling in or nearest to [specify month and year]” formulation)*

*(NB: The Maturity Date [should not be/may need to be not] less than one year after the Issue Date)*

*(N.B. for Zero Coupon Notes, include relevant Business Day Convention language if the Maturity Date is to be postponed or brought forward (as applicable) in accordance with a Business Day Convention. For a Zero Coupon Note with a Maturity Date that is to be postponed or brought forward (as applicable) in accordance with the Modified Following Business Day Convention, consider including: “[date] [month] [year], unless [date] [month] [year] is not a [specify applicable financial centres, as appropriate] Business Day, in which case the Maturity Date shall be postponed to the next day which is a [specify applicable financial centres, as appropriate] Business Day unless it would thereby fall into the next calendar month, in which event the Maturity Date shall be brought forward to the immediately preceding [specify applicable financial centres, as appropriate] Business Day. “[Specify applicable financial centres, as appropriate] Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify applicable financial centres, as appropriate].”)*

8. Interest Basis:

[ [ ] per cent. per annum Fixed Rate]

[[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH  
HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW  
Rate/BKBM Rate] +/- [ ] per cent. per annum  
Floating Rate]  
[Zero Coupon]  
(further particulars specified below)

*(N.B. It is expected that BBSW Rate or BKBM Rate will only be selected where “BBSW Determination” or “BKBM Determination”, respectively, are marked as “Applicable” below)*

9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis: [*Specify details of any provision for change of Notes into another Interest Basis cross refer Paragraphs 14 and 15 below if details are included there*] [Not Applicable]
11. U.S. Dollar Equivalent: [Applicable/Not Applicable]  
  
*(N.B. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked "Applicable".)*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[(further particulars specified below)]
13. Date of [Board] approval for issuance of Notes obtained: [ ] [and [ ]], respectively][Not Applicable]  
  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes.)*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this Paragraph*)
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year, commencing on [ ], up to (and including) the Maturity Date (*Amend appropriately in the case of irregular coupons*)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[RBA Bond Basis/Australian Bond Basis]  
[Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]

[Actual/365 (Sterling)]  
[Actual/360]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]

(f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(i) Adjusted: [Applicable/Not Applicable]

(ii) Non-Adjusted: [Applicable/Not Applicable]

(g) Additional Business Centre(s): [ ] [Not Applicable]

(h) Determination Date(s): [[ ] in each year] [Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

15. Floating Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

(c) Additional Business Centre(s): [ ] [Not Applicable]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/BBSW Determination/BKBM Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]

(f) Screen Rate Determination: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month  
[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA]

Relevant Time: [ ]

Relevant Financial Centre: [London/Brussels/Hong Kong/Toronto/Singapore/Oslo]

- (ii) Interest Determination Date(s): [the first day of each Interest Period][the second/[specify] business day prior to the start of each Interest Period][the second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first/[specify]] London Banking Day falling after the last day of the relevant Observation Period][specify other]
- (iii) Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*
- (iv) SONIA Lag Period (p): [5/[specify other] London Banking Days][Not Applicable]  
*(It is anticipated that Screen Rate Determination will be used on an issue by issue basis, unless otherwise agreed between the Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)*
- (g) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Floating Rate Option: [ ]
- (ii) Designated Maturity: [ ]
- (iii) Reset Date: [ ]  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*  
*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (h) BBSW Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Relevant Financial Centre: [Sydney]
- (ii) Interest Determination Date(s): [ ]

- (i) BKBM Determination: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this Paragraph)
- (i) Relevant Financial Centre: [Auckland and Wellington]
- (ii) Interest Determination Date(s): [ ]
- (j) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (k) Margin(s): [+/-] [ ] per cent. per annum
- (l) Minimum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (m) Maximum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (n) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis] 30E/360 (ISDA) RBA Bond Basis Australian Bond Basis] (See Condition 5.7 for alternatives)
- (o) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this Paragraph)
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7.2: Minimum period: [30/[ ]] days  
Maximum period: [[60/[ ]] days] [Not Applicable]
18. Issuer Call: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this Paragraph)

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount] / [In accordance with the table below]

Optional Redemption Date	Optional Redemption Amount (as a percentage of the Calculation Amount)
[ ]	[ ]

(c) If redeemable in part:

- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]

(d) Notice periods: Minimum period: [5/[ ]] days

Maximum period: [10/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)*

19. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [15/[ ]] days

Maximum period: [30/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)*

20. Final Redemption Amount: [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes may be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[ ] per Calculation Amount] / [Condition 7.5 applies]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. (a) Form of Notes: [Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a sub-custodian for the CMU/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (*specify nominal amounts*)

*(It is anticipated that all Registered Notes issued by NAB under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC and/or a sub-custodian for the CMU, because Registered Notes issued by NAB do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 5(a) includes language substantially to the following effect: "[€10,000] and integral multiples of [€1,000] in excess thereof up to and including [€19,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

(b) New Global Note: [Yes] [No]

*(It is anticipated that all Bearer Notes issued by NAB under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

23. Additional Financial Centre(s): [ ] [Not Applicable]

*(Note that this item relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub paragraph 15(c) relates)*

24. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]/[No]

### **[THIRD PARTY INFORMATION]**

[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of National Australia Bank Limited (ABN 12 004 044 937):

By: .....

*Duly authorised*



## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] [other] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] [other] with effect from [ ].] [Not Applicable.]

*(When documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].] [Not Applicable] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: *[specify ratings and rating agencies]*]

*[Include a brief explanation of the meaning of the ratings if this has been previously published by the rating provider]*

### 3. TERMS AND CONDITIONS OF THE OFFER

Non-exempt Offer: [Applicable][Not Applicable – the Notes are not being offered to the public as part of a Non-exempt Offer.] *(If not applicable, delete the remaining placeholders of this paragraph 3)*

- (a) Non-exempt Offer Jurisdictions: [Luxembourg,][Austria,][Belgium,][France,][Germany,][Ireland,][Italy<sup>8</sup>,][The Netherlands][and][The United Kingdom]
- (b) Offer Period: [Specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"]
- (c) Financial intermediaries granted specific consent to use the Offering Circular in accordance with the Conditions in it: *[Insert names and addresses of financial intermediaries receiving consent (specific consent)]*
- (d) General Consent: [Not Applicable][Applicable]
- (e) Other Authorised Offeror terms: [Not Applicable][The Issuer's consent will not be valid in Austria until the day following the bank working day in Austria on which the OeKB, as registration office (*Meldestelle*), has been notified of the intended offer of

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<sup>8</sup> CONSOB compliance to be reviewed at the time of any offer in Italy.

the Notes.][Add here any other Authorised Offeror Terms]

*(Authorised Offeror Terms should only be included here where General Consent is applicable.)*

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Offering Circular (and any supplement) has been notified/passported.)*

- (f) Offer Price: [The Offer Price shall, on the Issue Date, be equal to the Issue Price. The offer price of the Notes thereafter will, for subsequent re-offers of the Notes, be determined by the seller and purchaser of such Notes in accordance with market conditions then prevailing, including supply and demand for the Notes and other similar securities.] [●]
- (g) Conditions to which the offer is subject: [Offers of the Notes are conditional on their issue. As between the Authorised Offerors and their customers, offers of the Notes are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.] [●]
- (h) The time period, including any possible amendments, during which the offer will be open and description of the application process: [A prospective Noteholder should contact the applicable Authorised Offeror in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Authorised Offeror and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer in connection with the subscription of the Notes.] [●]
- (i) Details of the minimum and/or maximum amount of application: [There are no pre-identified allotment criteria. The Authorised Offerors will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations.] [●]
- (j) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable. The terms of the offers of the Notes do not provide for any reductions of subscriptions.] [●]
- (k) Details of the method and time limits for paying up and delivering the Notes: [Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof. The Notes will be issued on the Issue Date against payment to the Issuer of the net subscription moneys.] [●]

- (l) Manner in and date on which results of the offer are to be made public: [Not Applicable.] [●]
- (m) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable. The terms of the offers of the Notes do not provide for a procedure for the exercise of any right of pre-emption or negotiability of subscription rights.] [●]
- (n) Whether tranche(s) have been reserved for certain countries: [Not Applicable/give details]
- (o) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [A prospective Noteholder will receive 100 per cent. of the amount of the Notes allocated to it during the Offer Period. Prospective Noteholders will be notified by the applicable Authorised Offeror in accordance with the arrangements in place between such Authorised Offeror and the prospective Noteholders. No dealings in the Notes on a regulated market for the purposes of the Directive 2014/65/EU, as amended, may take place prior to the Issue Date.] [●]
- (p) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable. The terms of the offers of the Notes do not provide for any expenses and/or taxes to be charged to any subscriber and/or purchaser of the Notes.] [●]
- (q) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/Please see Paragraph 9(a) below] [●]

#### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Dealers/Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Dealers/Managers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business—*Amend as appropriate if there are other interests*]

[When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

#### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(a)] Reasons for the offer: [ ]

*(See "Use of Proceeds" wording in Offering Circular—if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here and then also complete (b) and (c) below.)*

[(b)] Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(c)] Estimated total expenses: [ ] [The estimated total expenses of the offer are broken down as follows:

(a) Total Commission: [ ]

(b) Admissions to Trading: [ ]

(c) Legal Fees: [ ] *(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses.")*

6. **YIELD** *(Fixed Rate Notes only)*

Indication of yield: [ ] [Not Applicable]

7. **HISTORIC INTEREST RATES** *(Floating Rate Notes Only)*

[Details of historic [LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW Rate/BKBM Rate] rates can be obtained from [Reuters]] [Not Applicable]

8. **OPERATIONAL INFORMATION**

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) CFI: [[ ]/Not Applicable]

(d) FISN: [[ ]/Not Applicable]

*(N.B. If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

(e) [CMU Instrument Number:] [ ]

*(Only applicable for Notes held through the CMU Service)*

(f) [CUSIP/CINS/Other securities code(s):] [Insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly]

(g) Any clearing system(s) other than [Euroclear and Clearstream, Luxembourg][, CMU Service] [and DTC] [delete as applicable] and the relevant [Not Applicable/give name(s) and number(s)]

identification number(s):

- (h) Delivery: Delivery [against/free of] payment
- (i) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ] [Not Applicable]
- (j) Deemed delivery of clearing system notices for the purposes of Condition 14: [Any notice delivered to Noteholders through [Euroclear and/or Clearstream, Luxembourg] [and/or DTC] [and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service] will be deemed to have been given on the [second] day [after the day] on which it was given to [Euroclear and Clearstream, Luxembourg,] [DTC] [or the persons shown in a CMU Instrument Position Report issued by the CMU Service,][ as applicable].]
- (k) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] [*include this text if "no" selected*]

## 9. DISTRIBUTION

- (a) Name(s) and address(es) of Manager(s) / relevant Dealer and underwriting commitment(s): [Not Applicable/*give name(s), address(es) and underwriting commitment(s)*]

*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and*

*names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (b) Date of Subscription Agreement: [     ]
- (c) Total commission and concession: [     ] per cent. of the Aggregate Nominal Amount
- (d) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]
- (e) The Republic of Korea (**Korea**) Selling Restrictions: [Not Applicable/The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum Specified Denomination specified in these Final Terms shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea.
- Furthermore, by purchasing the Notes, each Noteholder will be deemed to represent, warrant and agree that it shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.<sup>9</sup>]
- (f) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
- (g) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]
- (N.B. advice should be taken from Belgian counsel*

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<sup>9</sup> Only applicable for Notes offered into the Republic of Korea otherwise state 'Not Applicable'.

*before disapplying this selling restriction)*

**[ISSUE SPECIFIC SUMMARY OF THE NOTES]**



## APPLICABLE FINAL TERMS IN RESPECT OF PD NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of PD Notes*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (where **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>2</sup>

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]<sup>3</sup>

[Date]

**[National Australia Bank Limited (ABN 12 004 044 937)/Bank of New Zealand/  
BNZ International Funding Limited, acting through its London Branch]**

**Legal Entity Identifier (LEI): [F8SB4JFBSYQFRQEH3Z21/N7LGVZM7X4UQ66T7LT74/  
549300HVMZ89HDMELW08]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[guaranteed by Bank of New Zealand]  
under the U.S.\$100,000,000,000**

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled “Prohibition of Sales to EEA Investors” should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the “ICMA I” approach.

<sup>3</sup> To amend notification if the Notes are “capital markets products other than prescribed capital markets products” pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

## Global Medium Term Note Programme

### PART A—CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 21 November 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

*(The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.)*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017] [and the supplement to it dated 23 November 2012]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 21 November 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017]. Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.]

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.)*

*(If the Notes issued by Bank of New Zealand or BNZ International Funding Limited, acting through its London Branch have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.)*

1. (a) Series Number: [     ]
- (b) Tranche Number: [     ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in

Paragraph 22 below, which is expected to occur on or about [date]][Not Applicable]

2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (*include in the case of fungible issues only, if applicable*)
5. (a) Specified Denominations: [ ]

*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*

*(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

*"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*

- (b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ]

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

6. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

7. Maturity Date: [Fixed rate—specify date/undated/Interest Payment Date falling in or nearest to [specify month and year]]

[Floating rate—Interest Payment Date falling in or nearest to [specify month and year]]/[Undated]

*(N.B. for certain Fixed Rate Notes, including Notes denominated in Renminbi or Hong Kong dollars, or*

*Fixed Rate Notes which apply a Business Day Convention other than Following Business Day Convention specified in in paragraph 14(f) below, where the Interest Payment Dates are subject to modification it will be necessary to use the “Interest Payment Date falling in or nearest to [specify month and year]” formulation)*

*(N.B. for Zero Coupon Notes, include relevant Business Day Convention language if the Maturity Date is to be postponed or brought forward (as applicable) in accordance with a Business Day Convention. For a Zero Coupon Note with a Maturity Date that is to be postponed or brought forward (as applicable) in accordance with the Modified Following Business Day Convention consider including: “[date] [month] [year], unless [date] [month] [year] is not a [specify applicable financial centres, as appropriate] Business Day, in which case the Maturity Date shall be postponed to the next day which is a [specify applicable financial centres, as appropriate] Business Day unless it would thereby fall into the next calendar month, in which event the Maturity Date shall be brought forward to the immediately preceding [specify applicable financial centres, as appropriate] Business Day. [Specify applicable financial centres, as appropriate] Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify applicable financial centres, as appropriate].”)*

8. Interest Basis: [[ ] per cent. per annum Fixed Rate]  
[[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW Rate/BKBM Rate] +/- [ ] per cent. per annum Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
- (N.B. It is expected that BBSW Rate or BKBM Rate will only be selected where “BBSW Determination” or “BKBM Determination”, respectively, are marked as “Applicable” below)*
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis: [Specify details of any provision for change of Notes into another Interest Basis or cross refer Paragraphs 14 and 15 below if details are included there] [Not Applicable]
11. U.S. Dollar Equivalent: [Applicable/Not Applicable]

(N.B. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked “Applicable”.)

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior]/[Subordinated]/[Guaranteed Senior]
- (b) Date of [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively][Not Applicable]  
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this Paragraph)
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year, commencing on [ ], up to (and including) the Maturity Date (Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s): (Applicable to Notes in definitive form) [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[RBA Bond Basis/Australian Bond Basis]  
[Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (i) Adjusted: [Applicable/Not Applicable]
- (ii) Non-Adjusted: [Applicable/Not Applicable]

(g) Additional Business Centre(s): [ ] [Not Applicable]

(h) Determination Date(s): [[ ] in each year] [Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

15. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Specified Period(s)/Specified Interest Payment Dates: [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

(c) Additional Business Centre(s): [ ] [Not Applicable]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/BBSW Determination/BKBM Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]

(f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month  
[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA]

Relevant Time: [ ]

Relevant Financial Centre:  
[London/Brussels/Hong Kong/Toronto/Singapore/Oslo]

(ii) Interest Determination Date(s): [the first day of each Interest Period][the second/[specify] business day prior to the start of each Interest Period][the second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first/[specify]] London Banking Day falling after the last day of the relevant Observation Period][specify other]

(iii) Relevant Screen Page: [ ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(iv) SONIA Lag Period (p): [5/[specify other] London Banking Days][Not Applicable]

*(It is anticipated that Screen Rate Determination will be used on an issue by issue basis, unless otherwise agreed between the Relevant Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)*

(g) ISDA Determination: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Floating Rate Option: [ ]

(ii) Designated Maturity: [ ]

(iii) Reset Date: [ ]

*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

(h) BBSW Determination: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Relevant Financial Centre: [Sydney]

(ii) Interest Determination Date(s): [ ]

(i) BKBM Determination: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Relevant Financial Centre: [Auckland and Wellington]

- (ii) Interest Determination [ ]  
Date(s):
- (j) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (k) Margin(s): [+/-] [ ] per cent. per annum
- (l) Minimum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (m) Maximum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (n) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA) RBA Bond Basis Australian Bond Basis] (*See Condition 5.7 for alternatives*)
- (o) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this Paragraph*)
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7.2: Minimum period: [30/[ ]] days  
Maximum period: [[60/[ ]] days] [Not Applicable]
18. Issuer Call: [Applicable/Not Applicable]  
(*If not applicable, delete the remaining subparagraphs of this Paragraph*)
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of [[ ] per Calculation Amount] / [In accordance with the table below]



calculation of such amount(s):

Optional Redemption Date	Optional Redemption Amount (as a percentage of the Calculation Amount)
[ ]	[ ]

*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*

(c) If redeemable in part:

- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]

(d) Notice periods:

Minimum period: [5/[ ]] days

Maximum period: [10/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

19. Investor Put:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [[ ] per Calculation Amount] / [In accordance with the table below]

Optional Redemption Date	Optional Redemption Amount (as a percentage of the Calculation Amount)
[ ]	[ ]

*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*

(c) Notice periods:

Minimum period: [15/[ ]] days

Maximum period: [30/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

20. Final Redemption Amount: [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes may be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[ ] per Calculation Amount] / [Condition 7.5 applies]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. (a) Form of Notes: [Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 5(a) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a sub-

custodian for the CMU/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (specify nominal amounts)]

*(It is anticipated that all Registered Notes issued by NAB, BNZ or BNZ-IF under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC and/or a sub-custodian for the CMU, because Registered Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange event upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 5(a) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for a Definitive Bearer Note.)*

(b) New Global Note: [Yes] [No]

*[It is anticipated that all Bearer Notes issued by NAB, BNZ or BNZ-IF under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

23. Additional Financial Centre(s): [ ] [Not Applicable]

*(Note that this Paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which subparagraph 15(c) relates.)*

24. Talons for future Coupons to be [Yes, as the Notes have more than 27 coupon payments,

attached to Definitive Bearer Notes:

Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

**[THIRD PARTY INFORMATION**

[*Relevant third party information*] has been extracted from [*Specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*Specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [*insert name of Issuer*]:

[Signed on behalf of Bank of New Zealand:

By: .....

By:.....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Not Applicable.]

*(When documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

- (b) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].] [Not Applicable] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: *[specify rating(s) and rating agencies]*]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to *[specify names of dealers/managers]* (the **[Dealers]/[Managers]**), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The **[Dealers/Managers]** and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business — *Amend as appropriate if there are other interests]*

*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

### 4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [ ]
- (ii) Estimated net proceeds: [ ]
- (iii) Estimated total expenses: [ ]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain*

risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.])

5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield: [ ] [Not Applicable]

6. **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

[Details of historic [LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW Rate/BKBM Rate] rates can be obtained from [Reuters]] [Not Applicable] (*N.B.: Include where the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*)

7. **OPERATIONAL INFORMATION**

- (a) ISIN: [ ]
- (b) Common Code: [ ]
- (c) CFI: [[ ]/Not Applicable]
- (d) FISN: [[ ]/Not Applicable]

*(N.B. If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

- (e) [CMU Instrument Number:] [ ]

*(Only applicable for Notes held through the CMU Service)*

- (f) [CUSIP/CINS/Other securities code(s):] [Insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly]

- (g) Any clearing system(s) other than [Euroclear and Clearstream, Luxembourg,] [CMU Service] [and DTC] [delete as applicable] and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

- (h) Delivery: Delivery [against/free of] payment

- (i) If syndicated, names of Managers: [Not Applicable/give names]  
*(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (j) Date of Subscription Agreement: [ ] [Not Applicable] (*N.B. Include where the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*)
- (k) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ] [Not Applicable]
- (l) Deemed delivery of clearing system notices for the purposes of Condition 14: [Any notice delivered to Noteholders through [Euroclear and/or Clearstream, Luxembourg] [and/or DTC] [and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service] will be deemed to have been given on the [day]/[[second] day after the day] on which it was given to [Euroclear and Clearstream, Luxembourg,] [DTC] [or the persons shown in a CMU Instrument Position Report issued by the CMU Service,] [as applicable].]
- (m) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] [*include this text if "no" selected*]

## 8. SELLING RESTRICTIONS

- (a) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (b) The Republic of Korea (**Korea**) Selling Restrictions: [Not Applicable/The Notes have not been and will not be registered for public offering under the Financial

Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum Specified Denomination specified in these Final Terms shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea.

Furthermore, by purchasing the Notes, each Noteholder will be deemed to represent, warrant and agree that it shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.<sup>4</sup>]

- (c) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (d) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

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<sup>4</sup> Only applicable for Notes offered into Korea otherwise state 'Not Applicable'.



## APPLICABLE FINAL TERMS IN RESPECT OF EXEMPT NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Exempt Notes.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (where **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/[Professional investors and eligible counterparties only] target market** [– Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>2</sup>/[*appropriate target market legend to be included.*] [*complete/amend as appropriate*]]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]<sup>3</sup>

**THE CSSF HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED IN THIS FORM OF FINAL TERMS IN RESPECT OF EXEMPT NOTES**

[Date]

**[National Australia Bank Limited (ABN 12 004 044 937)/Bank of New Zealand/  
BNZ International Funding Limited, acting through its London Branch]**

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled “Prohibition of Sales to EEA Investors” should be specified to be “Applicable”.

<sup>2</sup> This version of the legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the “ICMA 1” approach.

<sup>3</sup> To amend notification if the Notes are “capital markets products other than prescribed capital markets products” pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

**Legal Entity Identifier (LEI): [F8SB4JFBSYQFRQEH3Z21/N7LGVZM7X4UQ66T7LT74/  
549300HVMZ89HDMELW08]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[guaranteed by Bank of New Zealand]  
under the U.S.\$100,000,000,000**

**Global Medium Term Note Programme**

**PART A—CONTRACTUAL TERMS**

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any [Dealer/Manager] to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.]<sup>4</sup>

This document constitutes the Final Terms of the Notes described herein. This document must be read in conjunction with the Offering Circular dated 21 November 2018 [as supplemented by the supplement[s] to it dated [date[s]]] (the **Offering Circular**). Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Copies of the Offering Circular may be obtained free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017] [and the supplement to it dated 23 November 2012] and attached hereto.] (*Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.*)

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.)*

*(If the Notes issued by Bank of New Zealand or BNZ International Funding Limited, acting through its London Branch have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.)*

1. (a) Issuer: [National Australia Bank Limited (ABN 12 004 044 937) /Bank of New Zealand/BNZ International Funding Limited, acting through its London Branch]

(b) [Guarantor: Bank of New Zealand

The Notes described herein are not guaranteed by any government, government agency or compensation scheme of the Commonwealth of Australia, Her Majesty the Queen in right of New Zealand or any other jurisdiction.]

2. (a) Series Number: [ ]

(b) Tranche Number: [ ]

<sup>4</sup> Do not include if the "Prohibition of Sales to EEA Retail Investors" legend is included (because the Notes potentially constitute "packaged" products and no key information document will be prepared) and the related selling restriction is specified to be "Applicable".

- (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in Paragraph 28 below, which is expected to occur on or about *[date]*][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] (*include in the case of fungible issues only, if applicable*)
6. (a) Specified Denominations: [ ] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the [€100,000] minimum denomination is not required.)*
- (b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for*

certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [Fixed rate—[Specify date]/[Interest Payment Date falling in or nearest to [specify month and year]/[Undated]]  
[Floating rate—Interest Payment Date falling in or nearest to [specify month and year]/[Undated]]

*(N.B. for certain Fixed Rate Notes, including Notes denominated in Renminbi or Hong Kong dollars, or Fixed Rate Notes which apply a Business Day Convention other than Following Business Day Convention specified in in paragraph 16(f) below, where the Interest Payment Dates are subject to modification it will be necessary to use the “Interest Payment Date falling in or nearest to [specify month and year]” formulation)*

*(N.B. for Zero Coupon Notes, include relevant Business Day Convention language if the Maturity Date is to be postponed or brought forward (as applicable) in accordance with a Business Day Convention. For a Zero Coupon Note with a Maturity Date that is to be postponed or brought forward (as applicable) in accordance with the Modified Following Business Day Convention consider including: “[date] [month] [year], unless [date] [month] [year] is not a [specify applicable financial centres, as appropriate] Business Day, in which case the Maturity Date shall be postponed to the next day which is a [[specify applicable financial centres, as appropriate] Business Day unless it would thereby fall into the next calendar month, in which event the Maturity Date shall be brought forward to the immediately preceding [specify applicable financial centres, as appropriate] Business Day. [Specify applicable financial centres, as appropriate] Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify applicable financial centres, as appropriate].”)*

9. Interest Basis: [[ ] per cent. per annum Fixed Rate]  
[[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW Rate/BKBM Rate] +/- [ ] per cent. per annum Floating Rate]

*(N.B. It is expected that BBSW Rate or BKBM Rate will only be selected where ‘BBSW Determination’ or ‘BKBM Determination’, respectively, are marked as “Applicable” below)*

*([Where interpolated rates for the first Interest Period use the following: "The ISDA Rate" in respect of the first Interest Period (such period for the avoidance of doubt being from (and including) the Interest Commencement Date to (but excluding) the Interest Payment Date falling in [ ] shall be determined through the use of straight-line interpolation by reference to two rates based on the Floating Rate Option, one of which shall be*

determined as if the Designated Maturity were [ ] months and the other of which shall be determined as if the Designated Maturity were [ ] months])

[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[Specify other]  
(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[Specify other]

11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] [Not Applicable]

12. U.S. Dollar Equivalent: [Applicable/Not Applicable]

*(N.B. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked "Applicable".)*

13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Event Call]  
[(further particulars specified below)]  
[Not Applicable]

14. (a) Status of the Notes: [Senior]/[Subordinated]/[Guaranteed Senior]

[(see further particulars in paragraph 15 below)]

*(N.B. Further particulars statement only relevant where the Issuer is NAB and "Subordinated" is selected)*

(b) [Date of [Board] [ ] [and [ ], respectively]] approval for issuance of Notes [and Guarantee] obtained: *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

## **PROVISIONS RELATING TO SUBORDINATED NOTES**

15. Subordinated Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph 15)*

(a) Write-Off: [Applicable/Not Applicable]

(b) Conversion: [Applicable/Not Applicable]

- (i) CD: [ ]
- (ii) VWAP Period: [As specified in the Schedule to the Conditions]/[[ ] Business Days]
- (iii) Issue Date VWAP: [As specified in the Schedule to the Conditions]/[[ ] Business Days]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear on each Interest Payment Date] *(If payable other than annually, consider amending Condition 5)*
  - (b) Interest Payment Date(s): [[ ] in each year, commencing on [ ], up to (and including) the Maturity Date *(Amend appropriately in the case of irregular coupons)*
  - (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount [(subject to Condition 10A.2A) *(include in the case of Subordinated Notes only, if applicable)*]
  - (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
  - (e) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [RBA Bond Basis][Australian Bond Basis]  
 [Actual/Actual (ISDA)][Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30E/360] [Eurobond Basis]  
 [30E/360 (ISDA)]  
 [*Specify other*]  
*(See Condition 5.7 for alternatives)*
  - (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*Specify other*]]
  - (i) Adjusted: [Applicable/Not Applicable]

- (ii) Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centre(s): [ ] [Not Applicable]
- (h) Determination Date(s): [[ ] in each year] [Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (i) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
17. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Specify other]][Not Applicable]
- (c) Additional Business Centre(s): [ ] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/BBSW Determination/BKBM Determination/Specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [Specify other Reference Rate]

Relevant Time: [       ]

Relevant Financial Centre: [London/Brussels/Hong Kong/Toronto/Singapore/Oslo/Specify other Relevant Financial Centre]

(ii) Interest Determination Date(s): [the first day of each Interest Period][the second [specify] business day prior to the start of each Interest Period][the second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first/[specify]] London Banking Day falling after the last day of the relevant Observation Period][specify other]

(iii) Relevant Screen Page: [       ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(iv) SONIA Lag Period (p): [5/[specify other] London Banking Days][Not Applicable]

*(It is anticipated that Screen Rate Determination will be used on an issue by issue basis, unless otherwise agreed between the Relevant Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)*

(g) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Floating Rate Option: [       ]

(ii) Designated Maturity: [       ]

(iii) Reset Date: [       ]

*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

(h) BBSW Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Relevant [Sydney]



- Financial Centre:
- (ii) Interest Determination Date(s): [ ]
- (i) BKBM Determination: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this Paragraph)
- (i) Relevant Financial Centre: [Auckland and Wellington]
- (ii) Interest Determination Date(s): [ ]
- (j) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (k) Margin(s): [+/-] [ ] per cent. per annum
- (l) Minimum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (m) Maximum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (n) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA) RBA Bond Basis Australian Bond Basis [Other] (See Condition 5.7 for alternatives)]
- (o) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (p) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt [ ]

Notes, if different from those set out in the Conditions:

18. Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
  - (b) Reference Price: [ ]
  - (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
  - (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Index/Formula: [give or annex details]
  - (b) Calculation Agent: [give name]
  - (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
  - (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
  - (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
  - (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Specify other]

- (g) Additional Business Centre(s): [ ] [Not Applicable]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
- (k) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]

20. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 21. Notice periods for Condition 7.2: Minimum period: [30/[ ]] days  
Maximum period: [[60/[ ]] days] [Not Applicable]
- 22. Issuer Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

- (a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/see Appendix] [(subject to Condition 10A.2A) (include in the case of Subordinated Notes only, if applicable)]

(c) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(d) Notice periods: Minimum period: [5/[ ]] days

Maximum period: [10/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

23. Regulatory Event Call in respect of Subordinated Notes: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraph of this Paragraph)*

Notice periods: Minimum period: [specify] days

Maximum period: [specify] days

24. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/see Appendix]

(c) Notice periods: Minimum period: [15/[ ]] days

Maximum period: [30/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to*

*consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

25. Final Redemption Amount: [[ ] per Calculation Amount/Specify other/see Appendix] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]
26. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[ ] per Calculation Amount/Condition 7.5 applies/Specify other/see Appendix] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

27. Any applicable Tax Jurisdiction: [Give details][Not Applicable] (*N.B. See Condition 8*)
28. (a) Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]
- [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer].]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves.)*
- [Registered Notes:
- Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a sub-custodian for the CMU/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (*specify nominal amounts*)]

*(It is anticipated that all Registered Notes issued by NAB, BNZ or BNZ-IF under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC and/or a sub-custodian for the CMU, because Registered Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange event upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for a Definitive Bearer Note.)*

(b) New Global Note: [Yes] [No]

*[It is anticipated that all Bearer Notes issued by NAB, BNZ or BNZ-IF under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

29. Additional Financial Centre(s): [Not Applicable/give details]

*(Note that this Paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 17(c) relates.)*

30. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. A new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]

32. Details relating to Instalment [Applicable/Not Applicable]

Notes:

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Instalment Amount(s): *[give details]*

(b) Instalment Date(s): *[give details]*

33. Additional United States Federal Income Tax Disclosure: *[Not Applicable/provide additional disclosure if necessary or desired, e.g., in the case of a reopening of Notes.]*

34. Other terms or special conditions: *[Not Applicable/give details]*

**[THIRD PARTY INFORMATION]**

*[Relevant third party information]* has been extracted from *[specify source]*. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of *[insert name of Issuer]*:

[Signed on behalf of Bank of New Zealand:

By: .....

By:.....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange] [other] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange Euro MTF Market and listed on the official list of the [Luxembourg Stock Exchange] [other] with effect from [ ].] [Not Applicable.]

*(When documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)] [Not Applicable] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: [specify ratings and rating agencies]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

### 4. [YIELD (Fixed Rate Notes only)]

Indication of yield: [ ] [Not Applicable]

### 5. [USE OF PROCEEDS]

Use of Proceeds: [ ]

*(Only required if the use of proceeds is different to that stated in the Offering Circular)*

### 6. OPERATIONAL INFORMATION

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) CFI: [[ ]/Not Applicable]

(d) FISN: [[ ]/Not Applicable]



(N.B. If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

- (e) [CMU Instrument Number:] [ ]  
(Only applicable for Notes held through the CMU Service)
- (f) [CUSIP/CINS/ Other securities number:] [Insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly]
- (g) Any clearing system(s) other than [Euroclear and Clearstream, Luxembourg,] [CMU Service] [and DTC] [delete as applicable] and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (h) Delivery: Delivery [against/free of] payment
- (i) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ] [Not Applicable]
- (j) Deemed delivery of clearing system notices for the purposes of Condition 14: [Any notice delivered to Noteholders through [Euroclear and/or Clearstream, Luxembourg] [and/or DTC] [and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service] will be deemed to have been given on the [day]/[[second] day after the day] on which it was given to [Euroclear and Clearstream, Luxembourg,] [DTC] [or the persons shown in a CMU Instrument Position Report issued by the CMU Service,] [as applicable].]
- (k) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [include this text for Registered Notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered

in the name of a nominee of one of the ICSDs acting as common safekeeper)]*[include this text for Registered Notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] *[include this text if "no" selected]*

## 7. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (e) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (f) The Republic of Korea (**Korea**) Selling Restrictions: [Not Applicable/The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum Specified Denomination specified in these Final Terms shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea.

Furthermore, by purchasing the Notes, each Noteholder will be deemed to represent, warrant and agree that it shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with

the purchase of the Notes.<sup>5]</sup>

- (g) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (h) Additional selling restrictions: [Not Applicable/give details]
- (Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*
- (i) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]
- (N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

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<sup>5</sup> Only applicable for Notes offered into Korea otherwise state 'Not Applicable'.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor (in the case of Guaranteed Senior Notes) and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may, in respect of an Exempt Note, specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by National Australia Bank Limited (ABN 12 004 044 937) (**NAB**), Bank of New Zealand (**BNZ**) or BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each an **Issuer** and together, the **Issuers**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 17 March 2005 made between NAB as Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee). By a First Supplemental Trust Deed dated 17 October 2005 and made between, amongst others, NAB, BNZ-IF, BNZ as guarantor of Notes issued by BNZ-IF (the **Guarantor**) and the Trustee, BNZ-IF became an Issuer under the Programme (as defined in the Trust Deed) and, by a Twentieth Supplemental Trust Deed dated 21 November 2018 and made between NAB, BNZ-IF, BNZ (as an Issuer and as the Guarantor) and the Trustee, BNZ became an Issuer under the Programme. Notes issued by BNZ-IF (**Guaranteed Senior Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor under a guarantee set out in the Trust Deed (the **Guarantee**).

References herein to the **Issuer** shall be references to the party specified as Issuer in the applicable Final Terms for this Note.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 21 November 2018 and made between NAB, BNZ-IF, BNZ (as an Issuer and as the Guarantor), the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent** or **Agent**, which expression shall include any successor agent) and as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the **CMU Lodging Agent**, which expression shall include any successor CMU lodging agent), Deutsche Bank Trust Company Americas as registrar (together with the other

registrars named therein, the **Registrar**, which expression shall include any additional or successor registrars) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent or Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging Agent to the extent necessary for enabling the CMU Lodging Agent to fully observe and perform its obligations under the CMU Rules (as defined in the Trust Deed) and all such references shall be construed accordingly.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Final Terms for each Tranche of Notes (other than Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency)) will state in particular whether the Notes of that Tranche are (i) in the case of Notes issued by NAB or BNZ, senior Notes (**Senior Notes**), or (ii) in the case of Notes issued by NAB only, term subordinated Notes (**Subordinated Notes**), or (iii) in the case of Notes issued by BNZ-IF, Guaranteed Senior Notes. Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency) will be issued as Senior Notes or Guaranteed Senior Notes.

The expression **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the bearers for the time being of the Notes and (in the case of Registered Notes) the persons in whose name the Notes for the time being are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the bearers for the time being of the Receipts and any reference herein to **Couponholders** shall mean the bearers for the time being of the Coupons and shall, unless the context otherwise requires, include the bearers for the time being of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing or admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the Issue Date, the Issue Price, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Agent, the Registrar, the

Exchange Agent and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange pursuant to the Prospectus Directive or on the Luxembourg Stock Exchange's Euro MTF Market, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). If this Note is an Exempt Note, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or (in the case of Guaranteed Senior Notes) the Guarantor and the Trustee or, as the case may be, the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Guarantee (in the case of Guaranteed Senior Notes) and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Notes issued as Subordinated Notes must not be Zero Coupon Notes, Index Linked Interest Notes, Dual Currency Interest Notes, Index Linked Redemption Notes, Partly Paid Notes, Instalment Notes, Dual Currency Redemption Notes or any combination of any of the foregoing.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor (in the case of Guaranteed Senior Notes), the Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), each person (other than Euroclear, Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Senior Notes), the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Senior Notes), any Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or at the direction of the registered holder (to whose order such payments are to be made) to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Guarantor (in the case of Guaranteed Senior Notes), the Agent and the Trustee.

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in

the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or its or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the circumstances set out in this Condition 2(e), such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held



through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg and/or the CMU Service; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

**Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**Legended Note** means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

**QIB** means a **qualified institutional buyer** within the meaning of Rule 144A;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Note** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Note** means a Registered Global Note representing Notes sold in the United States to QIBs; and

**Securities Act** means the United States Securities Act of 1933, as amended.

### **3. STATUS OF THE SENIOR NOTES AND GUARANTEED SENIOR NOTES AND SUBORDINATION**

The applicable Final Terms (other than Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency)) will indicate whether the Notes are, in the case of Notes issued by NAB, Senior Notes or Subordinated Notes, in the case of Notes issued by BNZ, Senior Notes or, in the case of Notes issued by BNZ-IF, Guaranteed Senior Notes. Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency) will be issued as Senior Notes or Guaranteed Senior Notes.

*NAB is an "authorised deposit-taking institution" (ADI) for the purposes of the Banking Act 1959 of Australia (Banking Act) in Australia. Accordingly, but without limitation to the other mandatory priority provisions of the Banking Act or the Reserve Bank Act 1959 of Australia or to other applicable laws, section 13A of Division 2 of Part II of the Banking Act provides that, in the event NAB becomes unable to meet its obligations or suspends payment, its assets in Australia are available to meet specified liabilities in Australia in priority to all other liabilities of NAB (including Notes issued by NAB). These specified liabilities include obligations of NAB in respect of protected accounts (as defined in the Banking Act), debts due to the Reserve Bank of Australia (the RBA) and certain debts due to the Australian Prudential Regulation Authority (APRA). Certain assets, such as the assets of NAB in a cover pool for a covered bond issued by NAB, are excluded from constituting assets in Australia for the purposes of section 13A of the Banking Act and these assets are subject to the prior claims of the holders of such covered bonds and certain other secured creditors in respect of the covered bonds.*

*The claims which are preferred by law to the claims of a Noteholder in respect of a Note issued by NAB, including without limitation under the Banking Act provisions referred to above, will include most deposits, will be substantial and are not limited by these Conditions. NAB's assets which are excluded from constituting assets in Australia and which are subject to prior claims in connection with covered bonds as described above may also be substantial. In addition, future changes to applicable law may extend the debts required to be preferred by law or the assets to be excluded.*

*The Notes are not deposit liabilities or protected accounts of NAB for the purposes of the Banking Act and are not insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party. Notes issued by NAB are not guaranteed by any person.*

#### **3.1 Status of the Senior Notes and Guaranteed Senior Notes**

The Senior Notes and Guaranteed Senior Notes and any relative Receipts and Coupons are unsubordinated, direct and unsecured obligations of the Issuer and rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law including (in respect of NAB only) but not limited to those referred in Division 2 of Part II of the Banking Act 1959 of Australia (**Banking Act**) and section 86 of the Reserve Bank Act 1959 of Australia).

#### **3.2 Subordination—NAB**

The provisions of, and the defined terms contained within, this Condition 3.2 only apply to Subordinated Notes.

- (a) Subordinated Notes are direct, unsecured obligations of NAB and are subordinate to the claims of all Senior Creditors (as defined below) of NAB in right of payment of principal of and interest on such Subordinated Notes with respect to the assets of NAB in the event of a Winding Up of NAB.
- (b) At any time prior to the Winding Up of NAB in Australia:
  - (i) payments by NAB of principal and interest or any other amount owing to a Noteholder or the Trustee in connection with the Subordinated Notes are conditional upon NAB being Solvent at the time those payments fall due; and
  - (ii) NAB must not pay an amount owing to a Noteholder or the Trustee in connection with the Subordinated Notes except to the extent that NAB may pay such amount and still be Solvent immediately after doing so,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect thereof.

Subordinated Notes rank in a Winding Up of NAB behind all claims of Senior Creditors, *pari passu* among themselves, and subject to Condition 10A, *pari passu* with Equal Ranking Instruments and ahead of Junior Ranking Instruments.

In a Winding Up of NAB a Noteholder's claim for an amount owing by NAB in connection with a Subordinated Note is subordinated to the claims of Senior Creditors of NAB, in that:

- (x) all claims of Senior Creditors must be paid in full before the Noteholder's claim is paid; and
- (y) until the Senior Creditors have been paid in full, the Noteholder must not claim in the Winding Up of NAB in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive.

The Subordinated Notes will not contain any limitations on the amount of senior debt, deposits or other obligations that may be hereafter incurred or assumed by NAB.

Each Noteholder irrevocably acknowledges and agrees that this Condition 3.2 is a debt subordination for the purposes of section 563C of the Corporations Act 2001 of Australia (the **Corporations Act**). Each Noteholder irrevocably acknowledges and agrees that the debt subordination effected by this Condition 3.2 is not affected by any act or omission of NAB or a Senior Creditor which might otherwise affect it at law or in equity.

To the fullest extent permitted by applicable law, a holder of a Subordinated Note and any related Receipts and Coupons shall not have any right to set-off any amounts owing to it by NAB in connection with that Subordinated Note against any amount owing by it to NAB in connection with the Subordinated Notes or otherwise and NAB shall not have any right to set-off any amounts owing by it to the holder in connection with that Subordinated Note against any amount owing by the holder to it in connection with the Subordinated Notes or otherwise.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of NAB to defeat the subordination in this Condition 3.2. In addition, each Noteholder irrevocably acknowledges and agrees that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding Up of NAB in connection with a Subordinated Note in excess of its entitlement under this Condition 3.2.

Nothing in this Condition 3.2 shall be taken to require the consent of any Senior Creditor to any amendment of this Condition 3.2.

**Equal Ranking Instruments** means any instrument that ranks in a Winding Up of NAB as the most junior claim in the Winding Up of NAB ranking senior to Junior Ranking Instruments and includes:

- (i) the undated subordinated Floating Rate Notes issued under the trust deed dated 4 October 1986 between NAB and The Law Debenture Trust Corporation p.l.c., as amended from time to time (except in so far as such amendment is inconsistent with such ranking); and
- (ii) any other instruments issued after 1 January 2013 as Relevant Tier 2 Capital Instruments (as defined in Condition 10A.16).

**Junior Ranking Instruments** means:

- (i) any instrument issued as Tier 1 Capital (whether or not constituting Tier 1 Capital at the Issue Date or at the time of commencement of the Winding Up of NAB); and
- (ii) any shares (including Ordinary Shares) in the capital of NAB (other than shares issued as Tier 2 Capital),

or any claims in respect of a shareholding including claims described in sections 563AA and 563A of the Corporations Act.

**Senior Creditors** means all present and future creditors of NAB (including but not limited to depositors of NAB) whose claims:

- (i) would be entitled to be admitted in the Winding Up of NAB; and
- (ii) are not in respect of Equal Ranking Instruments or Junior Ranking Instruments,

including creditors in respect of Subordinated Notes issued before 1 January 2013.

**Winding Up** means, in relation to NAB, a winding up by a court of competent jurisdiction or otherwise under applicable law (which, in the case of Australia, includes the Corporations Act).

The Trust Deed contains further provisions to give effect to the subordination contemplated by this Condition 3.2.

**3.3** [This paragraph is no longer applicable]

#### **3.4 Status of the Senior Guarantee**

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment by BNZ-IF of the principal of, and interest on, the Guaranteed Senior Notes and all other amounts payable under or pursuant to the Trust Deed. The obligations of the Guarantor under the Guarantee constitute unsubordinated, direct and unsecured obligations of the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor (other than any obligation preferred by mandatory provisions of applicable law).

**4.** [This paragraph is no longer applicable]

#### **5. INTEREST**

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or, in the case of Exempt Notes, whether a different interest basis applies.

## 5.1 Interest on Fixed Rate Notes

This Condition 5.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, and subject to the immediately succeeding paragraph, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If "Business Day Convention—Adjusted" is specified in the applicable Final Terms, (a) any Interest Payment Date otherwise falling on a day which is not a Business Day (as defined in Condition 5.7 below) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and (b) the amount of interest payable on such Interest Payment Date will be adjusted accordingly and the provisions of subparagraph (d) of Condition 5.2 (excluding the determination of the Rate of Interest) and (f) of Condition 5.2 below (excluding the notification of the Rate of Interest) shall apply, *mutatis mutandis*, as though references to "Floating Rate Notes" were to "Fixed Rate Notes" and references to "Interest Amounts" were to amounts of interest payable in respect of Fixed Rate Notes.

If "Business Day Convention—Non-Adjusted" is specified in the applicable Final Terms, any Interest Payment Date otherwise falling on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and there will be no corresponding adjustment of the amount of interest or, if applicable, principal, payable on such Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

## 5.2 Interest on Floating Rate Notes

This Condition 5.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination, Screen Rate Determination, BBSW Determination or BKBM Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify, *inter alia*, the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page. Where BBSW Determination or BKBM Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Relevant Financial Centre and Interest Determination Date(s).

### (a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2 above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where "ISDA Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(i) to "Agent" shall be construed accordingly) under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes not referencing Compounded Daily SONIA

- (1) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for each Interest Period will, subject to Condition 5.5 and subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(ii) to "Agent" shall be construed accordingly). If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such

lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (2) If, other than in the circumstances described in Condition 5.5 below, the Relevant Screen Page is not available or if, in the case of Condition 5.2(b)(ii)(1)(A), no such offered quotation appears or, in the case of Condition 5.2(b)(ii)(1)(B), fewer than three of the offered quotations appear, in each case as at the Relevant Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent.
- (3) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) or the Toronto inter-bank market (if the Reference Rate is BA-CDOR) or the Singapore inter-bank market (if the Reference Rate is SIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, either (as directed by the Relevant Issuer) the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Relevant Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) or the Toronto inter-bank market (if the Reference Rate is BA-CDOR) or the Singapore inter-bank market (if the Reference Rate is SIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(b)(ii), the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5.2(b)(ii):

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (**LIBOR**) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;



- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (**EURIBOR**), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Hong Kong interbank offered rate (**HIBOR**), the first day of each Interest Period;
- (v) if the Reference Rate is the Toronto inter-bank offered rate (**BA-CDOR**), the first day of each Interest Period;
- (vi) if the Reference Rate is the Singapore interbank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period;
- (vii) if the Reference Rate is the CNH Hong Kong interbank offered rate (**CNH HIBOR**), the second Hong Kong business day (excluding Saturdays) prior to the start of each Interest Period; and
- (viii) if the Reference Rate is the Norwegian interbank offered rate (**NIBOR**), the second Oslo business day prior to the start of each Interest Period.

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR, (iii) HIBOR, (iv) BA-CDOR, (v) SIBOR, (vi) CNH HIBOR or (vii) NIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

**Relevant Financial Centre** shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Hong Kong, in the case of a determination of HIBOR, Toronto, in the case of a determination of BA-CDOR, Singapore, in the case of a determination of SIBOR, Hong Kong, in the case of a determination of CNH HIBOR and Oslo, in the case of a determination of NIBOR, as specified in the applicable Final Terms.

**Relevant Time** shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of HIBOR 11.00 a.m., (iv) in the case of BA-CDOR, 10.00 a.m., (v) in the case of SIBOR, 11.00 a.m., (vi) in the case of CNH HIBOR, 11.15 a.m., or if, at or around that time it is notified that the fixing will be published at 2:30 p.m., then as of 2:30 p.m., (vii) in the case of NIBOR, 12.00 noon, each as specified in the applicable Final Terms.

In the case of Exempt Notes, if the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR, EURIBOR, HIBOR, BA-CDOR, SIBOR, CNH HIBOR, NIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

- (iii) Screen Rate Determination for Floating Rate Notes referencing Compounded Daily SONIA
- (A) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for an Interest Accrual Period (as defined below) will, subject as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

**Compounded Daily SONIA** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

**d** is the number of calendar days in the relevant Interest Accrual Period;

**d<sub>0</sub>** is the number of London Banking Days in the relevant Interest Accrual Period;

**i** is a series of whole numbers from one to d<sub>0</sub>, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual Period;

**London Banking Day** or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**n<sub>i</sub>**, for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

**Observation Period** means the period from (and including) the date falling "p" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "p" London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

**p** is the number of London Banking Days by which an Observation Period lags the corresponding Interest Accrual Period, being the number of London Banking Days specified as the "SONIA Lag Period (p)" in the applicable Final Terms (or, if no such number is so specified, five London Banking Days);

the **SONIA reference rate**, in respect of any London Banking Day (**LBD<sub>x</sub>**), is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such LBD<sub>x</sub> as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such LBD<sub>x</sub>; and

**SONIA<sub>i-pLBD</sub>** means the SONIA reference rate for the London Banking Day (being a London Banking Day falling in the relevant Observation Period) falling "p" London Banking Days prior to the relevant London Banking Day "i".

- (B) If, in respect of any London Banking Day in the relevant Observation Period, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the applicable SONIA reference rate has not been made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, as applicable) shall determine the SONIA reference rate in respect of such London Banking Day as being: (i) the Bank of England's Bank Rate

(the **Bank Rate**) prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

- (C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:
- (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
  - (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period).
- (D) As used herein, an **Interest Accrual Period** means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Notes becomes due and payable in accordance with Condition 10, shall be the date on which such Notes become due and payable).
- (E) If the relevant Series of Notes becomes due and payable in accordance with Condition 10, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 5.6 and the Trust Deed.
- (iv) BBSW Determination for Floating Rate Notes

Where "BBSW Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be the mid-rate for prime bank eligible securities (expressed as a percentage rate per annum), having a tenor closest to the relevant Interest Period (the **BBSW Rate**) on the BBSW Page (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) at or about the BBSW Publication Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(iv) to "Agent" shall be construed accordingly).

If the BBSW Page is not available, or if the BBSW Rate does not appear on the BBSW Page by 10.45 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BBSW Publication Time in the Relevant Financial Centre), then (unless the Agent has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Rate of Interest shall be determined in good faith by the

Agent on the Interest Determination Date, after consultation with the Issuer, having regard to comparable indices then available.

If the Agent is unable to determine the Rate of Interest in accordance with the preceding paragraph, the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5.2(b)(iv):

**BBSW Page** means the Thomson Reuters Screen “BBSW” Page, or such other Thomson Reuters screen page (or page of a successor service) as may replace such page for the purpose of displaying the Australian Bank Bill Swap Rate;

**BBSW Publication Time** means 10.30 a.m. (or such other time at which the BBSW Rate is customarily published on the BBSW Page);

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified, the first day of each Interest Period;

**Relevant Financial Centre** shall mean Sydney, as specified in the applicable Final Terms.

(v) BKBM Determination for Floating Rate Notes

Where "BKBM Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be the “Bank Bill Reference Rate (FRA)” (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) administered by the New Zealand Financial Markets Association (or any other person that takes over the administration of that rate), having a tenor closest to the relevant Interest Period (the **BKBM Rate**), as set forth on the display page designated on the BKBM Page at or about the BKBM Publication Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(v) to "Agent" shall be construed accordingly).

If the BKBM Page is not available, or if the BKBM Rate does not appear on the BKBM Page by 11.00 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BKBM Publication Time in the Relevant Financial Centre), then (unless the Agent has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Rate of Interest shall be determined in good faith by the Agent on the Interest Determination Date, after consultation with the Issuer, having regard to the rates otherwise bid and offered at or around 11.00 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BKBM Publication Time in the Relevant Financial Centre) on the Interest Determination Date by participants in the BKBM trading window for New Zealand bank bills having a tenor closest to the relevant Interest Period.

If the Agent is unable to determine the Rate of Interest in accordance with the preceding paragraph, the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5.2(b)(v):

**BKBM Page** means the Reuters Screen “BKBM” Page, or such other page on the Reuters Monitor Money Rates Service (or a successor service) as may replace such page for the purpose of displaying the New Zealand Bank Bill reference rate;

**BKBM Publication Time** means 10.45 a.m. (or such other time at which the BKBM Rate customarily appears on the BKBM Page);

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified, the first day of each Interest Period;

**Relevant Financial Centre** shall mean Auckland and Wellington, as specified in the applicable Final Terms.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Final Terms in respect of any Notes issued as Subordinated Notes may not specify a Minimum Rate of Interest and/or a Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or other Interest Accrual Period).

The Agent (or such other party as aforesaid) will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period (or other Interest Accrual Period). Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If "Interest Amounts Non-Adjusted" is specified in the applicable Final Terms then notwithstanding the bringing forward or postponement (as applicable) of an Interest Payment Date as a result of the application of the Business Day Convention set out in the applicable Final Terms, the Interest Amount in respect of the relevant Interest Period and each subsequent Interest Period shall be calculated as aforesaid on the basis of

the original Interest Payment Dates without adjustment in accordance with the applicable Business Day Convention.

(e) **Linear Interpolation**

Where "Linear Interpolation" is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where "Screen Rate Determination" is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where "ISDA Determination" is specified as applicable in the applicable Final Terms) or the relevant BBSW Rate (where "BBSW Determination" is specified as applicable in the applicable Final Terms) or the relevant BKBM Rate (where "BKBM Determination" is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent (or such other party as aforesaid) shall determine such rate at such time and by reference to such sources as it determines appropriate.

(f) **Notification of Rate of Interest and Interest Amounts**

- (A) Except where the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified as soon as possible after their determination but in no event later than (i) in the case of notification to any stock exchange on which the relevant Floating Rate Notes are for the time being listed, the first day of the relevant Interest Period or, to the extent the nature of such Notes makes this impossible, the relevant Interest Payment Date; and (ii) in the case of notification to the Issuer and the Trustee and publication of a notice thereof in accordance with Condition 14, the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.
- (B) Where the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to (i) the Issuer and the Trustee, and (ii) to any stock exchange on which the relevant Floating Rate Notes are for the time being listed and, in each case, to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the second London Banking Day (as defined in Condition 5.2(b)(iii)(A) above) thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to any stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, as applicable) shall (in the absence of wilful default, fraud or manifest error or proven error) be binding on the Issuer, the Guarantor, the Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, fraud or manifest error or proven error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent (or such other party as aforesaid) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**5.3 Exempt Notes**

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Final Terms identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Final Terms as being other than LIBOR, EURIBOR, HIBOR, BA-CDOR, SIBOR, CNH HIBOR or NIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Final Terms.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Final Terms, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5.2 shall, save to the extent amended in the applicable Final Terms, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

**5.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

**5.5 Benchmark Discontinuation**

Notwithstanding the provisions in Condition 5.2 above, if the Issuer, acting in good faith and in a commercially reasonable manner, determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to that Original Reference Rate, then the following provisions of this Condition 5.5 shall apply.

(a) **Successor Rate or Alternative Rate**

If there is a Successor Rate, then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Successor Rate and that Successor Rate shall (subject to adjustment as provided in Condition 5.5(b)) subsequently be used by the Agent (or such other party responsible for the calculation of the Rate of

Interest, as specified in the applicable Final Terms) in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.5).

If there is no Successor Rate but the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Alternative Rate, then the Issuer shall promptly notify the Trustee, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) and, in accordance with Condition 14, the Noteholders of such Alternative Rate and that Alternative Rate shall (subject to adjustment as provided in Condition 5.5(b)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.5).

(b) **Adjustment Spread**

If, in the case of a Successor Rate, an Adjustment Spread is formally recommended, or provided as an option for parties to adopt (which, in each case, the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, determines is required to be adopted to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate), in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body, then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate.

If, in the case of a Successor Rate where no such Adjustment Spread is formally recommended or provided as an option by any Relevant Nominating Body, or in the case of an Alternative Rate, the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Adjustment Spread in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be), then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

If no such recommendation or option has been made (or made available) by any Relevant Nominating Body, or the Issuer so determines, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, that there is no such Adjustment Spread in customary market usage in the international debt capital markets and the Issuer further determines, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, that an Adjustment Spread is required to be



applied to the Successor Rate or the Alternative Rate (as the case may be), then the Adjustment Spread shall be:

- (i) the Adjustment Spread determined by the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, as being the Adjustment Spread recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (ii) if there is no such industry standard recognised or acknowledged, such Adjustment Spread as the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines to be appropriate.

Following any such determination of the Adjustment Spread, the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(c) **Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.5 and the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its discretion (A) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to the following paragraphs of this Condition 5.5(c) and subject to the Issuer having to give notice thereof to the Noteholders in accordance with Condition 14, and to the Trustee and the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms as applicable) in accordance with this Condition 5.5(c), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders make the necessary modifications to these Conditions and/or Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments. At the request of the Issuer, but subject to receipt by the Trustee and the Agent of the certificate referred to in the final paragraph of this Condition 5.5(c), and subject as provided below, the Trustee and the Agents (as applicable) shall (at the expense of the Issuer), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders and without liability to the Noteholders or any other person, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) with effect from the date specified in such notice.

In connection with any such modifications in accordance with this Condition 5.5(c), if and for so long as the Notes are admitted to trading and listed on the official list of a stock exchange, the Issuer shall comply with the rules of that stock exchange. Notwithstanding any other provision of this Condition 5.5, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could

reasonably be expected to prejudice the treatment of any relevant Series of Subordinated Notes as Tier 2 Capital.

Notwithstanding any other provision of this Condition 5.5(c), neither the Trustee nor the Agents (as applicable) shall be obliged to concur with the Issuer in respect of any Benchmark Amendments which, in the sole opinion of the Trustee or the relevant Agent (as applicable), would (i) expose the Trustee or the relevant Agent (as applicable) to any additional liability or (ii) increase the obligations or duties, or decrease the rights or protections, afforded to the Trustee or the relevant Agent (as applicable) in the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or these Conditions.

Any Benchmark Amendments determined under this Condition 5.5(c) shall be notified promptly by the Issuer to the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms as applicable) and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of such Benchmark Amendments.

No later than notifying the Trustee and the party responsible for determining the Rate of Interest (being the Agent or such other party specified in the applicable Final Terms, as applicable) of the same, the Issuer shall deliver to each of the Trustee and the Agent a certificate (on which each of the Trustee and the Agent shall be entitled to rely without further enquiry or liability) signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer or, as the case may be, the Guarantor:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) whether or not the Issuer has consulted with an Independent Adviser, (iii) the Successor Rate or, as the case may be, the Alternative Rate, (iv) where applicable, any Adjustment Spread, and/or (v) the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.5; and
- (B) certifying that the Benchmark Amendments are (in accordance with the provisions of Condition 5.5(c)) necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable), the Agents and the Noteholders, Receiptholders and Couponholders.

(d) **Independent Adviser**

In the event the Issuer is to consult with an Independent Adviser in connection with any determination to be made by the Issuer pursuant to this Condition 5.5, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 5.5 shall act in good faith and in a commercially reasonable manner and (in the absence of fraud or wilful default) shall have no liability whatsoever to the Issuer, (in the case of Guaranteed Senior Notes) the Guarantor, the Trustee or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.5 or otherwise in connection with the Notes.

If the Issuer is in any doubt as to whether there is a Successor Rate, an Alternative Rate and/or whether any Adjustment Spread is required to be applied and/or in relation to the quantum of, or any formula or methodology for determining such Adjustment Spread and/or whether any Benchmark Amendments are necessary and/or in relation to the terms of any such Benchmark Amendments, a written determination of an Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error, and (in the absence of fraud or wilful default) neither the Issuer nor (in the case of Guaranteed Senior Notes) the Guarantor, shall have any liability whatsoever to the Noteholders in respect of anything done, or omitted to be done, in relation to that matter in accordance with any such written determination.

No Independent Adviser appointed in connection with the Notes (acting in such capacity), shall have any relationship of agency or trust with the Noteholders.

(e) **Survival of Original Reference Rate Provisions**

Without prejudice to the obligations of the Issuer under this Condition 5.5, the Original Reference Rate and the fallback provisions provided for in Condition 5.2 and/or the applicable Final Terms, as the case may be, will continue to apply unless and until the Issuer has determined the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with the relevant provisions of this Condition 5.5.

(f) **Definitions**

In this Condition 5.5:

**Adjustment Spread** means either a spread, or the formula or methodology for calculating a spread and the spread resulting from such calculation, which spread may in either case be positive or negative and is to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

**Alternative Rate** means an alternative benchmark or screen rate which the Issuer determines in accordance with this Condition 5.5 is used in place of the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

**Benchmark Event** means the earlier to occur of:

- (i) the Original Reference Rate ceasing to exist or be published;
- (ii) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to such specified date;
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued or is prohibited from being used or that its use is subject to restrictions or adverse consequences or, where such discontinuation, prohibition, restrictions or adverse consequences are to apply from a specified date after the making of any public statement to such effect, the later of the date of the making of such public statement and the date falling six months prior to such specified date; and

- (iv) it has or will prior to the next Interest Determination Date become unlawful for the Agent, any Paying Agent, (if specified in the applicable Final Terms) such other party responsible for the calculation of the Rate of Interest, or the Issuer to determine any Rate of Interest and/or calculate any Interest Amount using the Original Reference Rate (including, without limitation, under Regulation (EU) No. 2016/1011, if applicable);

**Independent Adviser** means an independent financial institution of international repute or other independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense;

**Original Reference Rate** means the benchmark or screen rate (as applicable) originally specified in the applicable Final Terms for the purposes of determining the relevant Rate of Interest (or any component part thereof) in respect of the Notes;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 5.6 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent or the Registrar or the Trustee, as the case may be, and notice to that effect has been given to the Noteholders as provided in the Trust Deed.

## 5.7 Definitions

In these Conditions, except in Condition 10A and in the Schedule to these Conditions:

**Accrual Period** means, for the purposes of the definition of the applicable Day Count Fraction, the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.

**Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London

and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively), (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms in the case of Fixed Rate Notes:
  - (i) in the case of Notes where the number of days in the Accrual Period is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "30/360" is specified in the applicable Final Terms in the case of Fixed Rate Notes, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (d) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (e) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (f) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (g) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms in the case of Floating Rate Notes or Index Linked Interest Notes, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (h) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (i) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (j) if "RBA Bond Basis" or "Australian Bond Basis" is specified in the applicable Final Terms:
- (A) for amounts paid and/or calculated in respect of Interest Payment Dates, one divided by the number of Interest Payment Dates in a year; and
  - (B) for amounts paid and/or calculated in respect of dates other than Interest Payment Dates, Actual/Actual (ICMA).

In respect of Fixed Rate Notes only, references in the Day Count Fractions specified above to "Interest Period" or "Interest Periods", as the case may be, shall be deemed to be references to "Fixed Interest Period" or "Fixed Interest Periods", as the context requires.

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## **6. PAYMENTS**

### **6.1 Method and Conditions of Payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro or Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland and Wellington, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (c) payments in Renminbi will be made in accordance with Condition 6.8.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and, in the case of a Subordinated Note, to Condition 3.2 and Condition 10A but without prejudice to the provisions of Condition 8.

For the avoidance of doubt, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

### **6.2 Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.



Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### 6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note, (i) in the case of a Global Note in bearer form lodged with the CMU Service, to the CMU Accountholder, which notification shall be conclusive and binding evidence (save in the case of manifest error) of (a) the identity of any Accountholder and, (b) for so long as the Global Note in bearer form is held by or on behalf of the CMU Operator, the instruction of the bearer of the Global Note to make such payments of principal and interest (if any) to such Accountholders, or (ii) in the case of a Global Note in bearer form not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Global Note by the Paying Agent to which it was presented, (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Global Note by the CMU Lodging Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes held through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business and, in respect of Notes held through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro. In the case of any Notes denominated in Renminbi, the meaning of Designated Account and Designated Bank should be construed in accordance with Condition 6.8.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note. In the case of each Registered Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligations of the Issuer or, as the case may be, the Guarantor, in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business and in respect

of Notes held through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

## **6.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments (or, in the case of a Global Note lodged with the CMU Service, to direct to whom payment should be made) in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC or the CMU Service, as the case may be, for its share of each payment so made by the Issuer or, as the case may be, the Guarantor, to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and (if applicable) the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## **6.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):

- (i) in the case of Notes in definitive form only, in the relevant place of presentation;
  - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;
  - (c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be (i) Sydney or (ii) Auckland and Wellington, respectively), (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; and
  - (d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

#### **6.7 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

#### **6.8 Payment in Renminbi**

Notwithstanding any other provision in this Condition 6, in case of any payment in Renminbi, payment shall be made by transfer to a Renminbi account maintained by or on behalf of a holder with a bank in Hong Kong.

## 6.9 Payment of U.S. Dollar Equivalent

In respect of Notes denominated in Renminbi, notwithstanding Condition 6.8, where "U.S. Dollar Equivalent" is specified in the applicable Final Terms as being applicable to a Series of Notes, if by reason of Inconvertibility, Non-transferability or Illiquidity (each, a **CNY Disruption Event**), the Issuer or the Guarantor (as the case may be), is not able or it would be impracticable for it to satisfy payments of principal or interest (in whole or part) in respect of the Notes or the Coupons when due in Renminbi in Hong Kong:

- (a) payment of such amount shall be postponed to two Business Days after the date on which the CNY Disruption Event ceases to exist, unless it continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date of such payments; or
- (b) if the CNY Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date of such payments, the Issuer or the Guarantor (as the case may be) may, on giving five Business Days' irrevocable notice to the Paying Agent, Noteholders and the Trustee, settle any such payment (in whole or in part) in U.S. dollars on the date that is three Business Days after the expiration of the aforementioned 14 calendar day period at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In the case of (b) above, any payment of U.S. dollars will be made by transfer to a U.S. dollar denominated account maintained by the payee with, or by a U.S. dollar denominated cheque drawn on, a bank in New York City; and the definition of Payment Day in Condition 6.6 shall mean any day (subject to Condition 9) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; (B) London, Sydney and New York; and (C) each Additional Financial Centre specified in the applicable Final Terms.

For the purposes of these Conditions, **U.S. Dollar Equivalent** means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

Any payment made under such circumstances in U.S. dollars will constitute valid payment, and will not constitute a default in respect of the Notes.

For these purposes:

**Calculation Agent** means Deutsche Bank AG, London Branch;

**CNY** means the lawful currency of the PRC;

**Determination Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and in New York City;

**Determination Date** means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

**Governmental Authority** means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**Hong Kong** means the Hong Kong Special Administrative Region of the PRC;

**Illiquidity** means that the general Renminbi exchange market in Hong Kong has become illiquid and, as a result of which, the Issuer or the Guarantor (as the case may be) cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and/or principal (in whole or in part) in respect of the Notes, as determined by the Issuer or the Guarantor (as the case may be) in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

**Inconvertibility** means the occurrence of any event that makes it impossible for the Issuer or the Guarantor (as the case may be) to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor (as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective after the Issue Date of the first tranche of the Notes and it is impossible for the Issuer or the Guarantor (as the case may be), due to an event beyond its control, to comply with such law, rule or regulation);

**Non-transferability** means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor (as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective after the Issue Date of the first tranche of the Notes and it is impossible for the Issuer or the Guarantor (as the case may be), due to an event beyond its control, to comply with such law, rule or regulation);

**PRC** means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

**Renminbi** means the lawful currency of the PRC;

**Renminbi Dealer** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong; and

**Spot Rate** means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.15 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page <CNHFIX> after that rate has been set on that day, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.15 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/US dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

#### **6.10 Determinations are binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 by the Calculation Agent, will (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Guarantor (in the case of Guaranteed Senior Notes), the Paying Agents and all Noteholders.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled (or, in the case of Subordinated Notes, Converted or Written-Off) as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **7.2 Redemption for tax reasons**

Subject to Condition 7.5, the Notes may be redeemed (subject to the prior written approval of APRA if the Notes are Subordinated Notes) at the option of the Issuer in whole or in part at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (ii) (in the case of Guaranteed Senior Notes) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to (A) the laws or regulations of Australia (if the Issuer is NAB) or New Zealand (if the Issuer is BNZ or BNZ-IF) or in all cases any political sub-division thereof or any authority thereof or therein or (in all cases) any Tax Jurisdiction (as defined in Condition 8) or (B) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer (if the Issuer is BNZ or BNZ-IF) or, as the case may be, the Guarantor, paying (if it is not already doing so) New Zealand approved issuer levy at a rate not exceeding 2 per cent. of the relevant payment; or
- (b) (in the case of Subordinated Notes only) any payment due under such Notes is not or may not be, in each case in the opinion of counsel of international repute appointed by the Issuer and approved by the Trustee, allowed as a deduction for Australian income tax purposes as a result of a change in or amendment to the laws or regulations of Australia or any political sub-division thereof or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (c) (in the case of each of (a) and (b) above) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking any other reasonable measures available to it,

provided that (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due, and (ii) (in the case of Subordinated Notes) NAB does not as at the date of issue of the Subordinated Notes (including where Subordinated Notes are issued as a Tranche consolidated with an existing Series, as at the date of issue of that Tranche) expect that an event described in this Condition 7.2 will occur.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect

that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment or, as the case may be, the payment of Interest would be treated as a "distribution" as aforesaid and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Subordinated Notes under this Condition 7.2 only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory Capital (as defined in Condition 10A.16) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB obtains confirmation from APRA that APRA is satisfied that the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to redeem the Subordinated Notes.

In these Conditions:

**Level 1** and **Level 2** have the meanings given by APRA from time to time.

**NAB Level 1 Group** means NAB and those of its Related Entities included by APRA from time to time in the calculation of NAB's capital ratios on a Level 1 basis.

**NAB Level 2 Group** means NAB and those of its Related Entities included by APRA from time to time in the calculation of NAB's capital ratios on a Level 2 basis.

*Noteholders should not expect that APRA's approval will be given for any redemption of the Subordinated Notes under this Condition.*

#### **7.2A Redemption for a Regulatory Event**

This Condition 7.2A shall apply only to Subordinated Notes.

If a Regulatory Event Call is specified in the applicable Final Terms, subject to the prior written approval of APRA, Subordinated Notes may be redeemed, at the option of NAB, in whole or in part at any time, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if a Regulatory Event occurs.

For the purpose of this Condition 7.2A, **Regulatory Event** means a determination by the Directors of NAB, having received:

- (a) an opinion from a reputable legal counsel that as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in, any law or regulation of the Commonwealth of Australia or any political sub-division thereof or any authority thereof or therein, or any official administrative pronouncement or action or judicial decision interpreting such laws or regulations, or any direction, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law), in each case which amendment, clarification or change is effective, or pronouncement, action or decision is announced, after the Issue Date; or
- (b) a written statement from APRA after the Issue Date,



that, in each case, NAB is not or will not be entitled to treat all of the Subordinated Notes as Tier 2 Capital, provided that, in each case, NAB does not expect the matters giving rise to the Regulatory Event will occur at the time of issue of Subordinated Notes.

Subordinated Notes redeemed pursuant to this Condition 7.2A will be redeemed at their Early Redemption Amount referred to in Condition 7.5 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Subordinated Notes under this Condition 7.2A only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory Capital (as defined in Condition 10A.16) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB obtains confirmation from APRA that APRA is satisfied that the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to redeem the Subordinated Notes.

*Noteholders should not expect that APRA's approval will be given for any redemption of Subordinated Notes under this Condition.*

### **7.3 Redemption at the option of the Issuer (Issuer Call)**

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons or, in the case of Subordinated Notes, on account of a Regulatory Event), such option being referred to as an Issuer Call. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject, in the case of Subordinated Notes, to the prior written approval of APRA), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem, in whole or in part, the Notes then outstanding on any Optional Redemption Date (in the case of Subordinated Notes, such date being at least five years after the Issue Date) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. The Optional Redemption Amount will be stated in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in normal amount, at their discretion) and/or DTC and/or the CMU Service, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

NAB may elect to redeem any Subordinated Notes under this Condition 7.3 only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory

Capital (as defined in Condition 10A.16) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB obtains confirmation from APRA that APRA is satisfied that the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to redeem the Subordinated Notes.

*Noteholders should not expect that APRA's approval will be given for any redemption of the Subordinated Notes under this Condition.*

#### **7.4 Redemption at the option of the Noteholders (Investor Put)**

This Condition 7.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

This Condition 7.4 shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the CMU Service (as appropriate) (which may include notice being given on such holder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means or notice being given to the CMU Lodging Agent) in a form acceptable to Euroclear, Clearstream, Luxembourg, the CMU Service and the CMU Lodging Agent from time to time.

Any Put Notice given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

## 7.5 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.2A above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows subject, in the case of Subordinated Notes, to Condition 10A:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

<sup>y</sup> is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360 or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 7.6 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Final Terms. For the purposes of Condition 7.6, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Final Terms.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

## 7.7 Purchases

The Issuer, the Guarantor, any subsidiary or any other Related Entity (as defined in Condition 10A.16) of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all

unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise subject, in the case of Subordinated Notes, to the prior written approval of APRA.

Such Notes may be held, reissued, resold or, at the option of the Issuer or (in the case of Guaranteed Senior Notes) the Guarantor, surrendered to the Paying Agent for cancellation.

*Noteholders should not expect APRA's approval will be given for any purchase of Subordinated Notes under this Condition.*

## **7.8 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmaturing Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmaturing Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## **7.9 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **8. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or by the Guarantor (in the case of Guaranteed Senior Notes) will be made without withholding or deduction for or on account of any present or future taxes, assessments, other governmental charges or duties of whatever nature imposed or levied by or on behalf of Australia (if the Issuer is NAB) or New Zealand (in the case of Guaranteed Senior Notes or if the Issuer is BNZ) or any political sub-division thereof or any authority thereof or therein and any Tax Jurisdiction having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that the foregoing obligation to pay additional amounts shall not apply to any such tax, assessment, governmental charge or duty:

- (a) which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Note, Receipt or Coupon;
- (b) which is payable (other than in respect of New Zealand resident withholding tax) by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner having, or having had, some personal or business connection with Australia (if the Issuer is NAB), New Zealand (in the case of Guaranteed Senior Notes or if the Issuer is BNZ) or (in all cases) a Tax Jurisdiction (other than mere ownership of or receipt of payment under the Notes, Receipts or Coupons or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, Australia (if the

Issuer is NAB), New Zealand (in the case of Guaranteed Senior Notes or if the Issuer is BNZ), or (in all cases) a Tax Jurisdiction);

- (c) which is payable solely by reason of the Noteholder's, Receiptholder's or Couponholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, connection with taxing jurisdiction of the Noteholder, Receiptholder or Couponholder or other beneficial owner of such Note;
- (d) which is payable by reason of a change in law that becomes effective more than thirty days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6);
- (e) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge;
- (f) which is payable, if the Issuer is NAB, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note being an associate of the Issuer for the purposes of section 128F of the Income Tax Assessment Act 1936 of Australia (the **Australian Tax Act**);
- (g) which is payable, in the case of Guaranteed Senior Notes or if the Issuer is BNZ, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note, Receipt or Coupon being associated with the Issuer or the Guarantor (as the case may be), or deriving interest jointly with a New Zealand resident, for the purposes of the approved issuer levy and non-resident withholding tax rules in the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof;
- (h) which, if the Issuer is BNZ or BNZ-IF, is payable solely by reason of the relevant Note, Receipt or Coupon being presented for payment in New Zealand;
- (i) which, if the Issuer is NAB, is imposed or withheld as a consequence of a determination having been made under Part IVA of the Australian Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (j) which, in the case of Guaranteed Senior Notes or if the Issuer is BNZ, is imposed or withheld as a consequence of the New Zealand Inland Revenue Department applying section BG 1 of the Income Tax Act 2007 of New Zealand (or any modification or equivalent thereof) with the consequence that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the application of such provision;
- (k) (in the case of Guaranteed Senior Notes or if the Issuer is BNZ) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (l) with respect to any payment of principal of or interest (including original issue discount) on the Notes, Receipts and Coupons by the Issuer (or the Guarantor, as the case may be) to any Noteholder, Receiptholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or any other beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Notes, Receipts and Coupons; or
- (m) any combination of (a) through (l) above.

As used herein:

- (i) **Tax Jurisdiction** means (a) in relation to any Tranche of Notes issued by BNZ-IF, the United Kingdom and (b) in relation to any Tranche of Notes issued by a borrowing office of NAB which is not located in Australia, the jurisdiction in which such borrowing office is located; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

For the avoidance of doubt, any amounts to be paid on the Notes, Receipts and Coupons will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The remaining provisions of this Condition 8 only apply if the Issuer is BNZ or BNZ-IF (and, where BNZ-IF is the Issuer, to the Guarantor). Where used in the remaining provisions of this Condition 8, **interest** means interest (as defined under the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof) for withholding tax purposes, which currently includes the excess of the redemption amount over the issue price of any Note, as well as interest paid on such Note.

BNZ, BNZ-IF and the Guarantor may be required by law to deduct New Zealand resident withholding tax from the payment of interest to a Noteholder, Receiptholder or Couponholder, if:

- (a) the person deriving the interest is a resident of New Zealand for income tax purposes or is otherwise subject to the New Zealand resident withholding tax rules (a **New Zealand Noteholder**); and
- (b) at the time of such payment, the New Zealand Noteholder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes or is not otherwise exempt from resident withholding tax.

Prior to any date on which interest is payable or the Maturity Date, any New Zealand Noteholder:

- (A) must notify the Issuer or, as the case may be, the Guarantor or any Paying Agent, that the New Zealand Noteholder is the holder of a Note, Receipt or Coupon; and
- (B) must notify the Issuer or, as the case may be, the Guarantor or a Paying Agent, of any circumstances, and provide the Issuer or, as the case may be, the Guarantor or the relevant Paying Agent, with any information (including, in the case of a New Zealand Noteholder that is not resident in New Zealand for income tax purposes, whether the Note is held for the purposes of a business they carry on in New Zealand through a fixed establishment in New Zealand) that may enable the Issuer or, as the case may be, the Guarantor, to make payment of interest to the New Zealand Noteholder without deduction on account of New Zealand resident withholding tax.

The New Zealand Noteholder must notify the Issuer or, as the case may be, the Guarantor, prior to any date on which interest is payable, of any change in the New Zealand Noteholder's circumstances from those previously notified that could affect the payment or withholding obligations of the Issuer or, as the case may be, the Guarantor, in respect of this Note, Receipt or Coupon. By accepting payment of the full face amount of a Note, Receipt or Coupon, as the case may be or any interest thereon, the New Zealand Noteholder

indemnifies the Issuer or, as the case may be, the Guarantor, for all purposes in respect of any liability the Issuer or, as the case may be, the Guarantor may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Noteholder will be obliged to make the notification referred to above and no other holder will be required to make any certification that it is not a New Zealand Noteholder.

## **9. PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

### **10.1 Events of Default relating to Senior Notes and Guaranteed Senior Notes**

This Condition 10.1 shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (c), (d), (e), (f), (h), (i), (j), (k) or (l) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor (in the case of Guaranteed Senior Notes) that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer and the Guarantor (in the case of Guaranteed Senior Notes), that the Notes are, and the Notes shall, unless such event shall have been cured by the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) prior to the Issuer's and, in the case of Guaranteed Senior Notes, the Guarantor's receipt of the notice in writing from the Trustee, thereupon immediately become, due and repayable at their Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) default by the Issuer and (in the case of Guaranteed Senior Notes) the Guarantor, in any payment when due of principal on the Notes or any of them and the default continues for a period of seven days;
- (b) default by the Issuer and (in the case of Guaranteed Senior Notes) the Guarantor, in payment when due of any instalment of interest on the Notes or any of them and the default continues for a period of 30 days;
- (c) a failure by the Issuer or (in the case of Guaranteed Senior Notes) the Guarantor to perform or observe any of its other obligations under the Conditions or the Trust Deed and the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied;
- (d) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;

- (e) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) (other than in respect of monies borrowed or raised on a non-recourse basis);
- (f) the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) (i) becomes insolvent or is unable to pay its debts as they mature; or (ii) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) (other than in respect of monies borrowed or raised on a non-recourse basis); or (iii) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;
- (g) an order is made or an effective resolution passed for a Winding Up (as defined in Condition 3.2 in respect of NAB) of the Issuer other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency;
- (h) a moratorium shall be agreed or declared in respect of any indebtedness of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes), or any governmental authority or agency shall have condemned, seized or compulsorily purchased or expropriated all or a substantial part of the assets of or capital of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes);
- (i) (where the Issuer is NAB) the Issuer (i) ceases to carry on a banking business in Australia, or the Issuer's authority under the Banking Act or any amendment or re-enactment thereof to carry on banking business in Australia is revoked; or (ii) enters into an arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (ii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes, Receipts and Coupons pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution;
- (j) (where the Issuer is BNZ) the Issuer (i) ceases to carry on general banking business in New Zealand; or (ii) ceases to be registered as a bank in New Zealand; or (iii) enters into any arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (iii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes, Receipts and Coupons pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution;
- (k) (where the Issuer is BNZ-IF), (i) the Guarantor ceases to carry on general banking business in New Zealand; or (ii) the Guarantor ceases to be registered as a bank in New Zealand; or (iii) the Issuer or the Guarantor enters into any arrangement or agreement for any sale or disposal of the whole of its respective business by amalgamation or otherwise other than, in the case of (iii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which, in the case of BNZ-IF, results in a substitution of the principal debtor under the Notes, Receipts and Coupons or, in the case of the Guarantor, results in a substitution of the guarantor of Notes issued by BNZ-IF under the Trust Deed, in each case pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution; or
- (l) (where the Issuer is BNZ-IF) the Guarantee is terminated or shall cease to be in full force and effect.

Notwithstanding any other provision of this Condition 10.1, no Event of Default (other than Condition 10.1(g)) in respect of the Notes shall occur solely on account of any failure by the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) to perform or observe any of its obligations in relation



to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital.

## **10.2 Events of Default relating to Subordinated Notes**

This Condition 10.2 shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

The following are Events of Default in relation to Notes:

- (a) a Winding Up Default (as defined below) occurs and is continuing other than, in any case, for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of NAB or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of NAB under the Notes; and
- (b) NAB fails to pay any amount of principal or interest in respect of the Notes when scheduled to be paid and the default continues for a period of seven days (in respect of a payment of principal) or 30 days (in respect of a payment of interest) unless (in the case of Subordinated Notes) the failure is the result of NAB not being Solvent at the time of that payment or NAB would not be Solvent as a result of making that payment (except to the extent that NAB can make such payment and remain Solvent thereafter).

To the extent that a payment is not required to be made due to Condition 3.2 in the case of NAB, the amount is not due and payable and failure to pay such amount does not give rise to an Event of Default.

**Solvent** means, in the case of NAB, that each of the following is the case:

- (a) that NAB can pay its debts as they fall due; and
- (b) its Assets exceed its Liabilities.

A certificate as to whether NAB is Solvent (at any particular time or throughout any particular period) signed by two Directors of NAB or the auditors of NAB or, in a Winding Up of NAB, its liquidator, will, in the absence of manifest error, be conclusive evidence against and binding on NAB, the Trustee, the Noteholders, Couponholders and Receiptholders in respect of the matters certified. In the absence of such certificate, the Trustee and any holder of Subordinated Notes is entitled to assume (unless the contrary is proved) that NAB is, and will be after any payment, Solvent and the Trustee shall incur no liability by reason of acting in reliance upon such assumption.

**Assets** means, in respect of NAB, its total non-consolidated gross assets as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

**Liabilities** means, in respect of NAB, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

**Winding Up Default** means, in relation to NAB:

- (i) an order is made by a court of competent jurisdiction in Australia for the Winding Up of NAB which order is not successfully appealed or permanently stayed within 60 days of the making of the order; or

- (ii) an effective resolution is passed by shareholders or members for the Winding Up of NAB in Australia.

No events other than those outlined at Condition 10.2(a) and Condition 10.2(b) shall constitute Events of Default in relation to Subordinated Notes.

### **10.3 Consequences of an Event of Default relating to Subordinated Notes**

This Condition 10.3 shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 10.3(b) below), and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to NAB that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.2 and the provisions of the Trust Deed) prove in the Winding Up of NAB.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.2(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), take action:
  - (i) to recover the amount that NAB has so failed to pay, provided that (in the case of Subordinated Notes) the Issuer may only be compelled to pay that amount to the extent that it is, and after the payment would remain, Solvent; or
  - (ii) to obtain an order for specific performance of any other obligation in respect of the Notes; or
  - (iii) for the Winding Up of NAB.

Any amount not paid due to Condition 3.2, Condition 10.3(b)(i) or because under Condition 10.2(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by the Issuer until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Subordinated Notes nor the Trustee on their behalf has any right to accelerate payment or any other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.3.

### **10.4 Enforcement**

#### **(a) Senior Notes and Guaranteed Senior Notes**

This Condition 10.4(a) shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee may at any time, at its discretion and without notice, take such proceedings or any action against the Issuer and/or the Guarantor (in the case of Guaranteed Senior Notes) as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action under or in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing

by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(b) **Subordinated Notes**

This Condition 10.4(b) shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

The Trustee may at its discretion and shall if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) institute such proceedings or take any action against NAB as it may think fit to enforce any obligation, condition or provision binding on NAB under the Trust Deed or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes) provided that NAB shall not by virtue of any such proceedings or such action (save for any proceedings for the Winding Up (as defined in Condition 3.2) of NAB) be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it or (ii) any damages (save in respect of the Trustee's fees and expenses incurred by it in its personal capacity).

(c) **General**

No Noteholder, Receiptholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) or prove in the Winding Up (as defined in Condition 3.2 in respect of NAB) of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) unless the Trustee, having become bound so to do fails to do so within a reasonable period and such failure is continuing, in which event any Noteholder, Receiptholder or Couponholder may, on giving an indemnity and/or security satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute such proceedings and/or prove in the Winding Up of the Issuer and/or the Guarantor (in the case of Guaranteed Senior Notes) to the same extent and in the same jurisdiction (but not further or otherwise than the Trustee would have been entitled to do so in respect of the Notes, Receipts and Coupons and/or the Trust Deed).

**10A. CONVERSION OR WRITE-OFF OF SUBORDINATED NOTES ON NON-VIABILITY OF NAB**

This Condition 10A applies only to Subordinated Notes. The Schedule to these Conditions (including the defined terms therein) shall be deemed to form part of, and be incorporated in, this Condition 10A.

**10A.1 Non-Viability Trigger Event**

A **Non-Viability Trigger Event** occurs when APRA has provided a written determination (**Non-Viability Determination**) to NAB that:

- (a) the conversion or write-off of Relevant Capital Instruments of NAB is necessary because without the conversion or write-off, APRA considers that NAB would become non-viable; or
- (b) without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable.

The date on which a Non-Viability Trigger Event occurs under Condition 10A.1(a) or 10A.1(b) is a **Conversion Date**.

## **10A.2 Relevant Tier 1 Capital Instruments to be converted or written-off first where permitted**

- (a) Where, on the Conversion Date, a Non-Viability Trigger Event occurs under Condition 10A.1(a), NAB must immediately convert or write-off:
  - (i) all Relevant Capital Instruments then outstanding (including the Subordinated Notes in accordance with this Condition 10A.2); or
  - (ii) where APRA is satisfied that the conversion or write-off of such a proportion of Relevant Capital Instruments will be sufficient to ensure that NAB does not become non-viable, that proportion.
- (b) Where Condition 10A.2(a)(ii) applies, NAB must immediately Convert or Write-Off an aggregate nominal amount of Subordinated Notes in accordance with Condition 10A.3 or Condition 10A.10 (whichever is applicable) and the aggregate nominal amount of other Relevant Tier 2 Capital Instruments which will be converted or be written-off, such amount to be determined on the following basis:
  - (i) first, NAB must convert or write-off all Relevant Tier 1 Capital Instruments; and
  - (ii) second, to the extent the amount of Relevant Capital Instruments required to be converted or written-off exceeds the aggregate nominal amount of Relevant Tier 1 Capital Instruments (and unless APRA has withdrawn the Non-Viability Determination), NAB must convert or write-off Relevant Tier 2 Capital Instruments (including Subordinated Notes in accordance with either Condition 10A.3 or Condition 10A.10 (whichever is applicable)), in an aggregate nominal amount equal to the amount of that excess and, in doing so:
    - (A) NAB will endeavour to treat Noteholders on an approximately proportionate basis but may discriminate to take account of logistical considerations and the need to effect the Conversion or Write-Off of Subordinated Notes and conversion or write-off of other Relevant Tier 2 Capital Instruments immediately; and
    - (B) where the Specified Currency of Relevant Tier 2 Capital Instruments is not the same for all Relevant Tier 2 Capital Instruments, may treat them as if converted into a single currency of NAB's choice at such rate of exchange as NAB considers reasonable but may make adjustments among Noteholders and holders of other Relevant Tier 2 Capital Instruments having regard to the need to effect Conversion immediately.
- (c) Where, on the Conversion Date, a Non-Viability Trigger Event occurs under Condition 10A.1(b), NAB must immediately convert or write-off all Relevant Capital Instruments then outstanding (including the Subordinated Notes) in accordance with this Condition 10A.2.

### **10A.2A General provisions relating to Conversion and Write-Off**

- (a) A Non-Viability Determination takes effect, and NAB must perform the obligations in respect of the determination, immediately on the day it is received by NAB, whether or not such day is a Business Day (as defined in the Schedule to these Conditions).
- (b) To the extent that a Subordinated Note has been Converted or Written-Off in part then:
  - (i) the Early Redemption Amount, the Final Redemption Amount, the Optional Redemption Amount, the Specified Denomination and any related amount shall be reduced in the same proportion as the nominal amount Converted or Written-Off in respect of that Subordinated

Note bears to the nominal amount of that Subordinated Note before such Conversion or Write-Off;

- (ii) for the purposes of any interest calculation, the Calculation Amount of such Subordinated Note and, in the case of a Fixed Rate Note, the Fixed Coupon Amount and any related amount shall be reduced in the same proportion as the nominal amount Converted or Written-Off in respect of that Subordinated Note bears to the nominal amount of that Subordinated Note before such Conversion or Write-Off; and
  - (iii) where the Conversion Date is not an Interest Payment Date, then the amount of interest payable in respect of that Subordinated Note on each Interest Payment Date falling after that Conversion Date will be reduced and calculated on the nominal amount of that Subordinated Note as reduced on the date of the Conversion or Write-Off.
- (c) In Converting or Writing-Off Subordinated Notes, NAB may make any decisions with respect to the identity of Noteholders at that time as may be necessary or desirable to ensure Conversion or Write-Off occurs in an orderly manner, including disregarding any transfers of Subordinated Notes that have not been settled or registered at that time.
- (d) If a Subordinated Note is Converted or Written-Off, the Noteholder must immediately present and surrender that Subordinated Note (together, in the case of a Subordinated Note that is a Definitive Bearer Note, with such Receipts, Coupons and Talons as are attached thereto) to the specified office of, in the case of a Subordinated Note that is a Definitive Bearer Note, any Paying Agent, or, in the case of a Subordinated Note that is a Registered Note, the Registrar and:
- (i) (where such Subordinated Note is Converted or Written-Off in full, the Paying Agent or Registrar (as the case may be) shall cancel or arrange for the cancellation of such Subordinated Note; and
  - (ii) where such Subordinated Note is Converted or Written-Off in part, the Paying Agent or Registrar (as the case may be) shall:
    - (A) where such Subordinated Note is a Global Note, endorse or arrange for the endorsement of the Global Note to reflect the reduction in the nominal amount represented by the Global Note on account of the Conversion or Write-Off; and
    - (B) where such Subordinated Note is a Definitive Note, cancel or arrange for the cancellation of the Definitive Note and deliver or arrange for the delivery of a new Definitive Note reflecting the nominal amount of such Subordinated Note remaining following that Conversion or Write-Off,

but no failure or delay in such presentation and surrender, cancellation, endorsement or issue shall prevent, impede or delay the Conversion or Write-Off of any Subordinated Notes required by Condition 10A.

- (e) **Written-Off** means, with respect to a nominal amount of Subordinated Notes, the rights of the Noteholder in relation to such nominal amount of Subordinated Notes are written-off and immediately and irrevocably terminated (and Write-Off when used herein has a corresponding meaning).

### 10A.3 Conversion of Subordinated Notes

Subject to Condition 10A.10 where "Write-Off – Applicable" is specified in the applicable Final Terms applying to Subordinated Notes, but notwithstanding any other provision in these Conditions, on the Conversion Date, in respect of a Subordinated Note, the relevant nominal amount (as determined under

Condition 10A.2) of that Subordinated Note will convert immediately and irrevocably into Ordinary Shares (in a number determined under clause 1.1(a) of the Schedule to these Conditions) and where only a portion of a Subordinated Note is converted, the nominal amount of that Subordinated Note shall be reduced by the amount converted accordingly. The conversion will occur in accordance with the terms set out in the Schedule to these Conditions (the **Conversion** and **Convert**, **Converted** and **Converting** when used herein have corresponding meanings).

#### **10A.4 Noteholder acknowledgements relating to Conversion and Write-Off**

Each Holder irrevocably:

- (a) consents to becoming a member of NAB upon the Conversion of Subordinated Notes as required by Condition 10A.3 and agrees to be bound by the constitution of NAB, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of the Subordinated Notes including:
  - (i) any change in the financial position of NAB since the issue of the Subordinated Notes;
  - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
  - (iii) any breach by NAB of any obligation in connection with the Subordinated Notes;
- (c) acknowledges and agrees that where Condition 10A.2 applies:
  - (i) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 10A.1;
  - (ii) Conversion must occur immediately on the Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated Notes;
  - (iii) it will not have any rights to vote in respect of any Conversion; and
  - (iv) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (d) acknowledges and agrees that where Condition 10A.5 or Condition 10A.10 applies, no other conditions or events will affect the operation of that Condition and the Noteholder will not have any rights to vote in respect of any Write-Off under that Condition and has no claim against NAB arising in connection with the application of that Condition;
- (e) acknowledges and agrees that a Noteholder has no right to request a Conversion of any nominal amount of any Subordinated Notes or to determine whether (or in what circumstances) the Subordinated Notes are Converted; and
- (f) acknowledges and agrees that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the nominal amount of Subordinated Notes:
  - (i) any failure to or delay in the conversion or write-off of other Relevant Capital Instruments;
  - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice;
  - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;

- (iv) any obligation to treat Noteholders proportionally or to make the determinations or adjustments in accordance with Condition 10A.2(b); and
- (v) any decision as to the identity of Noteholders whose Subordinated Notes are to be Converted or Written-Off in accordance with Conditions 10A.2 and 10A.2A(c).

#### **10A.5 Write-Off due to failure to Convert**

If a nominal amount of Subordinated Notes held by a Noteholder is required to Convert under Condition 10A.3 and, for any reason (including an Inability Event) Conversion has not been effected within five Business Days (as defined in the Schedule to these Conditions) after the Conversion Date, to the extent NAB has not Converted that nominal amount then, notwithstanding any other provisions of these Conditions or the applicable Final Terms:

- (a) Conversion of that nominal amount of Subordinated Notes on account of the Non-Viability Trigger Event will not occur on that date or on any future date;
- (b) the rights of the Noteholder (including to payment of any principal or interest) in relation to such nominal amount of Subordinated Notes are Written-Off with effect on and from the Conversion Date; and
- (c) where only a portion of a Subordinated Note is Written-Off under this Condition 10A.5, the nominal amount of that Subordinated Note shall be reduced by the amount Written-Off accordingly.

#### **10A.6 Non-Viability Trigger Event Notice**

As soon as practicable after the occurrence of a Non-Viability Trigger Event and no later than five Business Days (as defined in the Schedule to these Conditions) after the occurrence of the Non-Viability Trigger Event, NAB must give notice of the Non-Viability Trigger Event (a **Non-Viability Trigger Event Notice**) to the Trustee and the Noteholders which states the Conversion Date, the aggregate nominal amount of Subordinated Notes Converted or Written-Off and the aggregate nominal amount of Relevant Tier 2 Capital Instruments converted or written-off.

#### **10A.7 Provision of information**

Where a nominal amount of Subordinated Notes held by a Noteholder is required to be Converted under Condition 10A.3, a Noteholder of such Subordinated Notes wishing to receive Ordinary Shares must, no later than the Conversion Date, have provided to NAB (i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares (ii) the Noteholder's security account details in CHESS (being the Clearing House Electronic Subregister System operated by ASX or its affiliates or any system that replaces it relevant to the Subordinated Notes) or such other account to which the Ordinary Shares may be credited and (iii) such other information as is reasonably requested by NAB for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Noteholder. NAB has no duty to seek or obtain such information.

If for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required to be provided by the Noteholder under this Condition 10A.7 by the time such information is required in order for Ordinary Shares to be issued on the Conversion Date, NAB will issue the Ordinary Shares in respect of that Noteholder to a nominee in accordance with Condition 10A.9 and the provisions of Condition 10A.9 shall apply, *mutatis mutandis*, to such Ordinary Shares.

### 10A.8 Failure to convert

Subject to Condition 10A.5 and Condition 10A.9, if, in respect of a Conversion of a Subordinated Note, NAB fails to issue the Conversion Number of Ordinary Shares in respect of the nominal amount of that Subordinated Note to, or in accordance with the instructions of, the relevant Noteholder or a nominee where Condition 10A.9 applies, the nominal amount of that Subordinated Note which would otherwise be subject to Conversion remains, for the purposes of these Conditions, on issue until:

- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, the Noteholder; or
- (ii) the Subordinated Note is Written-Off in accordance with these Conditions,

provided, however, that the sole right of the Noteholder in respect of such nominal amount of such Subordinated Note is its right to be issued the Ordinary Shares upon Conversion (subject to its compliance with Condition 10A.7 or to receive proceeds from their sale pursuant to Condition 10A.9, as applicable) and the remedy of a Noteholder in respect of NAB's failure to issue the Ordinary Shares is limited (subject always to Condition 10A.5) to seeking an order for specific performance of NAB's obligation to issue the Ordinary Shares to the Noteholder or where Condition 10A.9 applies to the nominee and to receive such proceeds of sale, in each case, in accordance with the conditions of the Subordinated Notes.

This Condition 10A.8 does not affect the obligation of NAB to issue the Ordinary Shares when required in accordance with these Conditions.

### 10A.9 Issue to nominee

If any Subordinated Notes are required to be Converted under Condition 10A.3 and:

- (a) the Noteholder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Conversion Date;
- (b) the Subordinated Notes are held by a person NAB believes in good faith may not be a resident of Australia (a **Foreign Holder**); or
- (c) if for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required by it in accordance with Condition 10A.7 so as to impede NAB issuing the Ordinary Shares to a Noteholder on the Conversion Date; or

then, on the Conversion Date,

- (d) where subparagraph (a) or (b) applies, NAB is obliged to issue the Ordinary Shares to the Noteholder only to the extent (if at all) that:
  - (i) where subparagraph (a) applies, the Noteholder has notified NAB that it wishes to receive them;
  - (ii) where subparagraph (b) applies, NAB is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Ordinary Shares to the Foreign Holder (but as to which NAB is not bound to enquire), either unconditionally or after compliance with conditions which NAB, in its absolute discretion, regards as acceptable and not unduly onerous,

and to the extent NAB is not obliged to issue Ordinary Shares to the Noteholder, NAB will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (e) of this Condition 10A.9;



- (e) otherwise, subject to applicable law, NAB will issue the balance of Ordinary Shares in respect of that Noteholder to a nominee appointed by NAB (which nominee may not be NAB or a Related Entity (as defined in Condition 10A.16) of NAB) and, subject to applicable law:
- (i) where sub-paragraph (c) applies, the nominee will hold Ordinary Shares in an aggregate amount equal to the aggregate number to be issued in respect of those Noteholders and will transfer Ordinary Shares to a Noteholder who, within 30 days of the Conversion Date, provides the nominee with the information required to be provided by the Noteholder under Condition 10A.7 (as if a reference in sub-paragraph (iii) of Condition 10A.7 to NAB is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares); and
  - (ii) the nominee will as soon as reasonably possible (or, where paragraph (c) applies, to the extent that the nominee has not already transferred Ordinary Shares to the relevant Noteholder under Condition 10A.9(e)(i) above at the end of the period of 30 days referred to in paragraph 10A.9(e)(i) above, as soon as reasonably possible after the expiration of that period), sell the Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Noteholder.

The issue of Ordinary Shares to such nominee will satisfy all obligations of NAB in connection with the Conversion, the Subordinated Notes will be deemed Converted and on and from the issue of Ordinary Shares the rights of a Noteholder the subject of this Condition 10A.9 are limited to its rights in respect of the Ordinary Shares or their net cash proceeds as provided in this Condition;

- (f) nothing in this Condition 10A.9 shall affect the Conversion of the Subordinated Notes of a Noteholder which is not a person to which any of subparagraphs (a) to (c) (inclusive) applies; and
- (g) for the purposes of this Condition 10A.9, without prejudice to the obligations of NAB and the nominee under this Condition 10A.9, none of NAB or the nominee owes any obligations or duties to the Noteholders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Noteholder as a result of the sale of Ordinary Shares.

#### **10A.10 Write-Off of Subordinated Notes**

If "Write-Off – Applicable" is specified in the applicable Final Terms, then this Condition 10A.10 shall apply to the Subordinated Notes and, for the avoidance of doubt, Condition 10A.3 and Conditions 10A.4(a), (b), (c)(ii), (c)(iii), (c)(iv), (e) and (f)(iii), 10A.5, 10A.7, 10A.8 and 10A.9 shall not apply to the Subordinated Notes.

On the Conversion Date the rights of Noteholders (including to payment of any principal or interest) in relation to the relevant nominal amount (as determined under Condition 10A.2) of the Subordinated Notes will be Written-Off.

Where only a portion of a Subordinated Note is Written-Off, the nominal amount of that Subordinated Note shall be reduced by the amount Written-Off accordingly.

#### **10A.11 Ordinary Shares issued upon Conversion**

Each Ordinary Share issued to a relevant Noteholder upon Conversion will rank equally with all other fully paid Ordinary Shares from the date of such issue.

#### **10A.12 Substitution of Approved NOHC as issuer of Ordinary Shares**

Where:

- (a) either of the following occurs:
  - (i) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional, all regulatory approvals necessary for the acquisition to occur have been obtained and either:
    - (A) the bidder has at any time during the offer period, a relevant interest in more than 50 per cent. of the Ordinary Shares on issue; or
    - (B) the Directors of NAB, acting as a board, issue a statement that at least a majority of its Directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
  - (ii) a court orders the holding of meeting(s) to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50 per cent. of the Ordinary Shares that will be on issue after the scheme is implemented and:
    - (A) all classes of members of NAB pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
    - (B) all conditions to the implementation of the scheme, including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived; and
- (b) the bidder or the person having a relevant interest in the Ordinary Shares in NAB after the scheme is implemented (or any entity that Controls the bidder or the person having the relevant interest) is an Approved NOHC,

then NAB and the Trustee may without the further authority, assent or approval of Noteholders (but with the prior written approval of APRA):

- (c) amend the Schedule such that, unless APRA otherwise agrees, on the date the nominal amount of a Subordinated Note is to be Converted:
  - (i) each Subordinated Note that is being Converted in whole will be automatically transferred by each Noteholder free from encumbrance to the Approved NOHC (or another member of the company which is a holding company (as defined in the Corporations Act) of NAB) (the **Transferee**) on the date the Conversion is to occur;
  - (ii) in respect of each Subordinated Note that is being Converted only in part, on the date the Conversion is to occur:
    - (A) the nominal amount of the Subordinated Note that is being Converted shall be reduced to an amount equal to the non-Converted portion of the nominal amount of such Subordinated Note; and
    - (B) the Approved NOHC will be taken to hold a new Subordinated Note with a nominal amount equal to the Converted portion of the nominal amount of the Subordinated Note being Converted,

provided that any failure or delay by a Noteholder or any other party in complying with the provisions of Condition 10A.12(c) shall not prevent, impede or delay the Conversion or Write-Off of Subordinated Notes;

- (iii) each Noteholder (or in the circumstances contemplated in Condition 10A.9, the nominee) of a Subordinated Note or portion thereof being Converted will be issued a number of ordinary shares in the capital of the Approved NOHC determined as if references in the Schedule to NAB were references to the Approved NOHC and the Ordinary Shares were to ordinary shares in the capital of NOHC (**Approved NOHC Ordinary Shares**); and
  - (iv) as between NAB and the Approved NOHC, each Subordinated Note held or taken to be held by the Approved NOHC as a result of the transfer will be automatically Converted into a number of Ordinary Shares such that the total number of Ordinary Shares held by the Transferee by reason of this Condition 10A.12(c)(iv) increases by the number of Ordinary Shares in the capital of the Approved NOHC issued by the Approved NOHC to Noteholders on Conversion; and
- (d) make such other amendments as in NAB's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the issuer of the ordinary shares on Conversion in the manner contemplated by these Conditions, including, where the terms upon which the Approved NOHC acquires NAB are such that the number of ordinary shares in the capital of the Approved NOHC on issue immediately after the substitution differs from the number of Ordinary Shares on issue immediately before the substitution (not involving any cash payment or other distribution to or by the holders of any such shares), an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in the Schedule.

#### **10A.13 Further substitutions**

After a substitution under Condition 10A.12, the Approved NOHC and the Trustee may, without the authority, approval or assent of the Noteholders, effect a further substitution in accordance with Condition 10A.12 (with necessary changes).

#### **10A.14 Notice to Noteholders**

NAB or the Approved NOHC must notify the Noteholders of the particulars of any substitution according to Condition 10A.12 or Condition 10A.13 in writing as soon as practicable after the substitution.

#### **10A.15 Acknowledgement of Noteholders**

Each Noteholder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Conditions be substituted for NAB as issuer of the Ordinary Shares on Conversion and that if such a substitution is effected, the Noteholder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares in NAB.

#### **10A.16 Definitions**

In these Conditions:

**Approved NOHC** means an entity which:

- (a) is a non-operating holding company within the meaning of the Banking Act; and
- (b) has agreed for the benefit of Noteholders:
  - (i) to issue fully paid ordinary shares in its capital under all circumstances when NAB would otherwise have been required to Convert a nominal amount of Subordinated Notes, subject to the same terms and conditions as set out in these Conditions (with all necessary modifications); and

- (ii) to use all reasonable endeavours to procure quotation of Approved NOHC Ordinary Shares issued upon Conversion of Relevant Subordinated Notes on ASX.

**Control** has the meaning given in the Corporations Act.

**Inability Event** means NAB is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of NAB) or any other reason from Converting Subordinated Notes.

**Issuer Group** means NAB and its Controlled entities.

**Ordinary Shares** has the meaning given to it in the Schedule to these Conditions.

**Regulatory Capital** means a Tier 1 Capital Instrument or a Tier 2 Capital Instrument.

**Related Entity** has the meaning given by APRA from time to time.

**Relevant Capital Instruments** means each of:

- (a) Relevant Tier 1 Capital Instruments; and
- (b) Relevant Tier 2 Capital Instruments.

**Relevant Tier 1 Capital Instrument** means a Tier 1 Capital Instrument that in accordance with its terms or by operation of law is capable of being written-off or converted into Ordinary Shares when a Non-Viability Determination is made.

**Relevant Tier 2 Capital Instrument** means a Tier 2 Capital Instrument that in accordance with its terms or by operation of law is capable of being written-off or converted into Ordinary Shares when a Non-Viability Determination is made.

**Tier 1 Capital** means the Tier 1 Capital of NAB (on a Level 1 basis) or the Issuer Group (on a Level 2 basis) as defined by APRA from time to time.

**Tier 1 Capital Instrument** means a share, note or other security or instrument constituting Tier 1 Capital.

**Tier 2 Capital** means the Tier 2 Capital of NAB (on a Level 1 basis) or the Issuer Group (on a Level 2 basis) as defined by APRA from time to time.

**Tier 2 Capital Instrument** means a share, note or other security or instrument constituting Tier 2 Capital.

## 11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer and (in the case of Guaranteed Senior Notes) the Guarantor are entitled, with the prior written approval of the Trustee (not to be unreasonably withheld), to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London; and
- (d) BNZ and BNZ-IF and (in the case of Guaranteed Senior Notes) the Guarantor each undertakes that it will ensure that it maintains a Paying Agent in a jurisdiction other than the jurisdiction in which it is incorporated.

In addition, the Issuer and (in the case of Guaranteed Senior Notes) the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receipholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Bearer Notes are admitted to trading on, and listed on the Regulated Market of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such newspaper publication will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Service, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note. Notwithstanding the foregoing provisions of this paragraph, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Position Report shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms. If no day is specified, such notices will be deemed to have been delivered on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Lodging Agent and/or the CMU Service, as the case may be, may approve for this purpose.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, DETERMINATION AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of, or waiver with respect to, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed, subject, in the case of modifications of, or waivers with respect to, the Subordinated Notes, Receipts and Coupons to any required prior written approval of APRA (if NAB is the Issuer) which may be required and provided that no Extraordinary Resolution or any other resolution that may affect the eligibility of the Subordinated Notes to continue to be treated as Tier 2 Capital shall be of any effect unless the prior written approval of APRA has been obtained. Subject to the above, such a meeting may be convened by the Issuer, the Guarantor (in the case of Guaranteed Senior Notes) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less

than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by or on behalf of the Noteholder(s) of not less than three-fourths of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Noteholder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders.

Subject in the case of Subordinated Notes to any required prior written approval of APRA, the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.5 without the consent of the Noteholders, Receiptholders and Couponholders and the reference in the first paragraph of this Condition 15 to meetings of the Noteholders shall not apply to Benchmark Amendments made pursuant to Condition 5.5(c), which shall be made without Noteholder consent as specified therein. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and (unless the Trustee otherwise agrees) shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter. In relation to any amendments to be made to these Conditions pursuant to Condition 10A.12, the Trustee may act or rely on the advice or opinion of NAB or any certificate, report or information (whether addressed to the Trustee or not) obtained from NAB and shall not be responsible for any liability occasioned by so acting or relying.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation or determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (in the case of Guaranteed Senior Notes), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trust Deed provides that, in respect of Senior Notes and Guaranteed Senior Notes only, the Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders agree with the Issuer and (where applicable) the Guarantor, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Senior Notes or Guaranteed Senior Notes, as applicable, and the relative Receipts, any Coupons and the Trust Deed of another company, being a subsidiary of the Issuer or, in the case of Guaranteed Senior Notes, the Guarantor, subject to (a) the Senior Notes being unconditionally and irrevocably guaranteed by NAB (in the case of Notes issued by NAB) or BNZ (in the case of Notes issued by BNZ) or the Guaranteed Senior Notes continuing to be guaranteed by

the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

The Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer or, as the case may be, the Guarantor not involving the bankruptcy or insolvency of the Issuer or, as the case may be, the Guarantor and (A) where the Issuer or, as the case may be, the Guarantor does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be, will be disposed of or succeeded to by another entity (whether by operation of law or otherwise), the Trustee shall, in the case of Senior Notes and Guaranteed Senior Notes only if requested by the Issuer and (where applicable) the Guarantor (in each case in its sole discretion), without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer and (where applicable) the Guarantor to (i) the substitution in place of the Issuer as the principal debtor under the Senior Notes or Guaranteed Senior Notes, as applicable, and the relative Receipts, any Coupons and the Trust Deed; or (ii) the substitution in place of the Guarantor (in the case of Guaranteed Senior Notes) as guarantor of Guaranteed Senior Notes, of another company (the **Substituted Debtor**) being the entity with and into which the Issuer or the Guarantor, as the case may be, amalgamates or the entity to which all or substantially all of the business and assets of the Issuer or the Guarantor is transferred, or succeeded to, pursuant to such scheme of amalgamation or reconstruction (whether by operation of law or otherwise), subject to:

- (i) the Substituted Debtor entering into a supplemental trust deed in form and manner satisfactory to the Trustee agreeing to be bound by the Trust Deed with any consequential amendments which the Trustee may deem appropriate as fully as if the Substituted Debtor had been named in the Trust Deed as principal debtor or guarantor of the Senior Notes or Guaranteed Senior Notes in place of the Issuer or the Guarantor, as the case may be;
- (ii) the Substituted Debtor acquiring or succeeding to pursuant to such scheme of amalgamation or reconstruction all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be;
- (iii) (in the case of the substitution of BNZ-IF) the obligations of the Substituted Debtor being or remaining guaranteed by the Guarantor on the terms set out in the Trust Deed;
- (iv) confirmations being received by the Trustee from each of Moody's Investors Service Limited (**Moody's**) and S&P Global Ratings, a division of S&P Global Inc. (**Standard and Poor's**) that the substitution will not adversely affect the rating of the Senior Notes or Guaranteed Senior Notes, as applicable; and
- (v) the Issuer, the Guarantor (where relevant) and the Substituted Debtor complying with such other requirements as the Trustee may reasonably require in order to give effect to the mandatory substitution envisaged in this Condition 15.

For the purposes of this Condition 15, a modification or waiver of the Notes will require APRA's prior written approval only if the modification or waiver may affect the eligibility of the Notes to continue to be treated as Tier 2 Capital. Any provisions in these Conditions of the Notes requiring APRA approval for a particular course of action do not and should not imply that APRA has given its consent or approval as at the Issue Date.

## **16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or pre-funded to its satisfaction.



The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with each Issuer, the Guarantor and/or any of their respective subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, any Issuer, the Guarantor and/or any of their respective subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further securities (the **Fungible Notes**) having terms and conditions the same as the Notes or the same in all respects save for the amount, the Issue Date, the Issue Price and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided, however, that (a) such Fungible Notes are, for purposes of U.S. federal income taxation (regardless of whether any holders of Fungible Notes are subject to the U.S. federal income tax laws), either (i) not issued with original issue discount or are issued with a de minimis amount of original issue discount as defined in U.S. Treasury Regulations Section 1.1273-1(d) or (ii) issued in a “qualified reopening” or are otherwise considered part of the same issue for U.S. federal tax purposes, (b) the consolidation of the Fungible Notes into a single series with the outstanding Notes would not cause the holders of the Notes to become subject to any certification requirements or information reporting to which they would not be subject absent such consolidation and (c) provided that, in the case of Subordinated Notes, the Fungible Notes meet the requirements of APRA to be eligible to be treated as Tier 2 Capital.

## **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **19.1 Governing law**

The Trust Deed, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with, English law, except for Clause 19 of the Trust Deed, Conditions 3.2 and 10A and the conversion mechanisms set out in the Schedule to these Conditions, which are governed by, and shall be construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia. The Agency Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

### **19.2 Submission to jurisdiction**

Each Issuer and the Guarantor irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations) which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons and accordingly submits to the exclusive jurisdiction of the English courts.

Each Issuer and the Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings arising out of or in

connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) (together referred to as **Proceedings**), in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### **19.3 Appointment of Process Agent**

NAB appoints National Australia Bank Limited, London Branch, at its office at 88 Wood Street, London EC2V 7QQ as its agent for service of process and BNZ, BNZ-IF and the Guarantor appoint BNZ International Funding Limited, acting through its London Branch, at 88 Wood Street, London EC2V 7QQ as their respective agent for service of process. Each of NAB, BNZ, BNZ-IF and the Guarantor undertakes that, in the event of National Australia Bank Limited, London Branch or BNZ International Funding Limited, acting through its London Branch, as the case may be, ceasing so to act or ceasing to be registered in England, NAB, BNZ-IF and the Guarantor as the case may be will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

### **19.4 Other documents**

Each Issuer and (in the case of Guaranteed Senior Notes) the Guarantor has in the Trust Deed, the Agency Agreement and the Guarantee (as applicable) submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## SCHEDULE

### SUBORDINATED NOTE CONVERSION MECHANISMS

#### 1.1 Conversion

If NAB must Convert a nominal amount of a Subordinated Note in accordance with Condition 10A (a **Relevant Subordinated Note**), then the following provisions shall apply:

- (a) on the Conversion Date, NAB will, for the Nominal Amount of the Relevant Subordinated Note held by the Noteholder, allot and issue that number of fully paid ordinary shares in the capital of NAB (**Ordinary Shares**) which is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$\frac{\text{Nominal Amount}}{(1 - \text{CD}) \times \text{VWAP during the VWAP Period}}$$

(the **Conversion Number**)

where:

**Nominal Amount** means, in respect of a Relevant Subordinated Note, all or such lesser nominal amount of that Relevant Subordinated Note determined by NAB in accordance with Condition 10A.2 to be the proportionate allocation of the aggregate nominal amount required to be Converted to that Relevant Subordinated Note;

**CD** means the Conversion Discount specified in the applicable Final Terms;

**Maximum Conversion Number** means in respect of the Nominal Amount of a Relevant Subordinated Note the number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Nominal Amount}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})} ;$$

**VWAP** means, subject to any adjustments under clause 1.2 of this Schedule, the average of the daily volume weighted average sale prices (all such averages being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the VWAP Period or on the relevant days (and, where the Specified Currency of the Nominal Amount in respect of the Relevant Subordinated Note is not Australian dollars, with each such daily price converted into the Specified Currency on the basis of the spot rate on each day of calculation in the VWAP Period for the sale of the Australian dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by NAB on the relevant day of calculation) but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares;

**VWAP Period** means the latest period of five Business Days (or such other period specified in the applicable Final Terms) on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date;

**Relevant Fraction** means 0.2;

**Issue Date VWAP** means the VWAP during the period of 20 Business Days or such other period specified in the applicable Final Terms on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Notes of the Series of which the Relevant Subordinated Notes forms part were issued (the **Issue Date VWAP Date**), as adjusted in accordance with clauses 1.4 to 1.7 (inclusive) of this Schedule;

- (b) any calculation under paragraph (a) shall be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Noteholder in respect of the aggregate Nominal Amount of its holding of Relevant Subordinated Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (c) on the Conversion Date NAB will:
  - (i) redeem the Nominal Amount of each Relevant Subordinated Note held by the Noteholder;
  - (ii) apply the proceeds of the redemption of the Nominal Amount of each Relevant Subordinated Note on behalf of the Noteholder in subscription for the Conversion Number of Ordinary Shares; and
  - (iii) issue to the relevant Noteholder, in respect of the Nominal Amount of each Relevant Subordinated Note held by that Noteholder, a number of Ordinary Shares that is equal to the Conversion Number,

and the rights of the Noteholder (including to payment of interest with respect to such Nominal Amount, both in the future and as accrued but unpaid as at the Conversion Date) in relation to the Nominal Amount that is being Converted will be immediately and irrevocably terminated.

The Noteholder irrevocably directs NAB to take all such action in accordance with the above provisions as is necessary to immediately effect Conversion accordingly and NAB will take all steps, including updating any register, required to record the Conversion.

Nothing in this clause creates any obligation to pay any amount in respect of the redemption of the Nominal Amount of any Relevant Subordinated Note except by way of the application of the proceeds of that redemption in subscription for the Conversion Number of Ordinary Shares.

## **1.2 Adjustments to VWAP**

For the purposes of calculating the VWAP in this Schedule:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and a Nominal Amount of Relevant Subordinated Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
  - (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Income Tax Assessment Acts 1936 and 1997 of Australia;
  - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 1.2(a)(i) which is traded on ASX on any of those Business Days), the volume

weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or

(iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors of NAB (or a committee authorised by them); and

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and a Nominal Amount of Relevant Subordinated Notes will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

### 1.3 Adjustments to VWAP for divisions and similar transactions

Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a subdivision, consolidation or reclassification of NAB's share capital not involving any cash payment or other distribution to or by the holders of Ordinary Shares (**Reorganisation**), in calculating the VWAP for that VWAP Period the VWAP on each Business Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by multiplying such daily VWAP by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

**B** means the aggregate number of Ordinary Shares immediately after the Reorganisation.

### 1.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP in respect of a Relevant Subordinated Note, adjustments to the VWAP will be made in accordance with clauses 1.2 and 1.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date VWAP Date, adjustments to the Issue Date VWAP:

(a) may be made in accordance with clauses 1.5 to 1.7 (inclusive); and

(b) if so made, will cause an adjustment to the Maximum Conversion Number by operation of the formula in clause 1.1(a).

### 1.5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to clause 1.5(b), if after the Issue Date VWAP Date in respect of a Relevant Subordinated Note, NAB makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP in respect of the Relevant Subordinated Notes will be adjusted in accordance with the following formula:

$$V = V_0 \times \frac{RD}{RD + RN}$$

where:

**V** means the Issue Date VWAP applicable to the Relevant Subordinated Notes immediately after the application of this formula;

**V<sub>0</sub>** means the Issue Date VWAP applicable to the Relevant Subordinated Notes immediately prior to the application of this formula;

**RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

**RN** means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 1.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of clause 1.5(a), an issue will be regarded as a pro rata issue notwithstanding that NAB does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing NAB is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 1.5 for any offer of Ordinary Shares not covered by clause 1.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 1.5(a) shall not in any way restrict NAB from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Noteholders or otherwise requiring any consent or concurrence.

#### **1.6 Adjustment to Issue Date VWAP for divisions and similar transactions**

- (a) If at any time after the Issue Date VWAP Date in respect of the Relevant Subordinated Notes there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, NAB shall adjust the Issue Date VWAP applicable to the Relevant Subordinated Notes by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

**B** means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Each Noteholder acknowledges that NAB may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Noteholders or otherwise requiring any consent or concurrence.

#### **1.7 No adjustment to Issue Date VWAP in certain circumstances**

Despite the provisions of clauses 1.5 and 1.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent. of the Issue Date VWAP then in effect.

## 1.8 Effect and announcement of adjustments

Any adjustment made by NAB to the VWAP or the Issue Date VWAP under this Schedule is effective and binding on the Trustee and the Noteholders and these Conditions will be construed accordingly. NAB will notify the Trustee and the Noteholders of any adjustment to the VWAP or the Issue Date VWAP under this Schedule within 10 Business Days of NAB determining the adjustment.

## 1.9 Listing Ordinary Shares issued on Conversion

NAB shall use all reasonable endeavours to procure a quotation of the Ordinary Shares issued upon Conversion of a Nominal Amount of Relevant Subordinated Notes on ASX. The Noteholder agrees not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws and the ASX Listing Rules) until NAB has taken such steps as are required by the Corporations Act, other applicable laws and the ASX Listing Rules for the shares to be freely tradeable without such further disclosure or other action and agrees to allow NAB to impose a holding lock or refuse to register a transfer in respect of Ordinary Shares until such time.

## 1.10 Definitions

(a) Notwithstanding Condition 5.7, in this Schedule:

**Business Day** means a day which is both (i) a day on which banks are open for general banking business in Melbourne and Sydney (not being a Saturday, Sunday or public holiday in that place) and (ii) a day which is a business day for the purposes of the ASX Listing Rules;

**ASX** means ASX Limited or the securities market operated by it, as the context requires, or any successor;

**ASX Listing Rules** means the listing rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time;

**ASX Operating Rules** means the market operating rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time.

(b) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires, a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the general purposes of the relevant Issuer (which include making a profit) and its subsidiaries and, in the case of Notes issued by BNZ-IF, the Guarantor and its subsidiaries. If, in respect of an issue by NAB, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.



## DESCRIPTION OF NAB

### INFORMATION ABOUT NAB

#### *History and development of NAB*

The legal name of NAB is National Australia Bank Limited and it trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".

NAB is registered in the State of Victoria with Australian Business Number (ABN) 12 004 044 937.

NAB was incorporated on 23 June 1893.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act. Its registered office is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8872 2461).

### BUSINESS OVERVIEW

#### *The NAB Group's Business*

The NAB Group is a financial services organisation with approximately 33,000 employees, operating through a network of over 900 locations, with more than 584,000 shareholders and serving approximately nine million customers.

The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom and the United States.

The NAB Group's brands share a commitment to providing customers with quality products and services. The NAB Group's relationships are based on the principles of providing quality help, guidance and advice to achieve better financial outcomes for customers.

The NAB Group's strategic focus supports its recently refreshed vision to be Australia's leading bank, trusted by customers for exceptional service. Achieving this vision is underpinned by four key long term objectives:

1. To have a positive net promoter score<sup>6</sup> and be the number one major Australian bank in priority segments.<sup>7</sup>
2. Bringing NAB's cost to income ratio towards 35 per cent.
3. Having the number one return on equity of major Australian banks.
4. To have top quartile employee engagement.

Critical to the NAB Group's ability to achieve its vision and objectives is the maintenance of strong foundations with respect to its balance sheet (including capital, funding and liquidity), risk (including credit and operational risk) and technology.

In the year ending 30 September 2018, the NAB Group operated the following divisions:

- Business and Private Banking, which focuses on serving the needs of three of the NAB Group's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through small business customer hubs. This includes specialists in Health,

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<sup>6</sup> Net Promoter Score is a trademark of Bain & Company, Satmetrix Systems and Fred Reichheld.

<sup>7</sup> The priority segments are: Home Owners, Investors, Small Business (A\$0.1m<A\$5m) and Medium Business (A\$5m<A\$50m).

Agribusiness, Government, Education, Community and Franchising, Professional Services and Commercial Real Estate. The division also serves high net worth customers through JBWere.

- Consumer Banking and Wealth, which comprises the NAB and UBank consumer banking divisions, and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to independent advisers, including mortgage brokers and a financial planning network of self-employed, aligned and salaried advisers in Australia.
- Corporate and Institutional Banking, which provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including branches in the United States, United Kingdom and Asia with specialised industry relationships and product teams.
- NZ Banking, which comprises the Consumer Banking, Wealth, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the “Bank of New Zealand” brand. It excludes Bank of New Zealand’s Markets Trading operations.

### ***Recent Developments***

#### *Strategy Acceleration*

On 2 November 2017, the NAB Group announced an acceleration of its strategy to achieve its vision and objectives, reflecting the environment of rapid and constant change. The acceleration of the NAB Group’s strategy involves a targeted A\$1.5 billion increase in investment over the three years to September 2020, taking total investment spend to approximately A\$4.5 billion over that period. For the year ended 30 September 2018, the investment spend was A\$1,519 million. The focus of this increased investment over three years is on the four key areas outlined below.

- **Becoming the Best Business Bank** – The NAB Group continues to invest in transforming its leading Australian Small and Medium Enterprise (SME) franchise making it simpler and easier for customers.
- **Simpler and Faster** – The NAB Group is focused on delivering exceptional customer service, increased productivity and reduced operational and regulatory risks.
- **New and Emerging Growth Opportunities** – Capturing new and emerging growth opportunities by leveraging the NAB Group’s capabilities and positions of strength is a key focus.
- **Great People, Talent and Culture** – The NAB Group is committed to attracting, developing and inspiring talent to drive a culture that delivers high performance.

As part of the acceleration of its strategy, the NAB Group expects to deliver cumulative cost savings, currently targeted at greater than A\$1 billion by 30 September 2020, as it significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure. In the year ended 30 September 2018 cost savings of approximately A\$320 million were achieved.

The NAB Group is reshaping its workforce to enable it to deliver for customers. Over the three years to 30 September 2020, the NAB Group is targeting the creation of up to 2,000 new roles and a reduction of 6,000 existing roles as it further automates and simplifies its business. It is expected that this will result in a net reduction in employees of approximately 4,000 by 30 September 2020. During the year ended 30 September 2018, a reduction of 1,897 roles occurred while an additional 195 new roles were added bringing new skills and capabilities to support the NAB Group’s growth agenda.

Reflecting the accelerated investment impact, the NAB Group outlined an expectation for September 2018 full year expense growth of 5-8 per cent. excluding restructuring related costs and any large one off expenses. In the year ended 30 September 2018 expense growth was 6.4 per cent. excluding restructuring related costs of A\$755 million booked in the March 2018 half year and customer related remediation. The NAB Group continues to target expense growth over the years ending 30 September 2019 and 30 September 2020 to remain broadly flat, excluding large notable expenses<sup>8</sup>.

### ***Reshaping of Wealth Management***

On 3 May 2018, NAB announced its intention to reshape its Wealth Management offering, consistent with its plan to become simpler and faster. A detailed review, conducted over nine months, determined the NAB Group could best serve the needs of its customers and deliver long term value for its shareholders by retaining and investing in a more focussed Wealth Management offering. This involves retaining JBWere, part of the NAB Group's leading Business and Private Banking franchise, to help high net worth customers manage their personal wealth alongside their business interests, combined with nabtrade, the NAB Group's fast growing online investing platform, supporting self-directed customers

The NAB Group intends to exit its Advice, Superannuation & Investment Platforms and Asset Management businesses, currently operating under MLC and other brands (MLC). Separate ownership will allow this business to determine its own strategy and investment priorities to better deliver for customers and enhance its competitive position. The NAB Group is targeting separation by the end of the 2019 calendar year via public markets options including demerger and initial public offering, while maintaining flexibility to consider trade sale options. It is expected there will be ongoing arrangements between NAB and MLC, to offer NAB customers continued access to advice and products to meet their wealth management needs. Since announcing the reshaping of its Wealth business in May 2018, the NAB Group has made good progress in the work required to separate MLC, including the appointment of Geoff Lloyd as CEO of MLC.

In addition to the section entitled "Forward-Looking Statements" on page 8 of this Offering Circular, see also the description of certain risks, assumptions and qualifications, to which the above forward-looking statements relating to the acceleration of the NAB Group's strategy are subject, as contained on page 2 under the section titled "Forward looking statements" of the 2018 NAB Annual Financial Report (as incorporated by reference into this Offering Circular).

### ***Principal Activities***

The principal activities of the NAB Group during the year ended 30 September 2018 were banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management services, funds management and custodian, trustee and nominee services.

## **ORGANISATIONAL STRUCTURE**

NAB is the holding company for the NAB Group, as well as being the main operating company. As at the date of this Offering Circular NAB wholly-owns the Guarantor, which is its main operating subsidiary.

The NAB Group has examined the possibility of adopting a non-operating holding company structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision on whether to proceed has yet been taken.

## **TREND INFORMATION**

There has been no material adverse change in the prospects of NAB since 30 September 2018.

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<sup>8</sup> Notable expenses includes significant customer-related remediation.

There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on NAB's prospects for at least the current financial year, other than as disclosed in the 2018 NAB Annual Financial Report (as incorporated by reference in this Offering Circular), including as disclosed in "Notes to the Financial Statements – Note 38 – Events subsequent to reporting date" on page 157 in the 2018 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, and the contingent liabilities described under "Legal and arbitration proceedings" below.

## **PROFIT FORECASTS OR ESTIMATES**

NAB does not make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name and function of each of the Directors of NAB as at the date of this Offering Circular are listed below. Unless otherwise stated, the business address of each Director is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

- **Kenneth R Henry AC**

Non-Executive Director, Chairman and Chairman of the Board's Nomination & Governance Committee. Directorships of listed entities: ASX Limited (since February 2013). Dr Henry's other directorships and interests include Sir Roland Wilson Foundation (Chairman), Cape York Partnership, Committee of Economic Development of Australia (Governor), John Grill Centre for Project Leadership's Advisory Board and Australia-China Senior Business Leaders Forum.

- **Andrew G Thorburn**

Group Chief Executive Officer and Managing Director.

- **David H Armstrong**

Non-Executive Director, Chairman of the Board's Audit Committee and a Member of the Risk Committee. Mr Armstrong's other directorships and interests include The George Institute for Global Health, Opera Australia Capital Fund Limited, Australian Museum (President), and Lizard Island Reef Research Foundation.

- **Philip W Chronican**

Non-Executive Director, Chairman of the Board's Risk Committee and a Member of the Remuneration Committee. He is a Director of BNZ (a subsidiary of NAB). Mr Chronican's other directorships and interests include NSW Treasury Corporation (TCorp) (Chairman), Juvenile Diabetes Research Foundation (Australia), The Westmead Institute for Medical Research and Banking + Finance Oath.

- **Peeyush K Gupta**

Non-Executive Director and a Member of the Board's Risk, Remuneration and Nomination & Governance Committees. He is also a Director of certain NAB Wealth and BNZ subsidiaries. Directorships of listed entities Link Administration Holdings Limited (Link Group) (since November 2016) and Charter Hall WALE Limited (since May 2016). Mr Gupta's other directorships include: Insurance & Care NSW (iCare), Special Broadcasting Service Corporation and Charter Hall Direct Property Management Limited (Chairman).

- **Anne J Loveridge**

Non-Executive Director, Chairman of the Board's Remuneration Committee and a Member of the Nomination & Governance Committee. Directorships of listed entities: nib Holdings Limited (since February 2017) and Platinum Asset Management Limited (since September 2016). Ms Loveridge's other directorships and interests include The Bell Shakespeare Company Limited (Chairman), member of Chief Executive Women (CEW) and International Women's Forum (Australia).

- **Geraldine C McBride**

Non-Executive Director and a Member of the Board's Audit Committee. Directorships of listed entities: Sky Network Television Limited (since August 2013), Fisher and Paykel Healthcare Corporation Limited (since July 2013). Ms McBride is the founder and chief executive officer of MyWave. MyWave is an IT company that develops artificial intelligence based technology platforms for businesses.

- **Douglas A McKay ONZM**

Non-Executive Director and a Member of the Board's Audit and Nomination & Governance Committees. He is Chairman of BNZ (a subsidiary of NAB). Directorships of listed entities: Genesis Energy Limited (since June 2014) and Fletcher Building Limited (since September 2018). Mr McKay's other directorships and interests include Eden Park Trust (Chairman) and IAG New Zealand Limited and its parent company.

- **Ann C Sherry AO**

Non-Executive Director and a Member of the Board's Remuneration Committee. Directorships of listed entities: Sydney Airport (since May 2014). Ms Sherry's other directorships and interests include Carnival Australia (Chairman), UNICEF Australia (Chairman), Palladium Group, Cape York Partnership, Museum of Contemporary Art, Infrastructure Victoria, Rugby Australia and Trans-Tasman Business Council's ANZ Leadership Forum (Australian Chairman).

- **Anthony KT Yuen**

Non-Executive Director and a Member of the Board's Audit and Risk Committees. Mr Yuen's other interests include Committees of Hong Kong Red Cross and ABF Hong Kong Bond Index Fund.

As at the date of this Offering Circular, there are no conflicts of interest or potential conflicts of interest between the duties of these members of NAB's Board of Directors to NAB and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

NAB is a public limited company. As at 31 October 2018, the following shareholders each held more than 1 per cent. of the issued share capital of NAB:

- HSBC Custody Nominees (Australia) Limited (22.19 per cent.)
- J P Morgan Nominees Australia Limited (13.09 per cent.)
- Citicorp Nominees Pty Limited (5.84 per cent.)
- National Nominees Limited (3.89 per cent.)
- BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> (1.92 per cent.)

- BNP Paribas NOMS Pty Ltd <DRP> (1.10 per cent.)

As at 31 October 2018, BlackRock Investment Management (Australia) Limited and its associated entities had a substantial holding (as such concept is defined in the Corporations Act) in NAB, holding 149,354,409 fully paid ordinary shares, representing 5.46 per cent. of the issued share capital of NAB.

There are several provisions of Australian law that are relevant to the ability of any person to gain control of NAB.

Mergers, acquisitions and divestments of Australian public companies listed on the Australian Securities Exchange (such as NAB) are regulated by detailed and comprehensive legislation and the rules and regulations of the Australian Securities Exchange.

In summary, under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person's or someone else's voting power in the company increases from 20 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20 per cent. in an Australian listed company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in any market in Australia, including in any state, territory or region in Australia.

Acquisitions of certain interests in Australian companies by foreign interests are also subject to review by the Australian Treasurer, who may prohibit an acquisition in certain circumstances.

There are also specific limitations on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998 of Australia (the **FSSA**). Under the FSSA, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15 per cent. of the voting power of the financial sector company without first obtaining the Australian Treasurer's approval. Even if a person has less than 15 per cent. of the voting power, the Australian Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia may require the person to relinquish that control. The definition of a financial sector company includes banks such as NAB. Upon commencement of the Treasury Laws Amendment (Financial Sector Regulation) Act of 2018, the allowed percentage of 15 per cent. under the FSSA will be replaced by an allowed percentage of 20 per cent. As at the date of this Offering Circular, the date on which such legislation will take effect is not yet known, but it is expected to be no earlier than 1 January 2019.

Save as disclosed on page 211 hereof under "*Organisational Structure*", there are no arrangements in place within the NAB Group the operation of which may result in a change of control of NAB.

## **FINANCIAL INFORMATION CONCERNING NAB'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information in relation to NAB for its financial years ended 30 September 2017 and 30 September 2018 are contained in the 2017 NAB Annual Financial Report and the 2018 NAB Annual Financial Report which are incorporated by reference into this Offering Circular.

See further "*Documents Incorporated by Reference and Credit Ratings*" above.

The financial statements which are incorporated by reference contain both NAB's own statements and consolidated statements for the NAB Group.

#### *Auditing of historical annual financial information*

The historical financial information which is incorporated by reference into this Offering Circular has been audited. Please see the Auditor's reports at pages 144-149 of the 2017 NAB Annual Financial Report and at pages 159-164 of the 2018 NAB Annual Financial Report, respectively, which are incorporated by reference into this Offering Circular.

#### ***Legal and arbitration proceedings***

##### *Overview*

Except as listed below and as described in the documents incorporated by reference (see cross-reference table on pages 71 to 72 hereof), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NAB is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of NAB and/or the NAB Group.

#### **Bank Bill Swap Reference Rate US class action**

In August 2016, a class action complaint was filed in the U.S. District Court for the Southern District of New York regarding alleged conduct relating to the Bank Bill Swap Reference Rate (**BBSW**). The complaint named a number of defendants, including NAB and various other Australian and international banks and refers to earlier proceedings brought by ASIC in relation to BBSW. The relevant ASIC proceedings against NAB were resolved in November 2017 pursuant to a court-approved settlement. The potential outcome and total costs associated with the US class action remain uncertain.

#### **Superannuation Complaints Tribunal (SCT) decision appeal**

On 6 August 2018, NAB filed an appeal with the Federal Court against a recent decision of the SCT relating to commissions for rollover contributions. The potential outcome and total costs associated with this matter remain uncertain.

#### **UK conduct issues – potential action**

In December 2017, NAB received a letter before action from solicitors acting for RGL Management, a claims management company in the UK. The letter makes allegations against NAB and CYBG in relation to the sale of fixed rate tailored business loans to customers of CYBG during the period from 2001 to 2012. The potential outcome and total costs associated with any proceedings which may arise remain uncertain.

## **Adviser service fees**

ASIC is conducting an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the NAB Group. Under the service arrangements, customers generally pay an adviser service fee to receive an annual review together with a range of other services. NAB is assessing whether customers who have paid these fees have been provided with the agreed services. NAB continues to engage with ASIC on the design of the review methodology for this matter. NAB is currently assessing certain cohorts of customers with financial advisers employed by the NAB Group. Where customer compensation is probable and able to be reliably estimated, provisions have been taken. NAB has also commenced identifying cohorts of potentially impacted customers associated with the NAB Group's advice partnerships. The potential outcome and total costs associated with this investigation remain uncertain.

On 12 October 2018, ASIC announced that it would be expanding its current activities to include an industry-wide review of compliance with requirements for Fee Disclosure Statements and Renewal Notices in the financial advice sector. The expanded review is at an early stage, and the potential outcome and total costs associated with this matter remain uncertain.

## **Consumer Credit Insurance (CCI)**

In 2017, as part of an industry-wide review, ASIC requested that NAB and other lenders undertake a review of their compliance with *ASIC Report 256 Consumer Credit Insurance: A review of sales practices by authorised deposit-taking institutions*. In response to this request, NAB conducted an internal audit on the sale of CCI products. The audit findings identified potential issues with sales of these products across certain NAB channels. NAB is currently in the process of designing a remediation methodology for CCI customers who are potentially impacted. The outcome and total costs associated with this work are uncertain.

On 27 September 2018, plaintiff law firm Slater & Gordon filed a class action in the Federal Court, alleging that NAB and MLC Limited engaged in unconscionable conduct in contravention of the *ASIC Act 2001* (Cth) in connection with the sale of a particular CCI product (being NAB Credit Card Cover). The class action is at an early stage, and the potential outcome and total costs associated with this matter remain uncertain.

## **Plan Service Fees (PSF)**

Further to ASIC's May 2017 report about its industry-wide investigation into financial advice fees, NAB has finalised the payment of refunds to customers who did not have a plan adviser attached to their superannuation account and were incorrectly charged PSF. ASIC has also investigated the payment of PSF by customers who left an employer and were transferred to the personal division of the relevant corporate superannuation product. NAB is in the process of refunding PSF paid by these members and expects to have substantially completed these payments by 31 December 2018. Provisions have been taken in relation to these refunds, but the final outcome and total costs associated with this matter remain uncertain.

On 6 September 2018, ASIC also commenced Federal Court proceedings against two Group entities – NULIS Nominees (Australia) Limited (NULIS) and MLC Nominees Pty Ltd - in relation to PSF. ASIC is seeking declarations that a number of provisions of the *ASIC Act 2001* (Cth), *Corporations Act 2001* (Cth) and the *Superannuation Industry (Supervision) Act 1993* (Cth) have been contravened. The potential outcome and total costs associated with these proceedings remain uncertain.

## **Wealth advice review**

In October, 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the Customer Response Initiative review programme with compensation offered and paid in a number of cases. The final outcome and total costs associated with this work remain uncertain.



## **Anti-Money Laundering and Counter-Terrorist Financing Programme Uplift Work**

Since July 2016, NAB has been progressing a programme of work to uplift and strengthen the NAB Group's Anti-Money Laundering and Counter-Terrorist Financing Programme and its implementation. The work involves significant investment in systems, ensuring an effective and efficient control environment and uplifting compliance capability. In addition to a general uplift in capability, the programme of work aims to remediate specific compliance issues and weaknesses as they are identified.

When significant AML/CTF compliance issues are identified, they are notified to AUSTRAC or equivalent foreign regulators. Investigation and remediation activities are currently occurring in relation to a number of identified issues, including certain weaknesses with the implementation of 'Know Your Customer' requirements, as well as systems and process issues that impacted transaction monitoring and reporting in some specific areas. NAB continues to keep AUSTRAC (and where applicable, relevant foreign regulators) informed of its progress in resolving these issues, and will continue to cooperate with, and respond to queries from, such regulators.

As this work progresses, further issues may be identified and additional strengthening may be required. The potential outcome and total costs associated with the investigation and remediation process for specific issues identified to date, and for any issues identified in the future, remain uncertain.

### **Contingent tax risk**

The tax affairs of the NAB Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. Innovation Australia is currently reviewing various prior year claims made by the NAB Group for research and development tax incentives. Risk reviews and audits are also being undertaken by tax authorities in other jurisdictions in which the NAB Group conducts business, as part of normal tax authority review activity in those countries. NAB continues to respond to any notices and requests for information it receives from relevant tax authorities.

The reviews, notices and requests described above may result in additional tax liabilities (including interest and penalties). Where appropriate, provisions have been made. The potential outcome and total costs associated with these activities remain uncertain.

### **United Kingdom conduct issues and the Conduct Indemnity Deed**

As part of the arrangements relating to the CYBG demerger, NAB and CYBG entered into a conduct indemnity deed (the **Conduct Indemnity Deed**) under which NAB agreed, subject to certain limitations, to provide an indemnity in respect of historic conduct liabilities (the **Capped Indemnity**). More information on the Conduct Indemnity Deed is available in the contingent liabilities note within the 2017 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular.

As at 30 September 2018, NAB had no outstanding financial exposure to CYBG for conduct indemnity claims under the Conduct Indemnity Deed (other than any potential tax liabilities, the likelihood of which is considered low). As expected, in June 2018 CYBG claimed the full £148 million of available support that remained outstanding under the Conduct Indemnity Deed. The collateralised cash deposit balance with the Bank of England is nil and NAB no longer has a CET1 deduction related to the Conduct Indemnity Deed. It is not expected that payments made to CYBG under the Conduct Indemnity Deed will be taxable in the hands of the CYBG Group, but if tax were to be payable then the Conduct Indemnity Deed contains provisions pursuant to which NAB has agreed to compensate CYBG for any actual tax incurred that would not have been incurred but for the receipt of the relevant amounts. CYBG is also obliged to compensate NAB where it obtains a tax benefit in future years relating to payments received by CYBG under the Conduct Indemnity Deed. Except for the Capped Indemnity and the tax provisions set out in the Conduct Indemnity Deed, CYBG has agreed to release NAB from liability for any other historic conduct-related claims made by any member of CYBG Group against NAB.

### **MLC Limited life insurance transaction**

In connection with the sale of 80 per cent. of MLC Limited (**MLCL**) to Nippon Life Insurance Company (**Nippon Life**) in October 2016, NAB gave certain covenants, warranties and indemnities in favour of Nippon Life. The parties also entered into long-term agreements for the distribution of life insurance products and continued use of the MLC brand. In addition, NAB agreed to take certain actions to establish MLCL as a standalone entity, including by providing transitional services as well as support for data migration activities and the development of technology systems (**Transition Work**). NAB is currently in discussions with MLCL and Nippon Life to resolve a number of disputes arising from the above arrangements. The outcome of these discussions and any associated costs (including total costs to complete outstanding Transition Work), remain uncertain.

### ***Significant change in the financial or trading position of NAB***

There has been no significant change in the financial or trading position of the NAB Group since 30 September 2018.

## DESCRIPTION OF BNZ

### INFORMATION ABOUT BNZ

#### *History and development of BNZ*

The legal name of BNZ is Bank of New Zealand and it trades commercially as "Bank of New Zealand" and, particularly within New Zealand, as "BNZ".

BNZ is registered in New Zealand with registration number 428849, and is a registered bank under the Reserve Bank of New Zealand Act 1989.

BNZ was incorporated on 29 July 1861, under the New Zealand Bank Act 1861. The Bank of New Zealand Act 1945 enabled the Government of New Zealand to acquire all privately owned shares in BNZ. From 1945 to 1987, BNZ was a trading bank and statutory corporation, wholly-owned, but not guaranteed, by the Government of New Zealand. Legislation was passed in 1986 to facilitate a public minority shareholding. In March 1989, the Bank of New Zealand Act 1988 became effective, resulting in a complete sale of the Government's interest in BNZ, and the incorporation of BNZ as a limited liability company under the New Zealand Companies Act 1955. In March 1997, BNZ was re-registered under the New Zealand Companies Act 1993. NAB assumed control of BNZ and the group of companies of which it is the parent company (**BNZ Group**) on 1 October 1992.

BNZ is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9 924 9209).

### BUSINESS OVERVIEW

#### *Principal activities*

BNZ is one of New Zealand's largest banking organisations and provides a broad range of banking and financial products and services to retail, business, agribusiness, corporate and institutional clients.

The BNZ Group's business is organised into two major operating and reportable segments: Consumer and Wealth, and BNZ Partners. These segments are supported by the specialist units of Customer, Product and Services, Corporate Affairs, Finance, People, Risk, Technology and Operations, and Transformation and Strategy.

#### *Consumer and Wealth*

Consumer and Wealth provides transactional banking, savings, private banking, investment and insurance products and services, along with home loans, credit cards and personal loans to retail customers.

#### *BNZ Partners*

BNZ Partners provides financial products and services to business, agribusiness, corporate and institutional customers.

#### *BNZ-IF*

BNZ-IF raises external offshore funding for the BNZ Group through the issuance of commercial paper, covered bonds and medium term notes.

## **Covered Bonds**

BNZ has a covered bond programme (the **BNZ Covered Bond Programme**) under which BNZ or BNZ-IF is able to issue covered bonds from time to time.

Covered bonds are debt securities in which investors have full recourse to the issuer and also to a pool of assets that "cover" the issuer's obligations. The pool of cover assets, in the case of BNZ's covered bond programme, is established by BNZ selling mortgage loans originated in the ordinary course of BNZ's business to a bankruptcy-remote trustee company that guarantees BNZ-IF's and BNZ's obligations in the event of a default. The aggregate value of mortgage loans to be transferred by BNZ under the covered bond programme should not exceed the limits prescribed by the RBNZ from time to time. BNZ does not consider that the issue of covered bonds under the BNZ Covered Bond Programme will adversely impact BNZ's ability to meet its obligations in respect of Senior Notes issued by BNZ, or Guaranteed Senior Notes issued by BNZ-IF.

The Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013 (the **Covered Bond Act**) came into force on 10 December 2013. Under the Covered Bond Act, covered bonds may only be issued under registered covered bond programmes. The BNZ Covered Bond Programme was registered with the RBNZ on 8 August 2014.

## **ORGANISATIONAL STRUCTURE**

NAB is the ultimate parent company of BNZ, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

## **TREND INFORMATION**

There has been no material adverse change in the prospects of BNZ since 30 September 2017.

## **PROFIT FORECASTS OR ESTIMATES**

BNZ does not intend to make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name, occupation and country of residence of each Director of BNZ as at the date of this Offering Circular are listed below. Unless otherwise indicated, the business address of each Director is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

### **Non-Executive Director, Chairman**

Douglas Alexander McKay, ONZM, Company Director, New Zealand. Mr MacKay is a director of National Australia Bank Limited (BNZ's ultimate parent bank) (since February 2016). Directorships of listed entities: Fletcher Building Limited (since September 2018) and Genesis Energy Limited (since June 2014). Mr McKay's other directorships include: Eden Park Trust (Chairman) and IAG New Zealand Limited and its parent company.

### **Executive Director**

Angela Mentis, Managing Director and Chief Executive Officer, Bank of New Zealand, New Zealand. Ms Mentis' other directorships include: Loyalty New Zealand Limited and Banking Ombudsman Scheme Limited.

## **Non-Executive Directors**

Philip Wayne Chronican, Company Director, Australia (Business address: National Australia Bank Limited, Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia). Mr Chronican is a director of National Australia Bank Limited (BNZ's ultimate parent bank) (since May 2016). Mr Chronican's other directorships include: NSW Treasury Corporation (TCorp) (Chairman), Banking + Finance Oath, Juvenile Diabetes Research Foundation (Australia) and The Westmead Institute for Medical Research.

## **Independent Non-Executive Directors**

Mai Chen, Barrister and Solicitor, New Zealand. Ms Chen is a Partner at Chen Palmer New Zealand Public Law Specialists Limited. Ms Chen's other directorships include: ASIANZ CEO Limited, Chen Palmer New Zealand Public Law Specialists Limited, CPP Limited, Socrates NZ Limited, Superdiversity Centre for Law, Policy and Business Limited and Superdiverse Women Limited.

Prudence Mary Flacks, Company Director, New Zealand. Directorships of listed entities: Chorus Limited (since December 2011) and Mercury NZ Limited (since May 2010). Ms Flacks' other directorships include: Queenstown Airport Corporation Limited.

Bruce Ronald Hassall, Company Director, New Zealand. Directorships of listed entities: Fletcher Building Limited (Chairman). Mr Hassall's other directorships include: The Farmers' Trading Company Limited (Chairman), Fonterra Co-operative Group Limited and Fletcher Building Industries Limited.

Louis Arthur Hawke, Company Director, Australia. Mr Hawke is the Chairman of BNZ Insurance Services Limited and BNZ Life Insurance Limited. Mr Hawke's other directorships include: VendorPanel Pty Limited.

Kevin John Kenrick, Chief Executive Officer of Television New Zealand Limited, New Zealand. Mr Kenrick's other directorships include: Good George Brewing Advisory Board (Chairman), Freeview Television Limited, NZOOM Limited, TVNZ International Limited and TVNZ Investments Limited.

As at the date of this Offering Circular, except as detailed in the paragraph below, no conflicts of interest and no potential conflicts of interest exist between any duties owed to BNZ by the members of the Board of Directors of BNZ and their private interests or duties outside of the BNZ Group.

Douglas Alexander McKay is a director of IAG New Zealand Limited and IAG (NZ) Holdings Limited. As at the date of this Offering Circular, BNZ contracted with IAG New Zealand Limited for the provision of insurance products and services. BNZ's Board of Directors receives regular management reports, both directly and through BNZ's Board Risk Committee, which may contain sensitive information.

BNZ has a process for the management of any conflicts of interest that may arise. BNZ's constitution dictates that a director who is interested in a transaction to which BNZ is a party may attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum but, subject to certain exceptions set out in the constitution, will not vote on the matter nor be present while the matter is being considered at the meeting.

The Board of Directors of BNZ has adopted a Board Charter which sets out BNZ's Board of Directors purpose, powers and responsibilities.

## **MAJOR SHAREHOLDERS**

BNZ is wholly-owned by National Australia Group (NZ) Limited and BNZ is ultimately owned and controlled by NAB.

National Australia Group (NZ) Limited, NAB and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) are the only holders of a direct or indirect qualifying interest in the voting securities of BNZ. National Australia Group (NZ) Limited is the registered and beneficial holder of all BNZ's voting securities.

As disclosed on page 211 hereof under "*Description of NAB – Organisational Structure*", the NAB Group has examined the possibility of adopting a non-operating holding company (NOHC) structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision on whether to proceed to a NOHC structure has yet been taken. Otherwise, BNZ is not aware of any arrangements that are in place the operation of which may result in a change of control of BNZ.

## **FINANCIAL INFORMATION CONCERNING BNZ'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The consolidated financial information relating to BNZ contained in this Offering Circular has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**New Zealand GAAP**). In relation to the 2016 Disclosure Statement, the 2017 Disclosure Statement and the 2018 Half Year Disclosure Statement, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) as appropriate for profit-orientated entities. The financial statements comply with International Financial Reporting Standards (**IFRS**).

The consolidated financial information in relation to BNZ for its financial years ended 30 September 2016 and 30 September 2017 and for the six months ended 31 March 2018 is contained in the 2016 Disclosure Statement, the 2017 Disclosure Statement and the 2018 Half Year Disclosure Statement respectively, which are incorporated by reference in this Offering Circular. Such financial statements contain consolidated information about the BNZ Group and BNZ Group Financial information complies with NZ IFRS and IFRS. See further "*Documents Incorporated by Reference and Credit Ratings*" above.

### ***Auditing of historical annual financial information***

The historical financial information in relation to BNZ for its financial years ended 30 September 2016 and 30 September 2017 described above has been audited; please see the "*Auditors' Report*" at pages 81 and 82 of the 2016 Disclosure Statement and at pages 75 to 78 of the 2017 Disclosure Statement, both incorporated by reference in this Offering Circular.

The historical financial information in relation to BNZ for its six months ended 31 March 2018 described above has not been audited; please see the "*Auditor's Independent Review Report*" at pages 34 and 35 of the 2018 Half Year Disclosure Statement incorporated by reference in this Offering Circular.

### ***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of BNZ or BNZ Group.

### ***Recent events***

There are no recent events particular to BNZ that are, to a material extent, relevant to the evaluation of its solvency.

***Significant change in the financial or trading position of BNZ***

There has been no significant change in the financial or trading position of the BNZ Group since 31 March 2018 (being the date of the last unaudited consolidated half year financial statements for the six months ended 31 March 2018).

## DESCRIPTION OF BNZ-IF

### INFORMATION ABOUT BNZ-IF

#### *History and development of BNZ-IF*

The legal and commercial name of BNZ-IF is BNZ International Funding Limited.

BNZ-IF is registered in New Zealand with registration number 1635202 and in England & Wales under branch number BR008377 and company number FC026206. For the purposes of the Programme, it is acting through its London Branch (**London Branch**).

BNZ-IF was incorporated on 2 June 2005.

BNZ-IF is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9 924 9209) and the address of the London Branch is 88 Wood Street, London EC2V 7QQ, United Kingdom (telephone number +44 207 710 2952).

### BUSINESS OVERVIEW

#### *Principal activities*

BNZ-IF has been established to carry on various funding and other related activities.

The London Branch obtains offshore wholesale funding for BNZ through the issuance of debt securities. In addition to its role as an Issuer under the Programme, the London Branch also issues short term debt securities via a global commercial paper programme and a United States commercial paper programme and covered bonds via a covered bond programme (as discussed in more detail at page 220 above, under "*Description of BNZ – Covered Bonds*").

Funds raised by the London Branch are on-lent to BNZ on terms and conditions which match the terms and conditions of the original funding (including the same principal amount, currency, term and interest rate basis, and with corresponding redemption events and status (except that the funds on-lent to BNZ will not be guaranteed)).

The constitution of BNZ-IF contains a provision to the effect that if BNZ-IF issues any debt securities which are guaranteed by BNZ, BNZ-IF must on-lend to BNZ an amount equal to the proceeds raised by that debt issue, on terms and conditions which match the terms and conditions of that debt issue.

### ORGANISATIONAL STRUCTURE

BNZ-IF is a wholly-owned subsidiary of BNZ. In turn, BNZ is ultimately a wholly-owned subsidiary of NAB, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

BNZ-IF is dependent upon the guarantee of BNZ to enable it to carry out its fund-raising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations will be dependent on the ability of BNZ to fund its debt obligations to BNZ-IF. NAB and/or BNZ also supply settlement, accounting, tax, regulatory compliance and legal services and seconded staff, as required.

### TREND INFORMATION

There has been no material adverse change in the prospects of BNZ-IF since 30 September 2017.



## **PROFIT FORECASTS OR ESTIMATES**

BNZ-IF does not intend to make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The Board of Directors of BNZ-IF manages and exercises control of BNZ-IF from New Zealand. The Board of Directors is comprised of the following, all of whom have a business address of Level 4, 80 Queen Street, Auckland 1010, New Zealand:

- Neil Watson Bradley, Treasurer of BNZ
- Craig McLaren Brant, Head of Management Assurance, BNZ Markets of BNZ
- Jiselle Isabel Leach, Head of Business Markets FX Solutions of BNZ

BNZ's governance and control framework apply to BNZ-IF and London Branch.

There are no conflicts of interest between any duties of these people to BNZ-IF and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

BNZ-IF is directly wholly-owned and controlled by BNZ.

Save as disclosed on page 211 hereof under "*Description of NAB – Organisational Structure*", there are no arrangements in place the operation of which may result in a change of control of BNZ-IF.

## **FINANCIAL INFORMATION CONCERNING BNZ-IF'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information relating to BNZ-IF contained in this Offering Circular has been prepared in accordance with New Zealand GAAP. In relation to the 2016 BNZ-IF Annual Report and the 2017 BNZ-IF Annual Report, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises NZ IFRS as appropriate for profit-orientated entities. The financial statements comply with IFRS.

The financial information in relation to BNZ-IF for the financial years ended 30 September 2016 and 30 September 2017 is contained in the 2016 BNZ-IF Annual Report and the 2017 BNZ-IF Annual Report, which are both incorporated by reference into this Offering Circular. See further "*Documents Incorporated by Reference and Credit Ratings*" above. Financial reports for BNZ-IF will also be posted at <http://bnzif.com/>, a dedicated investor reporting page provided by BNZ-IF.

### ***Auditing of historical annual financial information***

The historical financial information described above has been audited; please see the *Auditors' Report* included within the 2016 BNZ-IF Annual Report and the 2017 BNZ-IF Annual Report, respectively, both as incorporated by reference into this Offering Circular.

### ***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ-IF is aware) in the 12-month period before the date of this Offering

Circular which may have, or have had in the recent past, significant effects on BNZ-IF's financial position or profitability of BNZ-IF.

***Recent events***

There are no recent events particular to BNZ-IF that are, to a material extent, relevant to the evaluation of its solvency.

***Significant change in the financial or trading position of BNZ-IF***

There has been no significant change in the financial or trading position of BNZ-IF since 30 September 2017.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that each of the Issuers and the Guarantor believes to be reliable, but none of the Issuers, the Guarantor, the Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised each of the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (**Direct Participants**) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect

access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### *CMU*

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (**CMU Members**) of capital markets instruments (**CMU Instruments**) which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the HKMA and “authorised institutions” under the Banking Ordinance (Cap. 155) of the laws of Hong Kong and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg, Euroclear accountholders the CMU Service, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent, any custodian (**Custodian**) and the CMU Lodging Agent with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg, Euroclear and the CMU Service and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg, Euroclear or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg, Euroclear and the CMU Service, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent, the Custodian and the CMU Lodging Agent receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders or the CMU Service and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any

liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### United States Taxation

This section describes certain United States federal income tax consequences of the ownership and disposition of the Notes. It applies only to investors who acquire Notes in the initial offering and hold the Notes as capital assets for tax purposes. This section addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to an investor in light of its individual circumstances, including consequences arising under United States federal tax laws other than the federal income tax laws, foreign, state or local tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to investors who are members of a class of holders subject to special rules under the United States federal income tax laws, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- an individual retirement account or other tax-deferred account,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that purchases or sells Notes as part of a wash sale for tax purposes,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a person that owns (directly, indirectly or by attribution) 10 per cent. or more of the combined voting power of the voting stock of NAB or of the total value of the stock of NAB (inclusive of the value of any Subordinated Notes),
- a person that has ceased to be a U.S. citizen or a lawful permanent resident of the United States, or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

Except in the case of Subordinated Notes which are described in this section regardless of their term, this section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes (other than Subordinated Notes) that are due to mature more than 30 years from their date of issue, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In addition, this section does not address the United States federal income tax of treatment of Notes that reference the performance of United States equities. The United States federal income tax treatment of any such Notes will, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In addition, this section deals only with Notes that are issued in registered form for United States federal income tax purposes. The United States federal income tax consequences of owning Notes that are issued in bearer form will, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In the event that Non-Exempt PD Notes or PD Notes are issued with a maturity of more than 30 years from their date of issue, or are issued in bearer form, additional U.S. tax disclosure will also be



provided in a new Offering Circular for use in connection with such Notes. This section is based on the Internal Revenue Code of 1986, as amended (the **Code**), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds the Notes, the United States federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and the tax treatment of the partnership. An entity or arrangement treated as a partnership for United States federal income tax purposes holding the Notes should consult its tax advisor with regard to the United States federal income tax consequences to it and its partners of an investment in the Notes.

*Holders should consult their own tax advisors concerning the consequences of owning these Notes in their particular circumstances under the Code and the laws of any other taxing jurisdiction.*

### **Index Linked Notes, Contingent Payment Obligations, Extendible and Instalment Notes and Certain Specified Currency Notes**

In the case of Exempt Notes only, the applicable Final Terms will discuss any special United States federal income tax rules with respect to (i) Notes the payments on which are determined by reference to any index or are denominated in, or determined by reference to, more than one currency, (ii) other Notes that are subject to the rules governing contingent payment obligations, and (iii) any extendible and instalment Notes.

### **United States Holders**

This subsection describes the tax consequences to a United States holder. A United States holder is a beneficial owner of a Note that is, for United States federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

This subsection does not apply to holders who are not United States holders, and such holders should refer to "*— Non-United States Holders*" below.

Bearer Notes are not being offered to United States holders. A United States holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Under recently enacted legislation, United States holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after 31 December 2017 or, for Notes issued with original issue discount, for tax years beginning after 31 December 2018. United States holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

### *Notes other than Subordinated Notes*

This subsection describes the tax consequences to a United States holder of holding Notes discussed in this section other than Subordinated Notes. For a discussion of the tax consequences to a United States holder of holding Subordinated Notes, you should refer to the discussion under “—*Subordinated Notes*” below.

### *Payments of Interest*

Except as described below in the case of interest on a "discount Note" that is not "qualified stated interest", each as defined below under "—*Original Issue Discount—General*", a United States holder will be taxed on any interest on the Note, whether payable in U.S. dollars or a non-U.S. dollar currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time the United States holder receives the interest or when it accrues, depending on such holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes, original issue discount (**OID**), if any, accrued with respect to the Notes (as described below under "—*Original Issue Discount*") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts (**additional amounts**) constitutes income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a United States holder. Interest, OID and additional amounts paid or accrued will generally be "passive" income for purposes of computing the foreign tax credit allowable to a United States holder.

### *Non-U.S. Dollar Currency Note - Cash Basis Taxpayers*

A taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and receives an interest payment that is denominated in, or determined by reference to, a non-U.S. dollar currency, must recognise income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.

### *Non-U.S. Dollar Currency Note - Accrual Basis Taxpayers*

A taxpayer that uses an accrual method of accounting for tax purposes may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a non-U.S. dollar currency by using one of two methods. Under the first method, a United States holder would determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

Under the second method, a United States holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if a United States holder receives a payment of interest within five business days of the last day of the accrual period or taxable year, such holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment. If a United States holder elects the second method it will apply to all debt instruments it holds at the beginning of the first taxable year to which the election applies and to all debt instruments that it subsequently acquires. A United States holder may not revoke this election without the consent of the U.S. Internal Revenue Service (the **IRS**).

When a United States holder actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of the Note, denominated in, or determined by reference to, a non-U.S. dollar currency for which such holder accrued an amount of income, such holder will recognise U.S. source ordinary income or loss measured by the difference, if any, between the exchange rate used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.

## ***Original Issue Discount***

### *General*

If a United States holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as a "discount Note" issued with OID if the amount by which the Note's stated redemption price at maturity exceeds its issue price is equal to or more than a *de minimis* amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under "*—Variable Rate Notes*".

In general, a Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of 1 per cent. of its stated redemption price at maturity multiplied by the number of complete years to its maturity. A Note will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If the Note has *de minimis* OID, a United States holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless such holder makes the election described below under "*—Election to Treat All Interest as Original Issue Discount*". The includible amount with respect to each such payment can be determined by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to:

- the amount of the principal payment made, divided by:
- the stated principal amount of the Note.

Generally, if the discount Note matures more than one year from its date of issue, the United States holder must include OID in income before it receives cash attributable to that income. The amount of OID that a United States holder must include in income is calculated using a constant yield method, and generally a United States holder will include increasingly greater amounts of OID in income over the life of the discount Note, unless the discount Note is a self-amortising OID Note. More specifically, the amount of OID included in income can be calculated by adding the daily portions of OID with respect to the discount Note for each day during the taxable year or portion of the taxable year that a United States holder holds the discount Note. The daily portion can be calculated by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A United States holder may select an accrual period of any length with respect to the discount Note and may vary the length of each accrual period over the term of the discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

A United States holder can determine the amount of OID allocable to an accrual period by:

- multiplying the discount Note's adjusted issue price at the beginning of the accrual period by the discount Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on the discount Note allocable to the accrual period.

A United States holder must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a United States holder determines the discount Note's adjusted issue price at the beginning of any accrual period by:

- adding the discount Note's issue price and any accrued OID for each prior accrual period, and then

- subtracting any payments previously made on the discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on the discount Note contains more than one accrual period, then, when a United States holder determines the amount of OID allocable to an accrual period, the United States holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a United States holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A United States holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of the discount Note, other than any payment of qualified stated interest, and
- the discount Note's adjusted issue price as of the beginning of the final accrual period.

#### *Acquisition Premium*

If a United States holder purchases the discount Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the discount Note after the purchase date but is greater than the amount of the discount Note's adjusted issue price, as determined above under "*—General*", the excess is acquisition premium. If a United States holder does not make the election described below under "*—Election to Treat All Interest as Original Issue Discount*", then the United States holder must reduce the daily portions of OID by a fraction equal to:

- the excess of the United States holder's adjusted basis in the discount Note immediately after purchase over the adjusted issue price of the discount Note, divided by:
- the excess of the sum of all amounts payable, other than qualified stated interest, on the discount Note after the purchase date over the discount Note's adjusted issue price.

#### *Pre-Issuance Accrued Interest*

An election may be made to decrease the issue price of the Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of the Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on the Note is to be made within one year of the Note's issue date, and
- that payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note. If an election is not made, the U.S. federal income tax treatment of any pre-issuance accrued interest is not entirely clear. United States holders should consult their own tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

### *Notes Subject to Contingencies Including Optional Redemption*

The Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, a United States holder must determine the yield and maturity of the Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a United States holder must include income on the Note in accordance with the general rules that govern contingent payment obligations. In the case of Exempt Notes only, these rules will be discussed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if the Note is subject to contingencies, and either the United States holder or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on the Note, and
- in the case of an option or options that the United States holder may exercise, the United States holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on the Note.

If both the United States holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A United States holder may determine the yield on the Note for the purposes of those calculations by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on the date that the United States holder chooses in accordance with the terms of the Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a United States holder must re-determine the yield and maturity of the Note by treating the Note as having been retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

### *Election to Treat All Interest as Original Issue Discount*

A United States holder may elect to include in gross income all interest that accrues on the Note using the constant-yield method described above under "*—General*", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under "*—Notes Purchased at a Premium*," or acquisition premium.

If a United States holder makes this election for the Note, then, when the United States holder applies the constant-yield method:

- the issue price of the Note will equal the adjusted basis immediately after the United States holder acquires the Note (which generally will be equal to the United States holder's cost),
- the issue date of the Note will be the date the United States holder acquired it, and
- no payments on the Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which the United States holder makes it; however, if the Note has amortizable bond premium, a United States holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that the United States holder holds as of the beginning of the taxable year to which the election applies or thereafter. Additionally, if a United States holder makes this election for a market discount Note, the United States holder will be treated as having made the election discussed below under "*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that a United States holder acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortisable bond premium or market discount Notes without the consent of the IRS. United States holders should consult their tax advisers concerning the propriety and consequences of electing to treat all interest as OID.

#### *Variable Rate Notes*

The Note will be a variable rate Note if:

- the Note's issue price does not exceed the total non-contingent principal payments by more than the lesser of:
  1. 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date, or
  2. 15 per cent. of the total non-contingent principal payments; and
- the Note provides for stated interest, compounded or paid at least annually, only at:
  1. one or more qualified floating rates,
  2. a single fixed rate and one or more qualified floating rates,
  3. a single objective rate, or
  4. a single fixed rate and a single objective rate that is a qualified inverse floating rate; and
- the value of any variable rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

The Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or
- the rate is equal to such a rate either:
  1. multiplied by a fixed multiple that is greater than 0.65 but not more than 1.35; or

2. multiplied by a fixed multiple greater than 0.65 but not more than 1.35, and then increased or decreased by a fixed rate.

If the Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

The Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are caps, floors or governors that are fixed throughout the term of the Note or such restrictions are not reasonably expected to significantly affect the yield on the Note.

The Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate, and
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party.

The Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

The Note will also have a single qualified floating rate or an objective rate if interest on the Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points, or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if the variable rate Note provides for stated interest at a single qualified floating rate or objective rate or one of those rates after a single fixed rate for an initial period, all stated interest on the Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the Note.

If the variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a holder generally must determine the interest and OID accruals on the Note by:

- determining a fixed rate substitute for each variable rate provided under the variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,

- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a United States holder determines the fixed rate substitute for each variable rate provided under the variable rate Note, such holder generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Note.

If the variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a United States holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, the variable rate Note will be treated, for purposes of the first three steps of the determination, as if the Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

#### *Short-Term Notes*

In general, if a United States holder is an individual or other cash basis United States holder of a short-term Note, it is not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless the United States holder elects to do so (although it is possible that such holder may be required to include any stated interest in income as it receives it). This election will apply to all obligations with a maturity of one year or less acquired by the United States holder on or after the first day of the taxable year to which the election applies, and may not be revoked without the consent of the IRS. If the United States holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, such holder will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant yield method, based on daily compounding. If the United States holder is not required and does not elect to include OID in income currently, any gain it realises on the sale or retirement of the short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless the United States holder makes an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if the United States holder is not required and does not elect to accrue OID on the short-term Notes, it will be required to defer deductions for interest on borrowings allocable to the short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

When a United States holder determines the amount of OID subject to these rules, it must include all interest payments on the short-term Note, including stated interest, in the short-term Note's stated redemption price at maturity.

#### *Non-U.S. Dollar Currency Discount Notes*

If the discount Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder must determine OID for any accrual period on the discount Note in the non-U.S. dollar currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under "*United States Holders—Payments of Interest*". A United States holder may recognise U.S. source ordinary income or loss when it receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of the Note.



### ***Market Discount***

A United States holder will be treated as if it purchased the Note, other than a short-term Note, at a market discount, and the Note will be a "market discount Note" if:

- the United States holder purchases the Note for less than its issue price as determined above under "*—Original Issue Discount—General*" and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price the United States holder paid for the Note is equal to or greater than 1/4 of 1 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of the Note for these purposes, a United States holder generally adds any OID that has accrued on the Note to its issue price, and subtracts the amount of any payments previously made on the Note that were not qualified stated interest payments.

If the Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price a United States holder paid for the Note by less than 1/4 of 1 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable.

A United States holder must treat any gain it recognises on the maturity or disposition of the market discount Note (including any payment on a Note that is not qualified stated interest) as ordinary income to the extent of the accrued market discount on the market discount Note. Alternatively, a United States holder may elect to include market discount in income currently over the life of the market discount Note. If a United States holder makes this election, it will apply to all debt instruments with market discount that it acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke this election without the consent of the IRS. If a United States holder owns a market discount Note and does not make this election, the United States holder will generally be required to defer deductions for interest on borrowings allocable to the market discount Note in an amount not exceeding the accrued market discount on the Note until the maturity or disposition of the market discount Note.

A United States holder will accrue market discount on the market discount Note on a straight-line basis unless it elects to accrue market discount using a constant-yield method. If a United States holder makes this election, it will apply only to the market discount Note with respect to which it is made and the United States holder may not revoke it. However, accrued market discount would not be included in income unless an election is made to do so as described above.

If a market discount Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder who elects to include market discount in income currently must determine market discount for any accrual period on the market discount Note in the non-U.S. dollar currency and then translate the amount of market discount into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under "*—United States Holders—Payments of Interest*". Such a United States holder may recognise U.S. source ordinary income or loss when it receives an amount attributable to market discount in connection with the sale or retirement of the market discount Note. A United States holder that does not elect to include market discount in income will, upon the sale or retirement of the market discount Note, recognise the U.S. dollar value of the amount of market discount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

### ***Notes Purchased at a Premium***

If a United States holder purchases the Note for an amount in excess of its principal amount (or, in the case of a discount Note, in excess of the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest)), it may elect to treat the excess as amortizable bond premium. If a

United States holder makes this election, it will reduce the amount required to be included in its income each accrual period with respect to interest on the Note by the amount of amortizable bond premium allocable to that accrual period, based on the Note's yield to maturity.

If the amortizable bond premium allocable to an accrual period exceeds a United States holder's interest income from its Note for such accrual period, such excess is first allowed as a deduction to the extent of interest included in the United States holder's income in respect of the Note in previous accrual periods and is then carried forward to the United States holder's next accrual period. If the amortizable bond premium allocable and carried forward to the accrual period in which the United States holder's Note is sold, retired or otherwise disposed of exceeds the its interest income for such accrual period, it would be allowed an ordinary deduction equal to such excess.

If the Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder will compute the amortizable bond premium in units of the non-U.S. dollar currency and the amortisable bond premium will reduce the interest income in units of the non-U.S. dollar currency. Gain or loss recognised that is attributable to changes in exchange rates between the time the amortised bond premium offsets interest income and the time of the acquisition of the Note is generally taxable as U.S. source ordinary income or loss. If the United States holder makes an election to amortise bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that it holds at the beginning of the first taxable year to which the election applies or that it thereafter acquires, and the United States holder may not revoke it without the consent of the IRS. See also "*—Original Issue Discount—Election to Treat All Interest as Original Issue Discount*".

#### ***Purchase, Sale and Retirement of the Notes***

A United States holder's tax basis in the Note will generally be the U.S. dollar cost, as defined below, of the Note, adjusted by:

- adding any OID or market discount previously included in income with respect to the Note, and then
- subtracting any payments on the Note that are not qualified stated interest payments and any amortizable bond premium to the extent that such premium either reduced interest on a Note or gave rise to a deduction on the Note.

If the United States holder purchases the Note with non-U.S. dollar currency, the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a United States holder is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

A United States holder will generally recognise U.S. source gain or loss on the sale or retirement of the Note equal to the difference between the amount realised on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and the United States holder's adjusted tax basis in the Note. If the Note is sold or retired for an amount in non-U.S. dollar currency, the amount the United States holder realises will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realised based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale.

A United States holder will recognise capital gain or loss when it sells or retires the Note, except to the extent:

- described above under "*—Original Issue Discount—Short-Term Notes*" or "*—Market Discount*", or

- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States holder is generally taxed at a preferential rate where such holder has a holding period greater than one year.

A United States holder must treat any portion of the gain or loss that it recognises on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, a United States holder takes exchange gain or loss into account only to the extent of the total gain or loss it realises on the transaction.

### ***Exchange of Amounts in Other Than U.S. Dollars***

If a United States holder receives non-U.S. dollar currency as interest on the Note or on the sale or retirement of the Note, such holder's tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If the United States holder purchases non-U.S. dollar currency, it generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of the purchase. If a United States holder sells or disposes of a non-U.S. dollar currency, including if such holder uses it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognised generally will be U.S. source ordinary income or loss.

### ***Substitution of Issuer***

The terms of the Notes provide that, in certain circumstances, the obligations of the relevant Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a United States Holder in exchange for new Notes issued by the new obligor. As a result of this deemed disposition, a United States Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Notes (as determined for U.S. federal income tax purpose) and the United States Holder's tax basis in the Notes deemed disposed. United States Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

### **Subordinated Notes**

NO STATUTORY, REGULATORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE SUBORDINATED NOTES SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES. AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE SUBORDINATED NOTES ARE UNCERTAIN. ACCORDINGLY, NAB URGES HOLDERS TO CONSULT THEIR TAX ADVISERS AS TO THE TAX CONSEQUENCES OF OWNERSHIP OF SUBORDINATED NOTES DESCRIBED BELOW AND AS TO THE APPLICATION OF U.S. STATE, LOCAL, OR OTHER TAX LAWS TO THEIR INVESTMENT IN THEIR SUBORDINATED NOTES.

### ***Characterisation of Subordinated Notes issued by NAB for United States Federal Income Tax Purposes***

There is no authority that addresses the U.S. federal income tax treatment of an instrument such as the Subordinated Notes that is denominated as a subordinated debt instrument but that provides for Conversion into Ordinary Shares or Write-Off upon the occurrence of a Non-Viability Trigger Event as a result of which a holder could lose its entire investment in the Subordinated Notes and have no rights with respect to the repayment of the principal amount of the Subordinated Notes that has not become due or the payment of interest on such Subordinated Notes. It is therefore unclear whether the Subordinated Notes should be treated as equity or debt of NAB for U.S. federal income tax purposes. NAB believes, however, that the Subordinated Notes should be treated as equity of NAB for U.S. federal income tax purposes, and the terms of such Subordinated Notes require a holder (in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary) to treat the Subordinated Notes for U.S. federal income tax purposes in

accordance with such characterisation. Each purchaser of Subordinated Notes or a beneficial interest therein, whether a United States holder or otherwise, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed (in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary) to treat such Subordinated Notes for U.S. federal income tax purposes as equity of NAB. Except as discussed under “—*Alternative Treatments*” below, the discussion below assumes that the Subordinated Notes will be treated as equity of NAB for U.S. federal income tax purposes.

### ***Payments of Interest***

In general, the interest payments to United States holders with respect to the Subordinated Notes will be treated as dividends to the extent of NAB’s current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Subject to the discussion under “—*PFIC Considerations*” below, any portion of an interest payment in excess of NAB’s current and accumulated earnings and profits would be treated first as a nontaxable return of capital that would reduce the tax basis of a United States holder in the Subordinated Notes, and would thereafter be treated as capital gain, the tax treatment of which is discussed below under “—*Sale, Redemption, Maturity or Write-Off of Subordinated Notes*”. Because NAB does not currently maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that all interest payments on the Subordinated Notes will generally be reported to United States holders as dividends.

It is unclear whether the interest payments on the Subordinated Notes that are treated as dividends for U.S. federal income tax purposes would constitute qualified dividend income, which is taxable to a United States holder at the preferential rates applicable to long-term capital gains. If such payments are not qualified dividend income, then the amount of such payments received by a United States holder (including payments received by a non-corporate United States holder) will be subject to taxation at ordinary income tax rates.

Amounts NAB pays with respect to the Subordinated Notes treated as dividends will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

A United States holder that receives an interest payment on a Subordinated Note that is denominated in, or determined by reference to, a non-U.S. dollar currency, will recognise income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.

In certain circumstances, for example in the case of Subordinated Notes issued at a discount, a United States holder may be required to include certain amounts in income as dividends even though such amounts are not received by such holder as interest payments on a current basis. United States holders are urged to consult their own tax advisers regarding whether their dividends may include amounts other than interest payments.

Interest paid by the Issuer on the Subordinated Notes, any deemed distributions (as described in the immediately preceding paragraph), and any additional amounts paid with respect to the Subordinated Notes generally are expected to constitute income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a United States holder. Interest, deemed distributions and additional amounts paid or accrued will generally be “passive” income for purposes of computing the foreign tax credit allowable to a United States holder.

### ***Sale, Redemption, Maturity or Write-Off of Subordinated Notes***

A United States holder’s tax basis in the Subordinated Note will generally be the U.S. dollar cost, as defined below, of the Note, subject to reduction (if applicable) as described above under “—*Payments of Interest*”.

If the United States holder purchases the Subordinated Note with non-U.S. dollar currency, the U.S. dollar cost of the Subordinated Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a United States holder is a cash basis taxpayer, or an accrual basis taxpayer that so

elects, and the Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Subordinated Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

Subject to the discussion under “—*PFIC Considerations*” below, a United States holder will generally recognise U.S. source gain or loss upon the sale, redemption, maturity or Write-Off of their Subordinated Note equal to the difference between the amount realised and the United States holder’s adjusted tax basis in the Subordinated Note. If the Subordinated Note is sold, retired or written off for an amount in non-U.S. dollar currency, the amount the United States holder realises will be the U.S. dollar value of such amount on the date the Subordinated Note is sold, retired or written off, except that in the case of a Subordinated Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realised based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale, retirement or Write-Off.

A United States holder will recognise capital gain or loss when it sells the Subordinated Note or when the Subordinated Note matures, is retired or written off. Such capital gain or loss will be long-term capital gain or loss if the United States holder will have held its Subordinated Notes for more than one year at the time of the sale, redemption, maturity or Write-Off of its Subordinated Notes. Long-term capital gain of a non-corporate United States holder is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

The redemption of the Subordinated Notes for cash and the receipt of cash upon maturity of the Subordinated Notes will be treated for U.S. federal income tax purposes as a sale or exchange, taxable as described above, if, as is likely in most cases, the redemption or maturity is “not essentially equivalent to a dividend”, “substantially disproportionate” with respect to a United States holder, “in complete redemption” of a United States holder’s interest in NAB’s Subordinated Notes and other instruments of NAB treated as equity for U.S. federal income tax purposes, or, in the case of non-corporate United States holders, “in partial liquidation” of NAB, each of the above within the meaning of Section 302(b) of the Code. If none of the above standards is satisfied, then a payment in redemption or upon maturity of the Subordinated Notes will be treated as a distribution subject to the tax treatment described above under “—*Payments of Interest*”.

United States holders are strongly encouraged to consult their own tax advisers regarding the characterisation of a redemption payment under the rules described in this subsection and the consequences of such characterisation to such holders.

### ***Conversion of Subordinated Notes***

The Conversion of Subordinated Notes into Ordinary Shares of NAB should be treated as a recapitalisation for U.S. federal income tax purposes. As a result, upon such Conversion, United States holders should not recognise any gain or loss, their basis in the Ordinary Shares received should be equal to their basis in the Subordinated Notes which were Converted and their holding period in the Ordinary Shares received should include the holding period of the Subordinated Notes which were Converted.

### ***PFIC Considerations***

NAB does not expect to be a passive foreign investment company (**PFIC**) for U.S. federal income tax purposes, and therefore believes that the Subordinated Notes should not be treated as stock of a PFIC, but this conclusion is a factual determination made annually and thus may be subject to change. In general, NAB will be a PFIC with respect to a United States holder if, for any taxable year in which such holder held the Subordinated Notes, either (i) at least 75 per cent. of the gross income of NAB for the taxable year was passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of NAB’s assets was attributable to assets that produce or are held for the production of passive income (including cash). If NAB were to be treated as a PFIC, gain realised on the sale or other disposition of Subordinated Notes would in general not be treated as capital gain. Instead, a United States holder would be treated as if it had realised such gain ratably over its holding period for the Subordinated Notes. Amounts

allocated to the year of disposition and to years before NAB became a PFIC would be taxed as ordinary income and amounts allocated to each other taxable year would be taxed at the highest tax rate applicable to individuals or corporations, as appropriate, in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. Further, to the extent that any distribution received by a United States holder on its Subordinated Notes exceeded 125 per cent. of the average of the annual distributions on the Subordinated Notes received during the preceding three years or the holder's holding period, whichever is shorter, the distribution would be subject to taxation in the same manner as a gain, such manner being described immediately above. With certain exceptions, a United States holder's Subordinated Notes will be treated as stock in a PFIC if NAB was a PFIC at any time during such holder's holding period for the Subordinated Notes. In addition, dividends that a United States holder receives from NAB would not constitute qualified dividend income to such holder if NAB were a PFIC (or were treated as a PFIC with respect to such holder) either in the taxable year of the distribution or the preceding taxable year.

A United States holder that owns, or who is treated as owning, PFIC stock during any taxable year in which NAB is a PFIC may be required to file IRS Form 8621, United States holders are urged to consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

### ***Alternative Treatments***

As discussed above, it is possible that Subordinated Notes could be treated as debt of NAB for U.S. federal income tax purposes. If the Subordinated Notes were so treated, a United States holder would be required to include the interest payments on the Subordinated Notes as ordinary interest income as described above under "*Notes other than Subordinated Notes—Payments of Interest*". Furthermore, in such case, the Subordinated Notes may be treated as a contingent payment debt instrument, in which case (i) a United States holder would be required to accrue interest on the Subordinated Notes even if it is otherwise subject to the cash basis method of accounting for tax purposes, and (ii) a United States holder would be required to treat any gain that it recognises upon the sale, exchange, redemption or maturity of its Subordinated Notes as ordinary income that does not qualify for preferential rates of taxation.

United States holders should consult their tax advisers as to the tax consequences to them if the Subordinated Notes are classified as debt for U.S. federal income tax purposes.

### **Treasury Regulations Requiring Disclosure of Reportable Transactions**

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a **Reportable Transaction**).

Under these regulations, if the Notes (other than Subordinated Notes, unless the Subordinated Notes are treated as debt of NAB for U.S. federal income tax purposes) are denominated in a non-U.S. dollar currency, a United States holder (or a non-United States holder that holds the Notes in connection with a U.S. trade or business) that recognises a loss with respect to the Notes that is characterised as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is U.S.\$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. A holder should consult with its tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

### **Information with Respect to Foreign Financial Assets**

A United States holder that owns "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by "foreign financial institutions", as well as the following, but only if they are held for

investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties and (iii) interests in non-United States entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

### **Non-United States Holders**

This subsection describes the tax consequences to a non-United States holder. A non-United States holder is a beneficial owner of a Note that is, for United States federal income tax purposes:

- a non-resident alien individual,
- a non-U.S. corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If a holder is a United States holder, this subsection does not apply.

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a non-United States holder of a Note, interest on a Note paid to such holder is exempt from United States federal income tax, including withholding tax, whether or not such holder is engaged in a trade or business in the United States, unless:

- such holder is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- such holder both
  - (a) has an office or other fixed place of business in the United States to which the interest is attributable and
  - (b) derives the interest in the active conduct of a banking, financing or similar business within the United States, or is a corporation (for United States federal income tax purposes) with a principal business of trading in stock and securities for its own account.

### ***Purchase, Sale, Retirement and Other Disposition of the Notes***

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a non-United States holder of a Note, such holder generally will not be subject to United States federal income tax on gain realised on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with such holder's conduct of a trade or business in the United States or
- such holder is an individual, is present in the United States for 183 or more days during the taxable year in which the gain is realised and certain other conditions exist.

### **Foreign Account Tax Compliance Withholding**

Pursuant to certain provisions of the Code, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. Each Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Australia and New Zealand) have entered into, or have agreed in substance to, intergovernmental agreements with the United

States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019, and Notes characterised as debt for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **Backup Withholding and Information Reporting**

If a holder is a non-corporate United States holder, information reporting requirements, on IRS Form 1099, generally would apply to payments of principal and interest on a Note within the United States, and the payment of proceeds from the sale of a Note effected at a United States office of a broker.

If a holder is a non-United States holder, it is generally exempt from backup withholding and information reporting requirements with respect to payments of principal and interest made to it outside the United States by the Issuer or another non-United States payer. A non-United States holder is also generally exempt from backup withholding and information reporting requirements in respect of payments of principal and interest made within the United States and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as either (i) the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished a valid IRS Form W-8BEN or W-8BEN-E or other documentation upon which the payor or broker may rely to treat the payments as made to a non-United States person, or (ii) the holder otherwise establishes an exemption.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

Any amount withheld under the backup withholding rules from a payment to such holder will be allowed as a credit against such holder’s United States federal income tax and may entitle each holder to a refund, provided the required information is timely furnished to the IRS.

### **Australian Taxation**

*The following is an overview of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the **Australian Tax Act**), at the date of this Offering Circular, of payments of interest (as defined in the Australian Tax Act) on the "Notes" to be issued by NAB under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders).*



*Prospective holders of Notes should also be aware that particular terms of issue of any series of Notes may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.*

## **1. Interest withholding tax**

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (**IWT**) is available in respect of the Notes issued by NAB under section 128F of the Australian Tax Act if the following conditions are met:

- (a) NAB is a resident of Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) the Notes are debentures as defined for the purposes of section 128F (but not equity interests);
- (c) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that NAB is offering the Notes for issue. In summary, the five methods are:
  - offers to 10 or more unrelated financiers or securities dealers;
  - offers to 100 or more investors;
  - offers of listed Notes;
  - offers via publicly available information sources; and
  - offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods.

The issue of Notes as 'global bonds', as defined in the Australian Tax Act, should also satisfy the public offer test.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test provided NAB does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes or interests in the Notes were being, or would later be, acquired, directly or indirectly, by an "associate" of NAB, except as permitted by section 128F(5) of the Australian Tax Act.

The exemption under section 128F also does not apply to interest paid in respect of a Note if, at the time of the payment of interest, NAB knows, or has reasonable grounds to suspect, that the payee is an "associate" of NAB, except as permitted by section 128F(6) of the Australian Tax Act.

### *Associates*

An "associate" of NAB for the purposes of section 128F of the Australian Tax Act includes, when NAB is not a trustee (i) a person or entity which holds more than 50 per cent. of the voting shares of, or otherwise controls, NAB, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, NAB, (iii) a trustee of a trust where NAB is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity which is an "associate" of another person or company which is an "associate" of NAB under paragraph (i) above.

However, "associate" does not include:

- (A) onshore associates (*i.e.* Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (*i.e.* Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia) who are acting in the capacity of:
  - (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or
  - (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

#### *Compliance with section 128F of the Australian Tax Act*

Unless otherwise specified in any relevant Final Terms (or another relevant supplement to this Offering Circular), NAB intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

#### *Exemptions under certain double tax conventions*

The Australian government has signed a number of new or amended double tax conventions (**Treaties**) with foreign jurisdictions (each a **Specified Country**).

The Treaties effectively prevent IWT applying to interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- certain unrelated (1) banks, and (2) other financial institutions which substantially derive their profits by carrying on a business of raising and providing finance and which are resident in the Specified Country (interest paid under a back-to-back loan or economically equivalent arrangement will not qualify for this exemption),

by reducing the IWT rate to zero.

The Treaties are in force in a number of jurisdictions including, for example, the United States and the United Kingdom.

#### *Notes in bearer form—section 126 of the Australian Tax Act*

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on Notes in bearer form if NAB fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of the Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as the Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer

form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in Notes in bearer form are held through Euroclear or Clearstream, Luxembourg, NAB intends to treat the operators of those clearing systems as the holders of the Notes for the purposes of section 126 of the Australian Tax Act.

#### *Payment of additional amounts*

As set out in more detail in the relevant Terms and Conditions for the Notes, and unless expressly provided to the contrary in the relevant Final Terms (or another relevant supplement to this Offering Circular), if NAB is at any time required by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Notes, NAB must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of the Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If NAB is required to pay such additional amounts in relation to any Notes, NAB will have the option to redeem the Notes in accordance with the relevant Terms and Conditions.

## **2. Other tax matters**

Under Australian laws as presently in effect:

- (a) *income tax—offshore Noteholders*—assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *income tax—Australian Noteholders*—Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia (**Australian Holders**), will be assessable for Australian tax purposes on income either received or accrued due to them in respect of the Notes. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the terms and conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (c) *gains on disposal or redemption of Notes—offshore Noteholders* - a holder of Notes who is a non-Australian resident will not be subject to Australian income tax on gains realised during that year on the sale or redemption of the Notes, provided such gains do not have an Australian source.

A gain arising on the sale of the Notes by a non-Australian resident holder who is not an Australian Holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia, would not be regarded as having an Australian source;

- (d) *gains on disposal or redemption of Notes—Australian Noteholders*—Australian Holders that are residents of Australia for tax purposes will be required to include any gain or loss on the sale or redemption of the Notes in their taxable income. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (e) *deemed interest*—there are specific rules that can apply to treat a portion of the purchase price of Notes as interest for IWT purposes when certain Notes originally issued at a discount or with a

maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. IWT should not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;

- (f) *stamp duty and other taxes*—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes;
- (g) *other withholding taxes on payments in respect of Notes*—section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia (**Taxation Administration Act**) imposes a type of withholding tax on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (**TFN**), (in certain circumstances) an Australian Business Number (**ABN**) or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, then the requirements of section 12-140 do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding the Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of the Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate). The rate of withholding tax is currently 47 per cent.;
- (h) *supply withholding tax*—payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (i) *goods and services tax (GST)*—neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber that is a non-resident) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of the Notes, would give rise to any GST liability in Australia;
- (j) *additional withholdings from certain payments to non-residents*—section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Offering Circular are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any regulations to the proceeds of any sale of the Notes will need to be monitored;
- (k) *taxation of foreign exchange gains and losses*—Divisions 775 and 960 of the Australian Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions.

These rules are complex and may also apply to any Noteholders who are Australian residents or non-residents that hold Notes that are not denominated in Australian dollars. Any such Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of the Notes;

- (l) *taxation of financial arrangements*—Division 230 of the Australian Tax Act contains tax timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements". The

rules do not alter the rules relating to the imposition of IWT nor override the IWT exemption available under section 128F of the Australian Tax Act.

In addition, the rules do not apply to certain taxpayers or in respect of certain short term “financial arrangements”. They should not, for example, generally apply to holders of Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their “financial arrangements”. Potential Noteholders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

Section 230-30(1) and the associated explanatory memorandum indicates that interest payments, which are exempt from IWT as a result of the exemption in section 128F, will not generally be subject to tax under the new provisions; and

- (m) *Conversion* - the Conversion of Subordinated Notes into Ordinary Shares should not give rise to any taxable gain or loss in Australia for Noteholders. This is because any gain or loss on the Conversion should be generally disregarded under the Australian Tax Act. There are a range of tax consequences which may apply to holders of Ordinary Shares in holding, acquiring or disposing of Ordinary Shares. Holders should seek their own taxation advice if their Subordinated Notes are Converted into Ordinary Shares. In addition, no ad valorem stamp duty, issue, registration or similar taxes are payable on the issue or transfer of Ordinary Shares (including an issue of shares as a result of Conversion) provided that:
- (i) if all the shares in NAB are quoted on the Australian Securities Exchange at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in NAB of 90 per cent. or more; or
  - (ii) if not all the shares in NAB are quoted on the Australian Securities Exchange at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in NAB of 50 per cent. or more.

The stamp duty legislation generally requires the interests of associates to be added in working out whether the relevant threshold is reached. In some circumstances, the interests of unrelated entities can also be aggregated together in working out whether the relevant threshold is reached.

## **New Zealand Taxation**

*The following is applicable where the Issuer is BNZ or BNZ-IF and, in the case of payments made under the Guarantee, also applies to BNZ in its capacity as the Guarantor.*

*The comments below are of a general nature based on current New Zealand law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. The comments relate only to withholding and do not deal with any other aspect of the New Zealand taxation treatment that may be applicable to Noteholders (including, for instance, income tax). Prospective Noteholders should note that the particular terms of issue of any series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and any other series of Notes and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the relevant Issuer in accordance with Condition 15 (Meetings of Noteholders, Modification, Waiver, Determination and Substitution) of the Notes.*

*Any Noteholders who are in doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than New Zealand in respect of their acquisition, holding or disposal of Notes are particularly advised to consult their professional advisers as to*

*whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain New Zealand taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of New Zealand.*

## **1. Resident Withholding Tax**

The Issuer or the Guarantor, as the case may be, will deduct any applicable New Zealand resident withholding tax at the rate required by law from the payment of interest (including amounts deemed to be interest) to the Noteholder, Receiptholder or Couponholder if:

- (a) the person deriving the interest:
  - (i) is a resident of New Zealand for income tax purposes; or
  - (ii) is a non-resident that holds the Note, Receipt or Coupon for the purposes of a business carried on in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand; or
  - (iii) is a non-resident that is a registered bank in New Zealand and is engaged in business in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand, and is not associated with the Issuer,

(each a **New Zealand Noteholder**); and
- (b) at the time of such payment the New Zealand Noteholder does not hold a valid resident withholding tax exemption certificate or is not otherwise exempt from resident withholding tax.

If resident withholding tax is required to be deducted from the payment of any interest by the Issuer or the Guarantor, the Issuer or the Guarantor (as the case may be) will not be obliged to pay any additional amount.

## **2. Non-Resident Withholding Tax**

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest (including amounts deemed to be interest) with a New Zealand source to a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder. If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer and the Issuer is required to pay an additional amount in respect of such tax, the Issuer intends to reduce the applicable rate of non-resident withholding tax to zero per cent. as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on its own account, an approved issuer levy (currently equal to 2 per cent. of such payments of interest). If non-resident withholding tax is required to be deducted from the payment of any interest by the Guarantor and the Guarantor is required to pay an additional amount in respect of such tax, the Issuer and the Guarantor intend to reduce the applicable rate of non-resident withholding tax to zero per cent. if permitted by law as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on the Guarantor's own account, the approved issuer levy.

Where a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder holds the Note, Receipt or Coupon jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the non-resident at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. The Issuer

will not pay an additional amount to the Noteholder, Receiptholder or Couponholder in respect of non-resident withholding tax deducted in that case. Other exceptions to the obligation to pay an additional amount are set out in Condition 8.

### **3. Information**

Noteholders, Receiptholders and Couponholders should note that the New Zealand Inland Revenue Department has the power to obtain information (including the name and address of a beneficial owner of the interest) from any person in New Zealand who pays or credits interest to, or receives interest for the benefit of, a Noteholder, Receiptholder or Couponholder. Any information obtained may be exchanged by the New Zealand Inland Revenue Department with tax authorities of any other relevant jurisdiction.

#### **United Kingdom Taxation**

**The following applies only to persons who are the beneficial owners of Notes and is an overview of the Issuers' understanding of current United Kingdom tax law as applied in England and Wales and HM Revenue and Customs published practice (which may not be binding on HM Revenue and Customs) in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments on the Notes. It does not deal with payments made under the Guarantee or with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

**References in the following to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.**

#### **1. Interest on the Notes**

##### *A. Payments of interest on the Notes that has a UK source*

NAB, acting through its London branch (the **Bank**), provided that it continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the **Act**), and provided that the interest on the Notes issued by the Bank is paid in the ordinary course of its business within the meaning of section 878 of the Act, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes issued by the Issuers may be made without deduction of or withholding on account of United Kingdom income tax (even if, in the case of payments of interest on Notes issued by the Bank, they are not paid in the ordinary course of the Bank's business) provided that those Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The Luxembourg Stock Exchange is a recognised stock exchange. Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Euro MTF Market or Main Market of the Luxembourg Stock Exchange. Provided, therefore, that Notes are and remain so listed, interest on those Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than one year and those Notes do not form part of a scheme or arrangement of borrowing capable or intended to be capable of remaining outstanding for one year or more.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

It is expected that payments by BNZ-IF will have a UK source.

**B. *Payments of interest on the Notes that does not have a UK source***

Payments of interest on Notes that does not have a UK source may be made without withholding on account of United Kingdom income tax. Whether or not payments by any of the Issuers are UK source is a factual question and depends on all of the circumstances. However, on the assumption that interest on the Notes paid by NAB and BNZ as Issuers do not have a United Kingdom source which may not be the case if, for example, neither of those Issuers is United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Notes, payments of interest on the Notes by those Issuers may be made without withholding or deduction for or on account of United Kingdom income tax.

## **Luxembourg Taxation**

*The following information is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.*

*(i) Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

*(ii) Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of



interest under the Notes coming within the scope of the Relibi Law would currently be subject to withholding tax of 20 per cent.

## **Austria**

*This section on taxation contains a brief summary of the Issuers' understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 188 of the Austrian Investment Funds Act 2011 (Investmentfondsgesetz 2011)) shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.*

### *General remarks*

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in sec. 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in sec. 27 of the Austrian Federal Fiscal Procedures Act, in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### *Income taxation of the Notes*

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (sec. 27a(3)(1) of the Austrian Income Tax Act);
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital (including zero coupon bonds); the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (sec. 27a(3)(2)(a) of the Austrian Income Tax Act); and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates (the mere exercise of an option does not trigger tax liability); e.g., in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (sec. 27a(3)(3)(c) of the Austrian Income Tax Act).

Also the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction of Austria's taxation right regarding the Notes vis-à-vis other countries, e.g., a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (cf. sec. 27(6)(1) and (2) of the Austrian Income Tax Act). The tax basis amounts to the fair market value minus the acquisition costs (sec. 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. Investment income from the Notes with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). Investment income from the Notes without an Austrian nexus must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5 per cent. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; sec. 27a(4)(2) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (sec. 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Sec. 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent, in line with sec. 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. Investment income from the Notes with an Austrian nexus is subject to withholding tax at a flat rate of 27.5 per cent. While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless income tax at the flat rate of 27.5 per cent.). Investment income from the Notes without an Austrian nexus must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5 per cent.). In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). The flat tax rate does not apply to income from realised increases in value and income from derivatives if realising these types of income constitutes a key area of the respective investor's business activity (sec. 27a(6) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (sec. 20(2) of the Austrian Income Tax Act); this also applies if the option to regular

taxation is exercised. Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55 per cent. of the remaining negative difference may be offset against other types of income.

Pursuant to sec. 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of sec. 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25 per cent. Income in the sense of sec. 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus is generally subject to withholding tax at a flat rate of 27.5 per cent. However, pursuant to sec. 93(1a) of the Austrian Income Tax Act, the withholding agent may apply a 25 per cent. rate if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the alienation of the Notes can be offset against other income.

Pursuant to sec. 13(3)(1) in connection with sec. 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (sec. 12(2) of the Austrian Corporate Income Tax Act). Interim tax is generally not triggered insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. Investment income from the Notes with an Austrian nexus is in general subject to withholding tax at a flat rate of 27.5 per cent. However, pursuant to sec. 93(1a) of the Austrian Income Tax Act, the withholding agent may apply a 25 per cent. rate if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax triggered. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes are attributable to such permanent establishment (cf. sec. 98(1)(3) of the Austrian Income Tax Act, sec. 21(1)(1) of the Austrian Corporate Income Tax Act). In addition, individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of sec. 27(2)(2) of the Austrian Income Tax Act and accrued interest (including from zero coupon bonds) in the sense of sec. 27(6)(5) of the Austrian Income Tax Act from the Notes if the (accrued) interest has an Austrian nexus and if withholding tax is levied on such (accrued) interest. This does not apply to individuals being resident in a state with which automatic exchange of information exists. Interest with an Austrian nexus is interest the debtor of which has its place of management and/or its legal seat in Austria or is an Austrian branch of a non-Austrian credit institution; accrued interest with an Austrian nexus is accrued interest from securities issued by an Austrian issuer (sec. 98(1)(5)(b) of the Austrian Income Tax Act). The Issuers understand that no taxation applies in the case at hand.

Pursuant to sec. 188 of the Austrian Investment Funds Act 2011 as amended in the course of the implementation of Directive 2011/61/EU, the term "foreign investment fund" comprises (i) undertakings for collective investment in transferable securities the Member State of origin of which is not Austria; (ii) alternative investment funds pursuant to the Austrian Act on Alternative Investment Fund Managers (*Alternative Investmentfonds Manager-Gesetz*) the state of origin of which is not Austria; and (iii) secondarily, undertakings subject to a foreign jurisdiction, irrespective of the legal form they are organised in, the assets of which are invested according to the principle of risk-spreading on the basis either of a statute, of the undertaking's articles or of customary exercise, if one of the following conditions is fulfilled:

(a) the undertaking is factually, directly or indirectly, not subject to a corporate income tax in its state of residence that is comparable to Austrian corporate income tax; (b) the profits of the undertaking are in its state of residence subject to corporate income tax that is comparable to Austrian corporate income tax, at a rate of less than 15 per cent.; or (c) the undertaking is subject to a comprehensive personal or material tax exemption in its state of residence. Certain collective investment vehicles investing in real estate are exempted. In case of a qualification as a foreign investment fund, the tax consequences would substantially differ from those described above: A special type of transparency principle would be applied, pursuant to which generally both distributed income as well as deemed income would be subject to Austrian (corporate) income tax.

## **Belgian Taxation**

*Set out below is an overview of certain Belgian withholding tax consequences of acquiring, holding and selling the Notes. This overview is not intended to be an exhaustive description of all relevant Belgian tax considerations and investors should consult their own tax advisors regarding such considerations in relation to their own particular circumstances. The description of certain Belgian taxes set out below is for general information only and does not purport to be comprehensive.*

*This overview is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.*

### **1. Withholding tax**

Under Belgian tax law, "interest" income includes: (i) periodic interest income, (ii) any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date), and (iii) if the Notes qualify as fixed income securities in the meaning of article 2, §1, 8° Belgian Income Tax Code, the income equal to the pro rata of accrued interest corresponding to the detention period in the case of a realisation of the Notes prior to repurchase or redemption by the Issuer.

On 25 January 2013, the Belgian tax authorities issued a circular letter on the Belgian tax treatment of income from structured securities characterised by an uncertain return on investment due to the variation of the coupons or the repayment terms at maturity, such as securities whose return is linked to the evolution of underlying products. A structured security qualifies as a fixed income security if, among others, one of the following features is present: (i) capital protection, (ii) minimum conditional return, (iii) payment of a periodic coupon, or (iv) determination of income at an intermediary stage using a "ratchet system". According to the circular letter, the transfer of structured securities which qualify as fixed income securities to a third party (other than the issuer) results in taxation as interest income of the "pro rata interest", calculated on an unclear formulae. In addition, any amount paid in excess of the initial issue price upon redemption or repayment of the structured securities is considered as interest for Belgian tax purposes. It is highly debatable whether the circular letter is in line with Belgian tax legislation.

#### **1.1 Repayment or redemption by the Issuer**

##### **(a) Belgian resident investors**

Payments of interest (as defined under Belgian tax law) on the Notes made through a financial institution or other intermediary established in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes).

For resident individuals holding Notes as a private investment, payments of interest on the Notes made through a financial institution or other intermediary established in Belgium will in principle be subject to Belgian withholding tax at rate of 30 per cent. Interest payments that have been subject to Belgian withholding tax need not be reported in the annual income tax return, in which case the Belgian withholding tax is a final tax. If no financial institution or other intermediary established in Belgium intervenes in the

payment of the interest, the investor must report the interest (after deduction of any non-Belgian withholding taxes ) in his annual income tax return and pay income tax thereon at a flat rate of 30 per cent. (or, if lower, at the progressive personal income tax rates applicable to the taxpayer's overall declared income).

Belgian resident companies subject to Belgian corporate income tax (*Vennootschapsbelasting / Impôt des sociétés*) can benefit from a withholding tax exemption provided that certain formalities are complied with, except with regard to zero or capitalisation bonds where an exemption will generally not be available.

If interest is paid outside Belgium without the intervention of a financial institution or other intermediary established in Belgium, no Belgian withholding tax will be due, except in the case of Notes held by Belgian resident legal entities subject to Belgian tax on legal entities (*Rechtspersonenbelasting / Impôt des personnes morales*), which will be required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities themselves.

Please note that interest on the Notes can be subject to Belgian income tax.

(b) Non-resident investors

Payments of interest on the Notes made through a financial institution or other intermediary established in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium, unless a reduced rate or an exemption applies on the basis that the holder of the Notes is resident of a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit.

Non-resident individual and corporate investors who have not allocated the Notes to a Belgian establishment can also obtain an exemption from Belgian withholding tax on interest from the Notes if certain conditions are met. If the income is not collected through a financial institution or other intermediary in Belgium, no Belgian withholding tax will be due.

Non-resident corporate investors who have allocated the Notes to the exercise of a professional activity in Belgium through a Belgian establishment can in principle benefit from a withholding tax exemption provided that certain formalities are complied with. If the income is not collected through a financial institution or other intermediary in Belgium, no Belgian withholding tax will be due.

Please note that interest on the Notes can be subject to Belgian income tax.

## **1.2 Sale to a third party**

No Belgian withholding tax should apply to the sale of the notes. However, please note that interest and capital gains on the Notes can be subject to Belgian income tax.

## **2. Tax on stock exchange transactions**

The issuance of the Notes (primary market) is not subject to the tax on stock exchange transactions.

The sale and acquisition of the Notes (secondary market) will be subject to a tax on stock exchange transactions if (i) executed in Belgium through a financial intermediary , or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium.

The tax is due at a rate of 0.12 per cent. for debt instruments (applied separately on each sale and each acquisition, up to a cap of €1,300 per taxable transaction) and at a rate of 0.35 per cent. for transactions in other securities (applied separately on each sale and each acquisition up to a cap of €1,600 per taxable transaction). For capitalisation shares of investment companies, a different rate and cap apply. A separate tax is due by each party to the transaction, and both taxes are collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the ordering private individual or legal entity unless that individual or entity can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian representative for tax purposes, which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary.

Exemptions are available for certain investors acting for their own account, including investors who are not Belgian residents (subject to certain identification formalities) and certain Belgian institutional investors as defined in Article 126.1, 2° of the Code of miscellaneous duties and taxes.

As stated below, the European Commission has published a proposal for a Directive for a common financial transactions tax (the **FTT**). The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

### **3. Annual tax on securities accounts**

Belgian resident and non-resident individuals are subject to a tax on securities account at a rate of 0.15 per cent. on their share in the average value of qualifying financial instruments (i.e. shares, share certificates, bonds, bond certificates, units or shares in investment funds or companies (except if acquired or subscribed to in the context of a life insurance or pension savings arrangement), medium-term notes and warrants) held on one or more securities accounts with one or more financial intermediaries during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year (**Tax on Securities Accounts**). However, the first reference period started as of 10 March 2018 and ended on 30 September 2018. The Tax on Securities Accounts is not due if the Noteholder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts is due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals on securities accounts with a financial intermediary established or located in Belgium fall within the scope of the Tax on Securities Accounts. Note that, pursuant to certain double tax treaties entered into by Belgium, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty override may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a listed company as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and listed companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are pursuant to national law admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value of each of these accounts does not amount to EUR 500,000 or more but of which the holder's share in the total average value of these accounts exceeds EUR 500,000). If the Tax on Securities Accounts is not paid by the financial intermediary, such Tax on Securities Accounts has to be

declared and is due by the holder itself, unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities (**Tax on the Securities Accounts Representative**). Such Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals have to report in their annual income tax return all their securities accounts held with one or more financial intermediaries of which they are considered the holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return all their securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered the holder within the meaning of the Tax on Securities Accounts.

Prospective Noteholders are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

### **German Taxation**

At the date of this Offering Circular, there is no legal obligation for the Issuers or the Guarantor to deduct or withhold any German withholding tax (*Kapitalertragsteuer*) from payments of interest, principal and gains from the disposal, redemption, repayment or assignment of Notes or on any on-going payments to the investors, except for payments made by a German branch of an Issuer or the Guarantor on certain Registered Notes or where such a German branch acts as Disbursing Agent (as defined below).

However, a German branch of a German or non-German bank (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*), a German securities trading company (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) holding Notes in custody directly for the investors (each a **Disbursing Agent**, *auszahlende Stelle*) may be obliged to withhold German withholding taxes on on-going payments, on repayments of capital and on gains from the disposal, redemption, repayment or assignment of Notes or an interest coupon.

However, in general non-residents of Germany are not subject to withholding tax, subject to meeting certain further requirements.

Where definitive Notes are not held in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, redemption, repayment or assignment of a Note or an interest coupon are paid to a resident or non-resident of Germany by a Disbursing Agent, withholding tax will apply.

### **Ireland**

*The following is an overview of the Irish withholding tax treatment of the Notes. The overview does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes.*

The overview is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland as in effect on the date of this Offering Circular. Prospective investors in the Notes should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Notes including, in particular, the effect of any state or local law taxes, if applicable.

#### *Irish Withholding Tax*

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (yearly interest is interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made for a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by companies that are resident in Ireland for the purposes of Irish tax;

at the standard rate of income tax (currently 20 per cent.).

On the basis that the Issuers are not resident in Ireland for the purposes of Irish tax, nor do the Issuers operate in Ireland through a branch or agency with which the issue of the Notes is connected, nor are the Notes held in Ireland through a depository, or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Notes, such payments should not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer or any paying agent acting on behalf of the relevant Issuer should not be obliged to deduct any amount on account of these withholding taxes from payments made in connection with the Notes.

Separately, for so long as the Notes are quoted on a stock exchange, a purchaser of the Notes should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the Notes.

#### *Irish Encashment Tax*

Payments on any Notes paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of the Notes will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Notes entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

#### **Italy**

*The statements in this Offering Circular regarding taxation are based on the laws in force in Italy as at the date of this Programme and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

#### *Tax treatment of the Notes*

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree 239**), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to



directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

### *Italian resident Noteholders*

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime — see under “*Capital gains tax*”, below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the **Finance Act 2017**).

Where an Italian resident Noteholder is a company or similar commercial entity, a commercial partnership or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and article 14-*bis* of Law No. 86 of 25 January 1994 and to Italian real estate SICAFS (**Real Estate SICAFS**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or the Real Estate SICAF.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund subject to the tax regime provided by Law No. 77 of 23 March 1983, a SICAF (an investment company with fixed capital) or a SICAV (an investment company with variable capital) and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are

included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *Società di Intermediazione Mobiliare (SIMs)*, fiduciary companies, *Società di Gestione del Risparmio (SGRs)*, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**) as subsequently amended and integrated.

To be entitled to apply the *imposta sostitutiva*, an Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary or an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. If interest, premium and other income relating to the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include interest, premium and other income in their yearly income tax return and subject them to a final substitute tax at a rate of 26%.

#### *Non-Italian resident Noteholders*

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

#### *Atypical securities*

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes that are classified as atypical securities, if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

The withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (b) a commercial partnership, or (c) a commercial private or public institution.

#### *Payments made by a non-Italian resident Guarantor*

With respect to payments on the Notes made to Italian resident Noteholders by a non-Italian resident Guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the non-Italian resident Guarantor could be treated, in certain circumstances, as a payment made by the relevant Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

### *Capital gains tax*

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non-commercial partnership; (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the relevant Noteholders pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (**Decree No. 66**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Pursuant to Decree No. 66, investment portfolio losses accrued up to 30 June 2014 may be set off against investment portfolio profits accrued after that date with the following limitations for an amount equal to 76.92 per cent., for investment portfolio losses accrued from 1 January 2012 to 30 June 2014.

Any capital gains realised by an Italian resident real estate fund or Real Estate SICAF to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund or the Real Estate SICAF.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the tax period. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside Italy.

#### *Inheritance and gift taxes*

Pursuant to Law Decree No. 262 of 3 October 2006, converted with amendments into Law No. 286 of 24 November, 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

#### *Transfer tax*

Following the repeal of the Italian transfer tax contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; and (ii) private deeds are subject to registration tax only in case of use (*caso d'uso*), voluntary registration or explicit reference (*enunciazione*).

#### *Stamp duty*

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), converted with Law No. 214 of 22 December 2011, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy from time to time) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

#### *Wealth Tax on securities deposited abroad*

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

#### *Italian financial transaction tax (IFTT)*

As of 1 January 2014 Noteholders entering into Notes not providing for the Issuer's obligation to repay the principal invested upon redemption (which Notes fall within the category of atypical securities), mainly having as underlying or the value of which is mainly linked to Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer, are subject to IFTT at a rate ranging between €0.01875 and €200, depending on the notional value of the relevant securities calculated pursuant to Article 9 of the Ministerial Decree of 21 February 2013, as amended. IFTT applies, under certain conditions, upon subscription, negotiation or modification of these Notes or the underlying assets or reference value.

#### **France**

*The following is an overview addressing only the French tax considerations relating to the holding of the Notes. This overview is based on the laws and regulations in full force and effect in France as at the date of this Offering Circular, which may be subject to change in the future, potentially with retroactive effect. Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or disposal of the Notes.*

*The following has been prepared on the assumption that the Issuers are not and will not be French residents for French tax purposes and the Notes (nor any transaction in connection therewith) are not and will not be attributed nor attributable to a French branch, permanent establishment or other fixed place of business in France of any of the Issuers.*

#### *Withholding taxes*

All payments by the Issuers in respect of the Notes will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein. However where the paying agent (*établissement payeur*) is established in France, payments of interest (and assimilated income) received by individuals fiscally domiciled (*domiciliés fiscalement*) in France are, subject to certain exceptions, subject to a 12.8 per cent. compulsory withholding tax (which is creditable against their personal income tax in respect of the year in which the payment has been made) and to social levies also levied by way of withholding at a rate of 17.2 per cent.

### **The Netherlands**

#### *General*

The following summary outlines the principal Netherlands withholding tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Offering Circular, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

For the purpose of the Netherlands tax consequences described herein, it is assumed that none of the Issuers is a resident of the Netherlands nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

#### *Netherlands Withholding Tax*

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (the **participating Member States**) and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article (5)(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or participating Member States may decide to withdraw. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating Member States and when it will take effect with regard to dealings in the Notes.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **OECD Common Reporting Standard**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (the **CRS**) requires certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement.

## UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**) and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation 29 CFR Section 2510.3-101 as modified by Section 3(42) of ERISA (a **Plan**), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also **Plans**), from engaging in certain transactions involving "Plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code (**Parties in Interest**) with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (**Non-ERISA Arrangements**) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (**Similar Laws**).

The acquisition of the Notes by a Plan with respect to which any of the Issuers, the Guarantor or certain of NAB's affiliates, or any Dealer, is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued certain prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. Included among these exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the **Service Provider Exemption**).

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes or any interest therein that it either (1) is not a Plan and is not purchasing those



Notes on behalf of or with "plan assets" of any Plan or (2) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the Service Provider Exemption or another applicable exemption. In addition, any purchaser or holder of Notes or any interest therein which is a Non-ERISA Arrangement will be deemed to have represented by its purchase or holding of Notes or any interest therein that its holding will not violate the provisions of any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement consult with their counsel regarding, among other things, the availability of exemptive relief under any of the PTCEs listed above, the Service Provider Exemption or any purchase or other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel. Moreover, each such fiduciary should determine whether it is eligible to purchase Notes, and whether, under the general fiduciary standards of investment prudence and diversification, an investment in Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan, the composition of the Plan's investment portfolio, and the risk/return characteristics of the Notes.

The sale of Notes to a Plan is in no respect a representation by the Issuers, the Guarantor or any of NAB's affiliates that its investment meets all relevant legal requirements with respect to investments by Plans generally or by a particular Plan, or that this investment is appropriate for Plans generally or any particular Plan.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 21 November 2018 (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) agreed with each Issuer and (in the case of Guaranteed Senior Notes) the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Programme Agreement provides that the obligation of any Dealer under any such agreement is subject to certain conditions and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under any such agreement prior to the issue of the relevant Notes. In the Programme Agreement, the Issuers (failing which, the Guarantor (in the case of Guaranteed Senior Notes)) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Transfer Restrictions

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes or a beneficial interest therein within the United States, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (i) that it is a qualified institutional buyer (**QIB**), purchasing (or holding) the Notes for its own account or for the account of one or more QIBs for whom it is authorised to act and it is aware that any sale to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, if in the future it decides to offer, resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the relevant Issuer or any subsidiary thereof, (b) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act covering the Notes, in each case in accordance with any applicable securities laws of the states of the United States and any other jurisdiction;
- (iv) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes;

- (vi) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING SUCH NOTES (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND OTHER THAN (1) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT AND THE TRUST DEED REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE REGISTERED HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (vii) that, before any interest in Registered Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Regulation S Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

- (viii) that the relevant Issuer, the Registrar, the relevant Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of Notes or a beneficial interest therein outside of the United States and each subsequent purchaser of such Notes or a beneficial interest therein in resales prior to the expiration of the Distribution Compliance Period will, by its acceptance at purchase thereof, be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) that it is located outside the United States and is not a U.S. person and is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (iv) that if it should offer, resell, pledge or otherwise transfer the Notes or any beneficial interest in the Notes prior to the expiration of the Distribution Compliance Period, it will do so only (a) (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and (b) in accordance with any applicable state securities law of the states of the United States and any other jurisdiction;
- (v) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

- (vi) that, prior to the expiration of the Distribution Compliance Period, before any interest in Registered Notes represented by a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Rule 144A Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

- (vii) that the relevant Issuer, the Registrar, the relevant Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## **Selling Restrictions**

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether the rules in Treas. Reg. Section 1.163-5(c)(2)(i)(C) (TEFRA C) or Treas. Reg. Section 1.163-5(c)(2)(i)(D) (TEFRA D) apply or whether TEFRA is not applicable.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or, in the case of Regulation S Notes in bearer form, deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To the extent that the relevant Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

## Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area (the **EEA**). For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive (where the expression **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in each Relevant Member State); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date (or with respect to Austria, the bank working day) of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes issued by BNZ or BNZ-IF which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by BNZ or BNZ-IF, as applicable;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of NAB, would not, if NAB was not an authorised person, apply to the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

### **Austria**

In addition to the matters outlined above under the heading "*Prohibition of Sales to EEA Retail Investors*", each intended offer of Notes in Austria (irrespective of whether it is an offer of Notes to the public or not) needs to be notified to the registration office (*Meldestelle*) at the Austrian Control Bank (*Oesterreichische Kontrollbank Aktiengesellschaft - OeKB*) as soon as possible, but in any case prior to the commencement of the offer, all as prescribed by the Austrian Capital Market Act (*Kapitalmarktgesetz*, as amended).

### **Australia**

No prospectus, product disclosure document or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Notes has been or will be lodged with ASIC. Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that unless the relevant Final Terms (or another supplement to this Offering Circular) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering circular or any other offering material or advertisement relating to any Notes in Australia,

unless (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding moneys lent by the offeror or its associates) or the offer, distribution or publication otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act, (ii) such offer, distribution or publication is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act, (iii) such action complies with applicable laws and directives and (iv) such action does not require any document to be lodged with ASIC.

## **New Zealand**

No action has been or will be taken by any Issuer, the Guarantor or the Dealers which would permit a public or regulated offering of any Notes, or possession or distribution of any offering material in relation to the Notes, in New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Notes; and (2) it will not distribute any offering circular or advertisement in relation to any offer of the Notes, in New Zealand other than to any or all of the following persons only:

- (a) "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (**FMC Act**), being a person who is:
- (i) an "investment business";
  - (ii) "large"; or
  - (iii) a "government agency",

in each case as defined in Schedule 1 to the FMC Act; and

- (b) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (a) above) where BNZ-IF is the Issuer, the Notes may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in relation to any Notes issued by BNZ or BNZ-IF, it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to BNZ or BNZ-IF (as the case may be) or to a Paying Agent).

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of,



a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are “structured products” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## **France**

Each of the Dealers and each of the Issuers and (in the case of Guaranteed Senior Notes) the Guarantor has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

### *In relation to offers to the public in France*

- (a) it has only made and will only make an offer of Notes to the public (*offre au public*) in France following the notification of the approval of this Offering Circular to the *Autorité des marchés financiers* (**AMF**) by the Competent Authority in the period beginning on the date of publication of the Final Terms relating to the offer of Notes and ending at the latest on the date which is 12 months after the date of approval of such prospectus by the Competent Authority, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

### *In relation to private placements in France*

- (b) it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Exempt Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined above under “*Prohibition of Sales to EEA Retail Investors*” above) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording is disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Exempt Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

## Belgium

This Offering Circular has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) as a prospectus relating to Notes with a maturity of less than 12 months qualifying as money market instruments within the meaning of the Belgian Prospectus Act (as defined below) (and which therefore fall outside the scope of the Prospectus Directive). Accordingly, no action will be taken and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of such Notes in Belgium in accordance with the Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, as amended or replaced from time to time (the **Belgian Prospectus Act**).

The Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with Article 4 of the Belgian Law of 14 December 2005.

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under this Programme will be required to acknowledge that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**), and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act** or **SFA**). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes have not been offered or sold and will not be offered or sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with, the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in the Securities and Futures Act) or securities-based derivatives contracts (as defined in the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), unless otherwise specified before an offer of Notes, that all Notes to be issued under the Programme are classified as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Switzerland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it (a) will only offer or sell Notes in, into or from Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will to the extent necessary, obtain any consent, approval or permission required, for the offer or sale by it of Notes under the laws and regulations in force in Switzerland.

This Offering Circular does not constitute a prospectus within the meaning of the Swiss Code of Obligations (**CO**) or, in the case of Notes that qualify as structured products within the meaning of the Swiss Collective Investment Scheme Act (**CISA**), a prospectus or simplified prospectus within the meaning of the CISA. Unless stated otherwise in the applicable Final Terms (in the case of Exempt Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Offering Circular may not be publicly distributed or otherwise made publicly available in Switzerland or, in the case of Notes that qualify as structured products within the meaning of the CISA, distributed in, into or from Switzerland to non-qualified investors within the meaning of the CISA. Unless stated otherwise in the applicable Final Terms (in the case of Exempt Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may not be publicly offered, sold or advertised, or, in the case of Notes that qualify as structured products within the meaning of the CISA, distributed to non-qualified investors within the meaning of the CISA, directly or indirectly, in, into or from Switzerland.

Only the relevant offering circular for the offering of Notes in, into or from Switzerland and any information required to ensure compliance with the CO and all other applicable laws and regulations of Switzerland (in particular, additional and updated corporate and financial information that shall be provided by the relevant Issuer) may be used in the context of a public offer in, into or from Switzerland. Each Dealer has therefore represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the relevant offering circular and such information shall be furnished to any potential purchaser in Switzerland in such manner and at such times as required by the CO and all other applicable laws and regulations of Switzerland.

In the case of Notes that qualify as structured products within the meaning of the CISA, and unless such Notes are offered and distributed in, into or from Switzerland in compliance with the CISA and its implementing ordinances, including that all relevant licences have been obtained and that a simplified prospectus within the meaning of Article 5 CISA has been prepared to be furnished to any potential purchaser in Switzerland upon request in such manner and at such times as required by the CISA and all other applicable laws and regulations of Switzerland, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, (i) publicly offer, sell, or advertise such Notes in, into or from Switzerland, as such term is defined or interpreted under the CO, (ii) distribute such Notes in, into or from Switzerland to non-qualified investors within the meaning of the CISA, and (iii) distribute or otherwise make available this Offering Circular or any other document related to such Notes in Switzerland in a way that would constitute a public offering within the meaning of the CO of such Notes or a distribution of such Notes to non-qualified investors within the meaning of the CISA.

### **Republic of Italy**

Unless it is specified within the relevant Final Terms that a non-exempt offer may be made in Italy, an offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (the **Regulation No. 11971**); or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Moreover and subject to the foregoing, each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## **China**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes directly or indirectly in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) (the **PRC**), except as permitted by the applicable laws or regulations of the PRC.

## **Ireland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell any Notes otherwise than in conformity with the Central Bank Acts 1942 to 2015 of Ireland (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act, 1989; and
- (b) it has complied and will comply with all applicable provisions of S.I. No. 375 of 2017, European Union (Markets in Financial Instruments) Regulations 2017 (MiFID Regulations) and the provisions of the Investor Compensation Act 1998 with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and is acting under and within the terms of an authorisation to do so for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction.

## **Canada**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may be sold only to Canadian purchasers purchasing, or deemed to be purchasing, as principal that are “accredited investors”, as defined in National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) or subsection 73.3(1) of the Securities Act (Ontario), and are “permitted clients”, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of such Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Prospective Canadian-resident purchasers should also refer to the section entitled “*Notice to Canadian Purchasers*” below for additional information.

## **Republic of Korea (Korea)**

The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum specified denomination of the Notes, as specified in the applicable Final Terms, shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in

Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea. Furthermore, the purchaser of the Notes shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor, the Trustee and any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be, in the case of Exempt Notes only, set out in the applicable Final Terms.

This Offering Circular may be used by any Dealer for offers and sales related to market-making transactions in the Notes. Each Dealer may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. Each Dealer does not have any obligation to make a market in the Notes, and any market-making may be discontinued at any time without notice.

## Notice to Canadian Purchasers

Prospective Canadian purchasers of Notes are advised that the information contained within this Offering Circular has not been prepared with regard to matters that may be of particular concern to Canadian purchasers. Accordingly, prospective Canadian purchasers of Notes should consult with their own legal, financial and tax advisers concerning the information contained within the Offering Circular and as to the suitability of an investment in the Notes in their particular circumstances.

Securities legislation in certain provinces or territories of Canada may provide a Canadian purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the Canadian purchaser within the time limit prescribed by the securities legislation of the Canadian purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the Canadian purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offer of Notes.

Prospective Canadian purchasers are hereby notified that: (a) any of the relevant Issuer, the Guarantor or the Dealers may be required to provide personal information pertaining to the Canadian purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including the Canadian purchaser's name, address, telephone number and the aggregate purchase price of any Notes purchased) (**personal information**), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (OSC) in accordance with NI 45-106,

(c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information at the date of this Offering Circular, is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase any Notes will be deemed to have authorised the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the Canadian purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser is hereby deemed to confirm that it has expressly requested that all documents evidencing or relating in any way to the sale of Notes described herein (including, for the avoidance of doubt, any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien est réputé d'avoir confirmé par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des billets décrites aux présentes (incluant, pour éviter toute incertitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of NAB dated 4-5 September 2018 and (other than the issue of Subordinated Notes) resolutions of delegates of the Board of Directors of NAB dated 9 November 2018. BNZ-IF's participation (including the issue of Notes) in the Programme and its update has been duly authorised by resolutions of the Board of Directors of BNZ-IF dated 23 June 2005 and 28 January 2014. The giving of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor dated 18 March 2005 and by a resolution of a committee of the Board of Directors of the Guarantor dated 23 June 2005. The participation of BNZ as an Issuer of Notes under the Programme and the issue of Notes by BNZ have been duly authorised by resolutions of the Board of Directors of BNZ dated 18 October 2018. The issue of Subordinated Notes, will be, prior to their issuance, duly authorised by NAB.

BNZ-IF attorneys in New Zealand authorise BNZ-IF personnel in London to authorise the issue of Notes by BNZ-IF on a weekly basis.

### Approval, Listing and Admission to Trading

Application has been made to:

- (i) the Competent Authority to approve this Offering Circular in connection with (a) the issue by the Issuers of PD Notes and (b) in the case of NAB only, the issue by NAB of certain Tranches of Non-Exempt PD Notes, in each case, to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive; and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of certain Tranches of Exempt Notes to be admitted to trading on the Euro MTF Market.

This Offering Circular has not been submitted to the clearance procedures of the *Autorité des marchés financiers* of France.

### Documents Available

Following the date of this Offering Circular and for the life of this Offering Circular, copies of the following documents will be available for inspection from the registered office of each of the Issuers and (in the case of Guaranteed Senior Notes) the Guarantor and from the specified office of the Paying Agents for the time being in Luxembourg:

- (a) the 2018 NAB Annual Financial Report and the 2017 NAB Annual Report and, if available, the most recently published half-yearly financial statements as submitted to the Australian Securities Exchange;
- (b) the 2017 Disclosure Statement, the 2016 Disclosure Statement and the 2018 Half Year Disclosure Statement;
- (c) the 2017 BNZ-IF Annual Report and the 2016 BNZ-IF Annual Report;
- (d) the statutory documents of NAB, BNZ and BNZ-IF;
- (e) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (f) a copy of this Offering Circular; and



- (g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area or the Luxembourg Stock Exchange's Euro MTF Market nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

The documents incorporated by reference in this Offering Circular (see "*Documents Incorporated by Reference*" above) will also be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

## Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes or Zero Coupon Notes. The Final Terms in respect of any Floating Rate Notes, Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Instalment Notes will not include any indication of yield.

$$\text{Issue Price} = \text{Rate of Interest} \times \frac{1 - \left( \frac{1}{(1 + \text{Yield})^n} \right)}{\text{Yield}} + \left[ \text{Final Redemption Amount} \times \frac{1}{(1 + \text{Yield})^n} \right]$$

Where:

"Rate of Interest" means the Rate of Interest expressed as a percentage as specified in the applicable Final Terms and adjusted according to the frequency (and in the case of Zero Coupon Notes, means "0") i.e. for a semi-annual paying Note, the rate of interest is half the stated annualised rate of interest in the Final Terms;

"Yield" means the yield to maturity calculated on a frequency commensurate with the frequency of interest payments as specified in the applicable Final Terms (and in the case of Zero Coupon Notes, means Accrual Yield as specified in the applicable Final Terms); and

"n" means the number of interest payments to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication or prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

$$n = 6$$

$$\text{Rate of Interest} = 3.875\%$$

$$\text{Issue Price} = 99.392\%$$

$$\text{Final Redemption Amount} = 100\%$$

$$99.392 = 3.875 \frac{1 - \left( \frac{1}{(1 + \text{Yield})^6} \right)}{\text{Yield}} + \left[ 100 \times \frac{1}{(1 + \text{Yield})^6} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

### **Additional Disclosure in relation to the Ranking of Subordinated Notes**

Subordinated Notes rank in a Winding Up of NAB behind all claims of Senior Creditors, *pari passu* among themselves, *pari passu* with Equal Ranking Instruments and ahead of Junior Ranking Instruments.

Senior Creditors are all present and future creditors of NAB (including but not limited to depositors of NAB) whose claims would be entitled to be admitted in the Winding Up of NAB and which are not in respect of Equal Ranking Instruments or Junior Ranking Instruments.

Equal Ranking Instruments are instruments that rank in a Winding Up of NAB as the most junior claim in the Winding Up of NAB ranking senior to Junior Ranking Instruments. This includes the U.S.\$250 million undated subordinated Floating Rate Notes issued by NAB on 9 October 1986. All or some of the undated subordinated Floating Rate Notes may be redeemed at the option of NAB with the prior consent of APRA. The outstanding principal amount of undated subordinated Floating Rate Notes is U.S.\$167.5 million.

Junior Ranking Instruments are instruments issued as Tier 1 Capital (whether or not constituting Tier 1 Capital at the Issue Date or at the time of commencement of the Winding Up of NAB) and any shares (including Ordinary Shares) in the capital of NAB (other than shares issued as Tier 2 Capital).

Instruments issued as Lower Tier 2 Capital prior to 1 January 2013 are not Equal Ranking Instruments but rank in a Winding Up of NAB senior to the Subordinated Notes.

The reason for this ranking is as follows:

Under APRA's prudential standards which came into force on 1 January 2013, in order to qualify for Tier 2 Capital (as defined by APRA), Subordinated Notes must rank in a Winding Up of NAB with the most junior ranking claims which rank ahead of Common Equity Capital and Additional Tier 1 Capital. Since currently NAB has on issue undated subordinated Floating Rate Notes and these would rank in a Winding Up of NAB ahead of share capital but behind instruments issued as Lower Tier 2 Capital prior to 1 January 2013, the Subordinated Notes are required to rank equally with the undated subordinated Floating Rate Notes and will retain that ranking if the undated subordinated Floating Rate Notes are redeemed.

In addition, Subordinated Notes are required to be Converted to Ordinary Shares or Written-Off if a Non-Viability Trigger Event occurs, as presently described in the Offering Circular.

### **Clearing Systems**

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. The relevant Issuer may also apply to have Notes in bearer or registered form accepted for clearance through the CMU Service. The relevant CMU Instrument Number will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear

through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg, the address of DTC is 55 Water Street, New York, New York 10041, United States of America and the address of CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Auditors**

The auditors of NAB are Ernst & Young, independent auditors, who have audited NAB's accounts, without qualification, in accordance with generally accepted auditing standards in Australia for the financial years ended 30 September 2017 and 30 September 2018. The auditors of NAB have no material interest in NAB. The partners of Ernst & Young are typically members of Chartered Accountants Australia and New Zealand, but the firm itself is not a member.

The auditors of BNZ are Ernst & Young, independent auditors, who have audited BNZ's consolidated financial statements, without qualification, in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2016 and 30 September 2017. The auditors of BNZ have no material interest in BNZ.

The auditors of BNZ-IF are Ernst & Young, independent auditors, who have audited BNZ-IF's accounts, without qualification in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2016 and 30 September 2017. The auditors of BNZ-IF have no material interest in BNZ-IF.

Audit reports in respect of BNZ and BNZ-IF are signed in the name of the firm of Ernst & Young. Ernst & Young is registered under the New Zealand Auditor Regulation Act 2011 (the **NZ Auditor Regulation Act**). The partner who signs the audit report in the name of the firm is licensed under the NZ Auditor Regulation Act. The partners of Ernst & Young are typically members of Chartered Accountants Australia and New Zealand, but the firm itself is not a member.

The Trust Deed provides that any certificate or report of the Auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

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Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, any of the Issuers, the Guarantor or their affiliates in the ordinary course of business.

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