



# Information Memorandum

## **National Australia Bank Limited**

ABN 12 004 044 937

### Capital Notes Programme

for the issue of Additional Tier 1 Capital Notes

Arranged by  
National Australia Bank Limited

28 November 2019

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# Important Notice

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## Introduction

This Information Memorandum relates to a capital notes programme ("**Programme**") established by National Australia Bank Limited (ABN 12 004 044 937) ("**Issuer**") under which mandatorily convertible subordinated perpetual debt securities in uncertificated registered form ("**Capital Notes**") may be issued from time to time in the wholesale debt capital markets in Australia. The Issuer intends for the Capital Notes to qualify as Additional Tier 1 Capital of the Issuer (as described in the prudential standards issued by the Australian Prudential Regulation Authority ("**APRA**")).

Capitalised expressions which are not otherwise defined in this Information Memorandum have the meanings given in Condition 27.1 of the Conditions of the Capital Notes ("**Conditions**") which are set out in the section entitled "Capital Note Conditions".

## Issuer's responsibility

This Information Memorandum has been prepared by and issued with the authority of the Issuer. The Issuer accepts responsibility for the information contained in this Information Memorandum.

The only role of the Arranger, the Dealers and the Registrar in the preparation of this Information Memorandum has been to confirm to the Issuer that their respective descriptions under the heading "Directory" are accurate as at the Preparation Date (as defined below).

Apart from the foregoing, none of the Arranger, the Dealers nor the Registrar has independently verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility is accepted, by them as to the accuracy or completeness of this Information Memorandum or any further information supplied by the Issuer in connection with the Programme.

## Conditions

**The Conditions are complex and include features to comply with APRA's requirements for regulatory capital. They may not be suitable for all investors and any potential investor should consider the suitability of the investment for its own circumstances.**

Capital Notes:

- are not deposit liabilities or protected accounts of the Issuer for the purposes of the Banking Act;
- are not guaranteed or insured by any government, Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other person;
- have no fixed maturity date;
- are subordinated to all creditors of the Issuer other than holders of Ordinary Shares; and
- may be Converted into Ordinary Shares or Written Off if a Loss Absorption Event occurs.

## Documents incorporated by reference

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated by reference. This Information Memorandum shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum. References to "**Information Memorandum**" are to this Information Memorandum and to any other document incorporated by reference collectively and to any of them individually.

The following documents are incorporated in, and taken to form part of, this Information Memorandum:

- all amendments and supplements to this Information Memorandum prepared by the Issuer from time to time;
- the most recent published Annual Report of the Issuer from time to time which is publicly available on the internet at [www.nabgroup.com](http://www.nabgroup.com) and any subsequent interim financial statements of the Issuer and its subsidiaries (“Group”) from time to time which are publicly available; and
- all documents issued by the Issuer and stated to be incorporated in this Information Memorandum by reference including, in the case of any issue of Capital Notes, a Pricing Supplement and ASX disclosures which are stated to form part of this Information Memorandum.

Any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of this Information Memorandum, shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

Except as provided above, no other information, including information on [www.nab.com.au](http://www.nab.com.au) or in any document incorporated by reference in any of the documents described above, is incorporated by reference into this Information Memorandum.

Copies of documents incorporated by reference may be obtained from the Issuer and are available for inspection at the Issuer’s office specified in the “Directory”.

When deciding whether or not to subscribe for, purchase or otherwise deal in any Capital Notes or any rights in respect of any Capital Notes, investors should:

- review, amongst other things, the documents which are incorporated by reference in this Information Memorandum; and
- have regard to the information lodged by the Issuer with ASX including in compliance with its continuous and periodic disclosure obligations (made available at [www.asx.com.au](http://www.asx.com.au)), including announcements which may be made by the Issuer after release of this Information Memorandum.

#### **No offer**

This Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, the Arranger, the Dealers or the Registrar to any person to subscribe for, purchase or otherwise deal in any Capital Notes.

#### **Restricted to professional and sophisticated investors**

Capital Notes may only be subscribed for, purchased by or otherwise dealt in by professional or sophisticated investors (see “Selling restrictions and no disclosure” below). This Information Memorandum is not intended for, and should not be distributed to, any person other than such professional or sophisticated investors. Its contents may not be reproduced or used in whole or in part for any purpose other than in connection with the issue or sale of the Capital Notes in accordance with this Information Memorandum, nor furnished to any other person without the express written permission of the Issuer.

#### **Selling restrictions and no disclosure**

The distribution and use of this Information Memorandum and any Pricing Supplement, including any advertisement or other offering material, and the offer or sale of Capital Notes, may be restricted by law in certain jurisdictions and intending purchasers and other investors should inform themselves about those laws and observe any such restrictions. Persons into whose possession this Information

Memorandum or any Capital Notes come must inform themselves about, and observe, any such restrictions.

This Information Memorandum does not constitute an offer of Capital Notes in any jurisdiction in which it would be unlawful. This Information Memorandum and any other offering materials may not be distributed to any person, and the Capital Notes may not be offered or sold, in any jurisdiction except to the extent contemplated below or agreed with the Issuer and Dealers. In particular, no action has been taken by the Issuer or any of the Dealers which would permit a public offering of any Capital Notes in any jurisdiction where action for that purpose is required.

A person may not (directly or indirectly) offer for subscription or purchase, or issue an invitation to subscribe for or buy Capital Notes, nor distribute or publish this Information Memorandum or any other offering material or advertisement relating to the Capital Notes, except if the offer or invitation, or distribution or publication, complies with all applicable laws, regulations and directives.

Pursuant to the Capital Notes Programme Dealer Agreement dated on or about 30 October 2019 between the Issuer and the Dealers as amended and supplemented from time to time ("**Dealer Agreement**"), the Capital Notes will be offered by the Issuer through the Dealers. The Issuer will have the sole right to accept any such offers to purchase Capital Notes and may reject any such offer in whole or (subject to the terms of such offer) in part. Each Dealer has the right, in its discretion reasonably exercised, to reject any offer to purchase Capital Notes made to it in whole or (subject to the terms of such offer) in part. The Issuer is entitled under the Dealer Agreement to appoint one or more Dealers as a dealer for a particular Tranche of Capital Notes.

By its purchase and acceptance of Capital Notes issued under the Dealer Agreement, each Dealer has agreed that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Capital Notes; and it will not directly or indirectly offer, sell, resell, re-offer or deliver Capital Notes or distribute the Information Memorandum, any Pricing Supplement, circular, advertisement or other offering material relating to the Capital Notes in any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations.

Neither the Issuer, the Arranger, nor any of the Dealers have represented that any Capital 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.

#### Australia

Neither this Information Memorandum nor any other disclosure document (as defined in the Corporations Act 2001 of Australia ("**Corporations Act**")) in relation to the Capital Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**") or any other government agency. The Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act. No action has been taken which would permit an offering of the Capital Notes in circumstances that would require disclosure under Part 6D.2 or Chapter 7 of the Corporations Act.

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 Pricing Supplement otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Capital 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 Information Memorandum or any other offering material or advertisement relating to any Capital 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 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.

#### No registration in the United States

The Capital Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, ("**Securities Act**") or the securities laws of any state in the United States, 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 accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in the preceding sentence and the following three paragraphs have the meaning given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed that neither it nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts as that term is defined in Regulation S under the Securities Act and, except as permitted by the Dealer Agreement, it has not offered or sold the Capital Notes of any identifiable tranche and will not offer or sell the Capital Notes of such tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of such tranche as determined and certified by the Lead Manager of such tranche (or other person performing a similar function), except in accordance with Rule 903 of Regulation S under the Securities Act.

Each of the Dealers has further agreed that, at or prior to confirmation of a sale of the Capital Notes, it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Capital Notes from it or through it during the Distribution Compliance Period (as defined below) a confirmation or other notice setting out the restrictions on offers and sales of the Capital Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the later of completion of the offering of Capital Notes comprising any identifiable tranche or the date on which Capital Notes were first offered to persons other than the Dealers (the "**Distribution Compliance Period**"), an offer or sale of such Capital Notes within the United States by any dealer (whether or not participating in the offering of those Capital Notes) 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.

#### **Intending purchasers to make independent investment decision and obtain tax advice**

This Information Memorandum contains only summary information concerning the Issuer and the Capital Notes. It is not intended to provide the basis of any credit or other evaluation in respect of the Issuer or the Capital Notes and should not be considered or relied on as a recommendation by the Issuer, Arranger, the Dealers or the Registrar that any recipient of this Information Memorandum or any other financial statements should subscribe for, purchase or otherwise deal in any Capital Notes or any rights in respect of any Capital Notes.

Furthermore, this Information Memorandum contains only general information and does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating subscribing for, purchasing or otherwise dealing in any Capital Notes or any rights in respect of any Capital Notes should:

- make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the terms and conditions of the Capital Notes and the rights and obligations attaching to the Capital Notes and Ordinary Shares and of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer;
- determine for itself the relevance of the information contained in this Information Memorandum;

- consult its own tax advisers concerning the application of any tax laws applicable to the Capital Notes and to the investor's particular situation and consult other appropriate advisers in respect of any other matters upon which it requires advice; and
- base its investment decision solely upon its own independent assessment and such investigation and consultation with advisers and such other investigations as it considers appropriate or necessary.

No advice is given in respect of the legal or taxation treatment of investors or purchasers or any other matter in connection with an investment in any Capital Notes or rights in respect of them and each investor is advised to consult its own professional adviser.

### **ADI Regulation**

As an authorised deposit-taking institution (“**ADI**”) the Issuer is subject to banking, corporate and other laws and regulations which apply to ADIs in Australia and to the actions of regulatory agencies responsible for that regulation. Prospective investors or purchasers should seek their own advice about potential effects and risks that may occur in connection with that regulation.

### **No authorisation**

No person has been authorised to give any information or make any representations not contained in or consistent with this Information Memorandum in connection with the Issuer, the Programme or the issue or sale of the Capital Notes and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, the Arranger or any of the Dealers.

### **Conflict of interest**

The Issuer may pay a Dealer a fee in respect of the Capital Notes subscribed by it, may agree to reimburse the Dealers for certain expenses incurred in connection with the Programme and the offer and sale of Capital Notes.

The Arranger and Dealers and their respective affiliates (“**the JLM Groups**”) are involved in a wide range of financial services and businesses including securities trading and brokerage activities and providing commercial and investment banking, investment management, corporate finance, credit and derivative, trading and research products and services, out of which conflicting interests or duties may arise. In the ordinary course of these activities, each JLM Group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of investors or any other party that may be involved in the issue of Capital Notes or the Programme.

### **No advice or duty**

Neither the Arranger nor any Dealer nor their related bodies corporate, and/or their directors, officers, employees or clients act as the adviser of or owe any fiduciary or other duties to any recipient of this Information Memorandum in connection with the Capital Notes and/or any related transaction (including, without limitation, in respect of the preparation and due execution of the transaction documents and the power, capacity or authorisation of any other party to enter into and execute the transaction documents). No reliance may be placed on the Arranger or any Dealer for financial, legal, taxation, accounting or investment advice or recommendations of any sort.

Persons contemplating purchasing the Capital Notes should make their own decision as to the sufficiency and relevance for their purpose of the information contained in Information Memorandum and any other offering documentation in respect of the Capital Notes, undertake their own independent investigation of the appropriateness of Capital Notes for them taking into account their financial and taxation circumstances, investment objectives and particular needs and take all appropriate advice from qualified professional persons as they deem necessary. Any investment decision should rely on that investigation and appraisal and not on this Information Memorandum.

### **References to credit ratings**

There may be references in this Information Memorandum to credit ratings. A credit rating is not a recommendation to buy, sell or hold the Capital Notes and is subject to revision, variation, suspension or withdrawal at any time by the relevant assigning organisation. Each credit rating should be evaluated independently of any other credit rating.

Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or Chapter 7 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

### **Currencies**

In this Information Memorandum references to “A\$” or “Australian dollars” are to the lawful currency of the Commonwealth of Australia.

### **Currency of information**

The information contained in this Information Memorandum is prepared as of its Preparation Date. Neither the delivery of this Information Memorandum nor any offer, issue or sale made in connection with this Information Memorandum at any time implies that the information contained in it concerning the Issuer is correct at any time subsequent to the Preparation Date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the Preparation Date. In particular, the Issuer is under no obligation to update this Information Memorandum at any time after an issue of Capital Notes.

In this Information Memorandum, “**Preparation Date**” means:

- in relation to this Information Memorandum, the date indicated on its face or, if the Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to the Annual Report and any financial statements incorporated in this Information Memorandum, the date up to, or as at, the date on which the Annual Reports and statements relate; and
- in relation to any other item of information which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of release.

The Dealers and the Registrar expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, amongst other things, the documents deemed to be incorporated in this Information Memorandum by reference when deciding whether or not to purchase any Capital Notes.

### **References to website addresses**

Any website addresses provided in this Information Memorandum are for reference only and the content of any such internet site is not incorporated by reference into, and does not form part of, this Information Memorandum (other than as expressly provided in this Information Memorandum).



**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Capital 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 (“**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 (“**MiFID2**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID2. Consequently no key information document required by Regulation (EU) No 1286/2014 (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 Capital Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each of the Dealers agrees that 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 Capital Notes is a manufacturer in respect of such Capital Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purposes of the MiFID Product Governance Rules.

# Description of the Programme and the Capital Notes

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*The following is a summary only and should be read in conjunction with the rest of this Information Memorandum and the Capital Note Risks and the Conditions in conjunction with the relevant Pricing Supplement in relation to a particular issue of Capital Notes. A capitalised term used below but not defined has the meaning given in Condition 27.1 of the Conditions.*

## Parties

Issuer:	National Australia Bank Limited (ABN 12 004 044 937)
Arranger:	National Australia Bank Limited (ABN 12 004 044 937)
Permanent Dealer:	National Australia Bank Limited (ABN 12 004 044 937) Additional Dealers may be appointed from time to time by the Issuer for any Tranche of Capital Notes or to the Programme generally.
Registrar:	Austraclear Services Limited (ABN 28 003 284 419)
Calculation Agent:	National Australia Bank Limited (ABN 12 004 044 937) or any other person so specified in the Pricing Supplement

## Overview of the Programme and the Capital Notes

Description of Programme: A non-underwritten debt issuance programme under which the Issuer may elect to issue Capital Notes in Australia.

Programme limit: There is no programme limit.

Programme term: The Programme continues until the earlier of:

- the date 30 days after the Issuer gives notice of termination of the Programme to the Permanent Dealer(s); or
- the date agreed in writing by the Issuer and the Permanent Dealer(s).

Description of Capital Notes: Capital Notes are mandatorily convertible subordinated perpetual debt securities.

Capital Notes will take the form of entries in a register maintained by the Registrar and will be constituted by and owing under the Capital Notes Deed Poll.

Capital Notes will be issued for the Issue Price specified in the relevant Pricing Supplement and have a Principal Amount and Denomination of A\$1,000.

Capital Notes may be issued as Fixed Rate Capital Notes, Floating Rate Capital Notes or Fixed-to-Floating Rate Capital Notes, as specified in the relevant Pricing Supplement.

Capital Notes may be Redeemed, Converted or Resold by the Issuer in accordance with the Conditions and the relevant Pricing Supplement.

No fixed term: Capital Notes are perpetual securities and do not have a fixed maturity date. If they are not Converted, Written Off, Redeemed or Resold, they could remain on issue indefinitely.

There are a number of events that may occur while Capital Notes are on issue, including:

- mandatory Conversion on the Scheduled Mandatory Conversion Date;
- Conversion or Write Off if a Loss Absorption Event occurs;
- mandatory Conversion if an Acquisition Event occurs;
- optional Conversion, including on the Scheduled Optional Conversion Date or if a Tax Event, Regulatory Event or Potential Acquisition Event occurs; and
- optional Redemption or Resale, including on the Scheduled Optional Redemption Date or Scheduled Optional Resale Date (as applicable) or if a Tax Event or Regulatory Event occurs.

No right to return of capital: There can be no certainty that Capital Notes will be Converted, Redeemed or Resold under the Conditions. Holders have no right to request the Issuer to Convert, Redeem or Resell Capital Notes. Holders should not expect that APRA's approval, if requested, will be given for any optional Conversion, Redemption, Resale, or purchase.

Capital Notes Deed Poll: The Issuer has entered into the Capital Notes Deed Poll in favour of each person who is from time to time a Holder of Capital Notes. The Capital Notes Deed Poll gives legal effect to the Issuer's obligations in the Conditions and also includes provisions for meetings of Holders.

Each Holder can enforce the Issuer's obligations under the Capital Notes Deed Poll, including the Conditions and the meeting provisions, independently of the Registrar and each other Holder.

A copy of the Capital Notes Deed Poll may be obtained from the Issuer.

Pricing Supplement: Each Tranche of Capital Notes will be the subject of a Pricing Supplement. The Pricing Supplement will:

- specify particulars of Distributions;
- specify dates such as the Scheduled Mandatory Conversion Date, Scheduled Optional Conversion Date, the Scheduled Optional Redemption Date and the Scheduled Optional Resale Date; and
- otherwise supplement, amend or replace the Conditions as applicable.

See "Form of Pricing Supplement".

Governing law: The Capital Notes, and all related documents, are governed by the laws of Victoria, Australia. The Registry Services Agreement is governed by the laws of New South Wales, Australia.

Use of proceeds: The net proceeds of the issue of Capital Notes will be used for general corporate purposes.

Capital treatment: APRA has provided confirmation that Capital Notes, once issued, will be capable of being eligible as Additional Tier 1 Capital for the purposes of the Issuer's regulatory capital requirements.

Issuance in Series: Capital Notes will be issued in Series. Each Series may comprise one or more Tranches, provided that the requirements of APRA for Capital Notes to be eligible for inclusion as Additional Tier 1 Capital of the Issuer are met in respect of each Tranche.

### Distributions on Capital Notes

Distributions and Distribution Payment Dates: Capital Notes are scheduled to pay regular Distributions on the basis and the dates specified in the relevant Pricing Supplement.

Distributions are also payable on each date on which Capital Notes are Converted (other than on account of a Loss Absorption Event), Redeemed or Resold.

In all cases, payment of a Distribution is subject to the restrictions described in "Restrictions on Distributions" below.

Calculation of Distributions: The Distribution payable in respect of a Capital Note on a Distribution Payment Date is determined in accordance with the following formula:

$$\text{Distribution} = \text{Distribution Rate} \times \text{Principal Amount} \times \text{Day Count Fraction}$$

Distribution Rate for a Fixed Rate Capital Note: The Distribution Rate for a Fixed Rate Capital Note is determined in accordance with the following formula:

$$\text{Distribution Rate} = (\text{Fixed Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

For these purposes:

- the **Fixed Rate** and the **Margin** are as specified in the Pricing Supplement; and
- the **Tax Rate** is the Australian corporate tax rate applicable to the franking account of the Issuer on the relevant Distribution Payment Date.

Distribution Rate for a Floating Rate Capital Note: The Distribution Rate for a Floating Rate Capital Note is determined in accordance with the following formula:

$$\text{Distribution Rate} = (\text{Base Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

For these purposes:

- the **Base Rate** (for example, the Bank Bill Rate) and the **Margin** are as specified in the Pricing Supplement; and
- the **Tax Rate** is the Australian corporate tax rate applicable to the franking account of the Issuer on the relevant Distribution Payment Date.

Distribution Rate for a Fixed-to-Floating Rate Capital Note: During the Fixed Rate Period, the Distribution Rate for a Fixed-to-Floating Rate Capital Note is determined in accordance with the provisions for determining the Distribution Rate for a Fixed Rate Capital Note.

During the Floating Rate Period, the Distribution Rate for a Fixed-to-Floating Rate Capital Note is determined in accordance with the provisions for determining the Distribution Rate for a Floating

## Rate Capital Note.

### Franking:

Holders should be aware that franking is not guaranteed. The extent to which Distributions will be franked will depend on a number of factors, including the Group's capital management plan and the level of profits generated by the Group that will be subject to tax in Australia.

The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If any Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate.

If Distributions are franked, the value of any franking credits does not accrue at the same time as the receipt of any cash Distribution, and the ability of Holders to use the franking credits will depend on their individual circumstances and applicable Australian tax law.

If Distributions are unfranked or partially franked, dividend withholding tax, generally at the rate of 30%, may apply. Dividend withholding tax should generally not apply to the extent that:

- the Holder is an Australian resident or a non-resident who derives the Distribution in carrying on a business at or through a permanent establishment in Australia;
- the Distribution is franked; or
- the amount of the unfranked part of the Distribution is declared by the Issuer to be conduit foreign income.

The dividend withholding tax rate may also be reduced under an applicable double tax treaty.

If any dividend withholding tax is applicable, the Issuer will not increase the amount of the Distribution to account for that withholding.

See further "Australian Taxation" below.

### Restrictions on Distributions:

A Distribution on Capital Notes will only be paid if:

- the Directors resolve to pay it; and
- a Payment Condition does not exist on the Distribution Payment Date.

A "**Payment Condition**" will exist where:

- the payment of the Distribution will result in the Issuer or the Group not complying with APRA's then current Prudential Capital Requirements;
- unless APRA otherwise approves in writing, payment of the Distribution would result in the Issuer or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to the Issuer or

the Group (as the case may be) at the time;

- APRA otherwise objects to the payment of the Distribution;
- payment of the Distribution would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- the Issuer is not permitted to pay the Distribution under the Corporations Act.

Distributions are non-cumulative and no interest accrues on unpaid amounts. Failure to pay a Distribution when scheduled will not constitute an event of default. If a Distribution is not paid then the Issuer has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment.

Restrictions on Ordinary Shares if Distributions are not paid:

If a Distribution has not been paid in full on a Distribution Payment Date, the Issuer must not, subject to certain exceptions (as outlined below):

- declare, determine to pay or pay a dividend on Ordinary Shares; or
- buy-back or reduce capital on Ordinary Shares.

Holders should note the limited terms of this restriction, including that:

- it does not apply if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date;
- it applies only in respect of Ordinary Shares, and not to distributions in respect of any other securities of the Issuer;
- it applies only until the next Distribution Payment Date; and
- it does not apply if Holders approve such payments by Ordinary Resolution.

### **Mandatory Conversion on the Scheduled Mandatory Conversion Date**

Overview:

The Issuer must Convert all (but not some) Capital Notes of a Series into Ordinary Shares on the Scheduled Mandatory Conversion Date if the Capital Notes are outstanding on that date and all the Mandatory Conversion Conditions are satisfied.

Scheduled Mandatory Conversion Date:

The Pricing Supplement for each Series of Capital Notes will specify the Scheduled Mandatory Conversion Date for that Series of Capital Notes. The date will be at least two years after the Scheduled Optional Redemption Date.

If all the Mandatory Conversion Conditions are not satisfied on the Scheduled Mandatory Conversion Date, the Issuer must Convert the Capital Notes on the next Distribution Payment Date on which all the Mandatory Conversion Conditions are satisfied.

Mandatory Conversion Conditions:

- **First Mandatory Conversion Condition:** the VWAP of Ordinary Shares on the 25th Business Day immediately preceding (but not including) a possible Mandatory Conversion Date must be

greater than 56% of the Issue Date VWAP.

- **Second Mandatory Conversion Condition:** the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP.
- **Third Mandatory Conversion Condition:** no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when the Issuer is delisted, its Ordinary Shares have been suspended from trading for a certain period, or an Inability Event subsists preventing the Issuer from Converting Capital Notes of Holders generally (i.e. where the Issuer is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting Capital Notes)).

Conversion Number:

On a Mandatory Conversion Date, a Holder will receive a number of Ordinary Shares per Capital Note ("**Conversion Number**") which is the lesser of:

- the number calculated in accordance with the following formula:

$$\frac{\text{Principal Amount}}{99\% \times \text{VWAP}}$$

where "**VWAP**" broadly is the volume weighted average price of Ordinary Shares during the during the VWAP Period; and

- the number calculated in accordance with the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Principal Amount}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

where "**Issue Date VWAP**" is the VWAP during the 20 Business Day period on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Capital Notes of the Series were issued and "**Relevant Fraction**", for Conversion on a Mandatory Conversion Date, is 0.5.

The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Conditions (but not other transactions, including rights issues, which may affect the capital of the Issuer).

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.

### Conversion or Write Off if a Loss Absorption Event occurs

Overview:

Capital Notes have certain loss absorption features, which may be triggered where the Issuer encounters severe financial difficulty. These features are required to be included in the Conditions in order

for the Capital Notes to be eligible as Additional Tier 1 Capital.

If a Loss Absorption Event occurs, the Issuer must immediately and unconditionally Convert all (or in some cases, some) Capital Notes into Ordinary Shares. A Loss Absorption Event may occur at any time and on any day, whether or not the day is a Business Day.

Loss Absorption Event:

A Loss Absorption Event is each of:

- a Common Equity Trigger Event; and
- a Non-Viability Trigger Event.

Common Equity Trigger Event:

A Common Equity Trigger Event occurs when the ratio of the Issuer's Common Equity Tier 1 Capital to risk weighted assets (the "**Common Equity Tier 1 Ratio**") as determined by the Issuer or APRA at any time is equal to or less than 5.125%, calculated on the basis of either or both of the NAB Level 1 Group and the NAB Level 2 Group.

The Issuer must immediately notify APRA in writing if it makes such a determination.

If a Common Equity Trigger Event occurs, the Issuer must immediately convert into Ordinary Shares or write off all Relevant Tier 1 Capital Instruments, including Capital Notes, or a proportion of Relevant Tier 1 Capital Instruments with the result that the Common Equity Tier 1 Ratio in respect of each of the NAB Level 1 Group and the NAB Level 2 Group is at a percentage above 5.125% (as determined by the Issuer).

Non-Viability Trigger Event:

A Non-Viability Trigger Event means APRA has provided a written determination to the Issuer that:

- the conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments (including Capital Notes) is necessary because without the conversion or write off, APRA considers that the Issuer would become non-viable; or
- without a public sector injection of capital into, or equivalent support with respect to, the Issuer, APRA considers that the Issuer would become non-viable.

If a Non-Viability Trigger Event occurs, the Issuer must immediately convert into Ordinary Shares or write off:

- all Relevant Tier 1 Capital Instruments; or
- if a Non-Viability Trigger Event occurs which does not involve a determination by APRA that a public sector injection of capital would be required and APRA is satisfied that conversion or write off of a proportion of Relevant Tier 1 Capital Instruments will be sufficient to ensure that the Issuer will not become non-viable, that proportion of Relevant Tier 1 Capital Instruments.

Conversion as a result of a Loss Absorption Event:

Conversion as a result of a Loss Absorption Event occurs immediately, whether or not the day is a Business Day, without prior notice to Holders, and is not subject to any conditions.

Where the Issuer is required to Convert some but not all Capital Notes on account of a Loss Absorption Event it must endeavour to



select the Capital Notes to be Converted on an approximately proportionate basis but may make certain adjustments amongst Holders.

The Issuer may make such decisions with respect to the identity of Holders whose Capital Notes will Convert on the Loss Absorption Event Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.

If the Issuer is required to convert or write off Relevant Tier 1 Capital Instruments, Holders should be aware that all Relevant Tier 1 Capital Instruments (including Capital Notes) will be converted or written off before any Tier 2 Capital Instruments are converted or written off. The Issuer has no obligation to maintain any Relevant Tier 1 Capital Instruments on issue and gives no assurance that it will do so.

Conversion Number:

Holders will receive the lesser of the Conversion Number and the Maximum Conversion Number.

The Conversion Number is calculated in accordance with the same formula as for a Mandatory Conversion – see “Scheduled Mandatory Conversion”, except that:

- the VWAP Period used to determine the VWAP in this case is the 5 Business Days on which trading in Ordinary Shares took place immediately preceding the Loss Absorption Event Conversion Date; and
- the Relevant Fraction will, in all circumstances, be 0.2.

Given the circumstances of a Loss Absorption Event, the Ordinary Shares a Holder may receive on account of such a Conversion are likely to be worth significantly less than the principal amount of their Capital Notes and a Holder may lose a significant amount of the money they invested in Capital Notes as a consequence.

Write Off of Capital Notes:

If, following a Loss Absorption Event, Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date for any reason (including where the Issuer is prevented by applicable law or court order or for any other reason from Converting Capital Notes (broadly an “**Inability Event**”)), those Capital Notes will not be Converted but instead will be Written Off.

Broadly, “Written Off” means that the relevant Holders’ rights (including to payments of Distributions and Principal Amount) in relation to a Capital Note are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date and the Capital Note will not be Converted, Redeemed or Resold on any subsequent date.

### **Mandatory Conversion if an Acquisition Event occurs**

Overview:

The Issuer must Convert all (but not some) Capital Notes on issue into Ordinary Shares where the Issuer is taken over by way of takeover bid or scheme of arrangement which meets certain requirements, subject to certain conditions (see below “Acquisition Event Conversion conditions”).

- Acquisition Event: An Acquisition Event will occur if:
- a takeover bid is made to acquire all or some of the Ordinary Shares, and the offer is, or becomes, unconditional, all regulatory approvals have been obtained, and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer in the absence of a higher offer; or
  - a court orders the holding of meetings to approve a scheme of arrangement with respect to the Issuer which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented, and all member resolutions to approve the scheme are passed and all conditions necessary to implement the scheme (including necessary regulatory approval) have been satisfied or waived.

An Acquisition Event will not occur where the Issuer is acquired by an Approved NOHC (as described below in “Other Matters - Approved NOHC”).

Acquisition Event Conversion conditions: The Issuer is not required to give an Acquisition Conversion Notice to Holders and will not be required to Convert Capital Notes if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which the Issuer is to send a notice advising Holders that it wishes to Convert Capital Notes as a result of an Acquisition Event):

- the VWAP of Ordinary Shares on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue Date VWAP; or
- a Delisting Event applies.

In addition, the Issuer may not proceed to Convert Capital Notes if, on the date on which Conversion is to occur (“**Acquisition Conversion Date**”) either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date.

Conversion Number: If Conversion on account of an Acquisition Event proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see “Mandatory Conversion on the Scheduled Mandatory Conversion Date”. However, for the purposes of the Conversion calculations, the Relevant Fraction is 0.2 rather than 0.5.

If Conversion does not occur on Acquisition Conversion Date: If an Acquisition Event has occurred but the Issuer is not required to give an Acquisition Conversion Notice or the further restrictions prevent Conversion on the Acquisition Conversion Date, the Issuer will give a new Acquisition Conversion Notice on or before the 25th Business Day prior to the immediately succeeding scheduled quarterly Distribution Payment Date, unless the restrictions to the giving of an Acquisition Conversion Notice also apply at that time.

The new Acquisition Conversion Notice will give notice of a new Acquisition Conversion Date. Conversion will not occur on the new Acquisition Conversion Date if further Conversion restrictions apply on that date.

This process will be repeated until Conversion occurs (which may

not occur if the conditions are never met).

## Optional Conversion

### Overview:

The Issuer may, with APRA's prior written approval and if certain conditions are satisfied, Convert all or some Capital Notes of a Series:

- on the Scheduled Optional Conversion Date;
- if a Tax Event or a Regulatory Event occurs in respect of Capital Notes of that Series; or
- if a Potential Acquisition Event occurs.

Holders should not expect that APRA's approval, if requested, will be given for a Conversion of Capital Notes in these circumstances.

### Scheduled Optional Conversion Date:

The Scheduled Optional Conversion Date for each Series of Capital Notes will be specified in the relevant Pricing Supplement (and generally corresponds with the Scheduled Optional Redemption Date and the Scheduled Optional Resale Date).

### Tax Event:

A Tax Event will broadly occur if, on or after the Issue Date of a Capital Note, the Directors receive legal or tax advice that as a result of a change in law or regulation, judicial decision or administrative position in Australia or a challenge by the Australian Taxation Office ("ATO") (which the Issuer did not expect on the Issue Date for that Capital Note), there is a more than insubstantial risk that a Distribution would not be frankable (or would only be frankable subject to requirements which the Directors determine to be unacceptable) or that the Issuer would be exposed to an increase in taxes or other costs, which is not insignificant, in relation to Capital Notes.

### Regulatory Event:

A Regulatory Event will broadly occur if:

- the Issuer receives legal advice that, as a result of a change of law or regulation or statement of APRA on or after the Issue Date, more than de minimis additional requirements would be imposed on the Issuer in relation to Capital Notes of a Series (which were not expected by the Issuer at the Issue Date) which the Directors determine to be unacceptable; or
- the Directors determine that, as a result of a change of law or regulation or statement of APRA on or after the Issue Date, the Issuer is not or will not be entitled to treat some or all Capital Notes of a Series as Additional Tier 1 Capital, except where the reason is or will be because of a limit or other restriction on the recognition of Additional Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by the Issuer may come into effect.

### Potential Acquisition Event:

A Potential Acquisition Event will broadly occur if:

- a takeover bid is made to acquire all or some of the Issuer's Ordinary Shares, the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer in the absence of a higher offer; or

- a court orders the holding of meetings to approve a scheme of arrangement with respect to the Issuer which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented.

Optional Conversion conditions:

The Issuer may not elect to Convert Capital Notes if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which the Issuer is to send a notice advising Holders that it wishes to Convert Capital Notes):

- the VWAP of Ordinary Shares on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue Date VWAP; or
- a Delisting Event applies.

In addition, if, on the date on which Conversion is to occur (“**Optional Conversion Date**”) either:

- the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) would not be satisfied; or
- a Delisting Event applies,

then the proposed Conversion must be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Mandatory Conversion Date (with those conditions applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition).

Conversion Number:

If an optional Conversion proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see “Mandatory Conversion on the Scheduled Mandatory Conversion Date”. However, for the purposes of the optional Conversion calculations, the Relevant Fraction is 0.2 rather than 0.5.

### Optional Redemption or Resale

Overview of Redemption:

The Issuer may, with APRA’s prior written approval, Redeem all or some Capital Notes of a Series for their Principal Amount:

- on the Scheduled Optional Redemption Date; or
- if a Tax Event or a Regulatory Event occurs in respect of Capital Notes of that Series.

Holders should not expect that APRA’s approval, if requested, will be given for a Redemption of Capital Notes in these circumstances.

Scheduled Optional Redemption Date:

The Scheduled Optional Redemption Date for a Series of Capital Notes will be specified in the relevant Pricing Supplement (and generally corresponds with the Scheduled Optional Conversion Date and the Scheduled Optional Resale Date).

Restrictions on Redemption:

The Issuer may only elect to Redeem Capital Notes if APRA is satisfied that either:

- the Capital Notes proposed to be Redeemed are replaced

concurrently or beforehand with a capital instrument of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for the Issuer's income capacity; or

- the capital position of the NAB Level 1 Group and NAB Level 2 Group will remain adequate after the Issuer elects to Redeem the Capital Notes.

Overview of Resale:

The Issuer may, with APRA's prior written approval, elect to Resell all or some Capital Notes of a Series for the Resale Price:

- on the Scheduled Optional Resale Date; or
- if a Tax Event or a Regulatory Event occurs in respect of Capital Notes of that Series.

Holders should not expect that APRA's approval, if requested, will be given for a Resale of Capital Notes in these circumstances.

Scheduled Optional Resale Date:

The Scheduled Optional Resale Date for a Series of Capital Notes will be specified in the relevant Pricing Supplement (and generally corresponds with the Scheduled Optional Redemption Date and the Scheduled Optional Resale Date).

Nominated Purchaser:

In the event of a Resale, each Holder is bound under the Conditions to sell their Capital Notes to one or more third party purchasers appointed as "Nominated Purchaser" at the Resale Price. The Nominated Purchaser must not be the Issuer or any Related Entity of the Issuer.

If a Nominated Purchaser does not pay the Resale Price when the Resale Price is due, the Resale to that Nominated Purchaser will not occur and Holders will continue to hold Capital Notes in accordance with the Conditions until the Capital Notes are otherwise Redeemed, Converted or Resold in accordance with the Conditions.

Purchases:

The Issuer (or any Related Entity of the Issuer) may at any time purchase Capital Notes in the open market or otherwise and at any price or consideration (subject to the prior written approval of APRA and the law).

### **Ranking of Capital Notes**

Not secured, guaranteed or protected accounts:

Capital Notes are unsecured. Capital Notes do not constitute protected accounts and are not deposit liabilities for the purposes of the Banking Act or any other accounts with the Issuer and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other party.

Ranking in a winding up of the Issuer:

In a winding up of the Issuer, Capital Notes rank in priority to Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments (such as other Additional Tier 1 capital instruments), and junior to Senior Creditors (which include depositors and holders of Tier 2 Capital Instruments). This means that, on a winding up, there is a risk that Holders will lose all or some of their investment. If Capital Notes have been Converted into Ordinary Shares prior to a winding up of the Issuer, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares and rank lower than they would have had they still remained

Capital Notes. If Capital Notes are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.

Ranking in relation to Distributions:

In respect of payment of Distributions, Capital Notes rank in priority to Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments, and junior to Senior Creditors (which includes depositors and holders of Tier 2 Capital Instruments). However, if Capital Notes have been Converted into Ordinary Shares, any rights to any distributions will be as holders of Ordinary Shares. If Capital Notes are Written Off, Holders will not be entitled to any Distributions.

Holders should also understand that the Issuer may have on issue Relevant Tier 1 Capital Instruments (such as the convertible preference shares issued by the Issuer on 17 December 2013 (“**NAB CPS II**”)) that take the form of convertible preference shares. Due to the requirements of the law at the time of issue of the convertible preference shares, if convertible preference shares are written off, the rights of holders of these securities are not terminated but are instead varied so as to give a holder rights equivalent to the rights in respect of Ordinary Shares it would have received if conversion had occurred. Accordingly, if Capital Notes are Written Off, Holders will have lesser rights and will likely be worse off than holders of convertible preference shares issued by the Issuer, even though those securities rank equally with Capital Notes.

#### **Title and transfer of Capital Notes**

Role of Austraclear System:

The Issuer intends to apply to Austraclear for approval for the Capital Notes to be traded on the Austraclear System. Approval of the Capital Notes by Austraclear is not a recommendation or endorsement by Austraclear of the Capital Notes.

Implications of holding through Austraclear System:

Capital Notes which are held in the Austraclear System will be registered in the name of Austraclear Limited (ABN 94 002 060 773).

Where Capital Notes are held in the Austraclear System:

- any investor who is not a “Participant” as defined in the Austraclear Regulations (an “**Austraclear Participant**”) will have to maintain arrangements with an Austraclear Participant in order to hold an interest in Capital Notes or to receive any Ordinary Shares issued on Conversion. The Issuer has no responsibility for these arrangements or for the performance by any Austraclear Participant of its obligations; and
- for the purposes of determining the person entitled to be issued Ordinary Shares, or the Eligible Nominee referred to below under “Issues to an Eligible Nominee”, the Issuer will treat the relevant Austraclear Participant as the holder of the Capital Notes.

Title:

Entry of the name of the person in the Register in respect of a Capital Note constitutes the obtaining or passing of title and is conclusive evidence that the person so entered is the registered holder of the Capital Note.

No certificate or other evidence of title will be issued to holders of Capital Notes unless the Issuer determines that certificates should be available or it is required to do so pursuant to any applicable law or regulation.

Transfer procedure: Capital Notes may be transferred in whole but not in part.

Capital Notes held in the Austraclear System will only be transferable in accordance with the regulations of the Austraclear System and the Registry Services Agreement.

Where Capital Notes are not held in the Austraclear System, applications for transfer must be made by the lodgement of a transfer form with the Registrar.

Capital Notes are subject to restrictions on transfers as set out in the Conditions.

Selling restrictions: The offering, sale and delivery of Capital Notes and the distribution of this Information Memorandum and other material in relation to any Capital Notes are subject to such restrictions as may apply in any country in connection with the offering and sale of a particular Tranche of Capital Notes.

### **Other matters**

Further issues: The Issuer may, without the approval of Holders:

- issue, convert or repay notes or shares of any kind (including other capital instruments) whether ranking behind, equally with or in priority to Capital Notes;
- issue or guarantee any indebtedness; or
- issue further Capital Notes having the same Conditions as Capital Notes that are already on issue (which may, in certain circumstances, be consolidated to form a single Series).

Voting rights: A Capital Note does not entitle its Holder to vote at a general meeting of the Issuer. Holders have no right to vote in respect of any Conversion, Write Off, Redemption or Resale of Capital Notes.

Ordinary Shares issued on Conversion would have the usual voting rights conferred by Ordinary Shares. See "Description of Ordinary Shares".

Amendments to Conditions: The Issuer may make certain amendments to the Conditions without the approval of Holders, subject to:

- compliance with applicable law;
- the amendment being, in the Issuer's opinion, not materially prejudicial to Holders as a whole; and
- APRA's prior written approval (where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital).

These include amendments that are of a formal, minor or technical nature or are made to align with the terms of any Relevant Tier 1 Capital Instruments issued after the Issue Date.

The Issuer may also, with APRA's prior written approval where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital, amend the Conditions if the amendment has been approved by an Extraordinary Resolution. An amendment that will be materially prejudicial to Holders requires approval by Extraordinary Resolution.

The Capital Notes Deed Poll contains procedures for meetings of

Holders and passing of resolutions.

Notices:

While Capital Notes are lodged in the Austraclear System, notices may be given to Holders by the Issuer or an agent on behalf of the Issuer by delivery to the Austraclear System for communication by the Austraclear System to the persons shown in its records as having interests therein. In addition, notices may be given by the Issuer or an agent on behalf of the Issuer by newspaper advertisement, by prepaid post or left at the address of the relevant Holder in accordance with the Conditions.

Approved NOHC:

An Approved NOHC is a non-operating holding company within the meaning of the Banking Act (“**NOHC**”), which acquires the Issuer as a result of an event initiated by the Directors, where the ordinary shares of the NOHC are listed on an internationally recognised stock exchange and the NOHC undertakes to:

- convert Capital Notes into ordinary shares in the Approved NOHC whenever the Issuer would otherwise have been required to deliver Ordinary Shares and upon the occurrence of an Acquisition Event with respect to the Approved NOHC; and
- use all reasonable endeavours to procure quotation of all ordinary shares in its capital issued on Conversion on the securities exchange on which its ordinary shares are quoted at that time.

Following a NOHC Event involving an Approved NOHC, Holders continue to hold a note issued by the Issuer which ranks for payment of distributions and in a winding up of the Issuer as described in “Ranking of Capital Notes” and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in the Issuer.

There is no restriction on an Approved NOHC declaring or paying a dividend on, or buying back or reducing capital on its ordinary shares if the Issuer does not pay a Distribution on a Capital Note. If the Issuer does not pay a Distribution, the Issuer would remain subject to the restriction on it declaring or paying dividends on Ordinary Shares or buying back or reducing capital on its Ordinary Shares as described in “Restriction on Ordinary Shares if Distributions not paid”.

If a NOHC Event involving an Approved NOHC occurs, the Issuer may amend the Conditions with APRA’s prior written approval (but without the consent of Holders) to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion.

The occurrence of a NOHC Event involving an Approved NOHC does not allow the Issuer to elect to Convert, Redeem or Resell Capital Notes.

Holders do not have any right to vote on a NOHC Event involving an Approved NOHC.

The Issuer expects that the rights attaching to the Approved NOHC shares would be substantially equivalent to the rights attaching to Ordinary Shares.

Payments:

Payments in respect of a Capital Note will be made by the Issuer or



an agent on behalf of the Issuer to the person that is recorded in the Register as the Holder of that Capital Note as at the Relevant Time on the Record Date for that payment.

Where Capital Notes are held in the Austraclear System, payments will be made by crediting the amount due to the account previously notified by the Austraclear System to the Issuer and the Registrar in accordance with the Austraclear System's rules and regulations.

Where Capital Notes are not held in the Austraclear System, payments will be made by crediting on the relevant payment date, the amount due to an account previously notified by the Holder to the Issuer and the Registrar in Australian Dollars. If a Holder has not notified the Registrar of an account to which payments to it by the time specified in the Conditions, the Issuer may make payment by cheque.

Time limit on claims: A claim against the Issuer for a payment under a Capital Note is void unless made within 5 years from the date on which payment first became due.

Determination and calculation final: Except where there is fraud or a manifest error, any determination or calculation which the Issuer makes in accordance with the Conditions (including with respect to the calculation of payments under a Capital Note) is final and binds the Issuer, the Registrar and each Holder.

No set-off: A Holder does not have any right to set-off any amounts owing to it by the Issuer in connection with the Capital Notes against any amount owing by it to the Issuer in connection with the Capital Notes or otherwise.

The Issuer does not have any right to set-off any amounts owing to it by a Holder against any amount owing by it to the Holder in connection with the Capital Notes.

Power of attorney: Each Holder agrees to appoint the Issuer, its Authorised Officers and any External Administrator of the Issuer (each an "**Attorney**") severally to be the attorney of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under the Conditions including, but not limited to, effecting any transfers of Capital Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.

Issues to an Eligible Nominee: The Issuer will issue the Ordinary Shares which a Holder is obliged to accept on Conversion to an Eligible Nominee:

- where the Holder does not wish to receive Ordinary Shares as a result of a Conversion and notifies the Issuer of this at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date;
- where the Holder is a Foreign Holder, unless the Issuer is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder, subject to certain conditions; or
- to the extent that a FATCA Withholding is required to be made in respect of Ordinary Shares.

At the first reasonable opportunity to sell the Ordinary Shares, the

Eligible Nominee will arrange for their sale and pay to the relevant Holder a cash amount equal to the proceeds of the sale (less brokerage and other costs). No guarantee is given in relation to the timing or price at which any sale will occur.

Neither the Issuer nor the Eligible Nominee has any duty to Holders in relation to the price at which Ordinary Shares are sold, nor any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares where required in the circumstances described above.

The Issuer will treat a Holder as a Foreign Holder if its address in the Register is a place outside of Australia or the Issuer otherwise believes the Holder may not be a resident of Australia.

**Taxes:** A general overview of the expected Australian taxation consequences of investing in the Capital Notes is set out in "Australian Taxation" below. However, investors should obtain their own taxation advice regarding the taxation status of investing in Capital Notes.

**Stamp duty:** Any stamp duty incurred at the time of issue of the Capital Notes will be for the account of the Issuer. Any stamp duty incurred on a transfer of Capital Notes will be for the account of the relevant investors.

As at the date of this Information Memorandum, no Australian stamp duty should be payable on the issue of the Capital Notes or any transfer of Capital Notes provided that following the issue or transfer of Capital Notes, no Holder will, either alone or together with any associated persons, be entitled to a distribution of 50% or more of the property of the Issuer on a notional distribution of all the property of the Issuer.

**Withholding tax:** If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Capital Notes, the Issuer will deduct the amount for the Taxes. The Issuer is not required to pay any additional amounts to Holders in these circumstances. See the section entitled "Australian Taxation" below.

**Listing:** The Capital Notes will not be listed on any stock exchange. The Issuer will use all reasonable endeavours to list Ordinary Shares issued upon Conversion on the ASX.

# Capital Note Risks

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Investment risks:	This Information Memorandum describes only some of the key risks of investing in the Capital Notes. It does not describe all the risks of an investment in the Capital Notes. If prospective investors are in any doubt about the risks associated with an investment in the Capital Notes, they should consult their own professional, financial, legal and tax advisers about such risks and the suitability of investing in the Capital Notes in light of their particular circumstances.
Capital Notes are not deposit liabilities or protected accounts:	Capital Notes do not constitute protected accounts or deposit liabilities for the purposes of the Banking Act or any other accounts with the Issuer and are not guaranteed or insured by any person.
Distributions may not be paid:	<p>There is a risk that Distributions will not be paid, including where the Directors do not resolve to pay a Distribution or where a Payment Condition exists on the Distribution Payment Date.</p> <p>As Distributions are non-cumulative, if a Distribution is not paid then the Issuer has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment. Failure to pay a Distribution when scheduled will not constitute an event of default.</p>
Changes to the Distribution Rate (Floating Rate and Fixed-to-Floating Rate Capital Notes):	The Distribution Rate on Floating Rate Capital Notes and on Fixed-to-Floating Rate Capital Notes (during the Floating Rate Period) will vary by reference to the applicable Base Rate. The Base Rate may go up or down. There is a risk that the return on Capital Notes may become less attractive compared to returns on other investments.
Holdings rights if Distributions are not paid are limited:	<p>If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, the Issuer cannot declare, determine to pay or pay dividends on its Ordinary Shares or return capital (unless approved by Holders). However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.</p> <p>Holdings should be aware that the dates for dividends or other distributions with respect to Ordinary Shares are determined by the Issuer in its discretion and do not bear a fixed relationship to the Distribution Payment Dates for Capital Notes. Accordingly, as soon as the restriction ceases to apply (as will be the case if the next scheduled Distribution on Capital Notes is paid in full) the Issuer will not be restricted from paying a dividend or other distributions on its Ordinary Shares.</p>
Market price of Capital Notes:	The market price of Capital Notes may go up or down and there is no guarantee Capital Notes will trade at or above their Principal Amount. The price at which Capital Notes trade may, for example, be affected by how the Distribution Rate of Capital Notes compares to that of other comparable instruments.
Liquidity of Capital Notes:	The liquidity of Capital Notes may be low, which means that, at certain times, Holders may be unable to sell Capital Notes at an acceptable price, if at all.
Liquidity and price of Ordinary Shares:	Where Capital Notes are Converted, the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion, or there may be no liquid

market at that time.

The market price of Ordinary Shares may go up or down due to various factors, including investor perceptions, domestic and worldwide economic conditions, the Issuer's financial performance and position and transactions affecting the share capital of the Issuer.

As a result, the value of any Ordinary Shares received by Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter.

The market price of Ordinary Shares is also relevant to determining whether or not the relevant Conversion conditions are satisfied and Conversion will occur (except for Conversions on account of a Loss Absorption Event) and the number of Ordinary Shares Holders will receive.

The sale of Ordinary Shares may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of ordinary shares to investors within 12 months of their issue (except where certain exemptions apply) if the Capital Notes and the Ordinary Shares issued following Conversion are issued without disclosure by the Issuer as required by the Corporations Act. These prohibitions may restrict sales by any nominee or Holders which may result in loss being suffered. Holders of Capital Notes agree under the Conditions not to trade Ordinary Shares issued on Conversion (except where relevant exemptions apply), until the Issuer has taken all actions required under the Corporations Act, other applicable laws and the ASX Listing Rules for the Ordinary Shares to be freely tradeable without further disclosure or action.

Use of franking credits:

The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking.

If any Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate.

Holders should be aware that franking is not guaranteed and that their ability to use franking credits will depend on their individual circumstances and applicable Australian tax law. The extent to which Distributions will be franked will depend on a number of factors, including the Group's capital management plan and the level of profits generated by the Group that will be subject to tax in Australia. Distributions are not adjusted where Holders are unable to use franking credits, including where the Commissioner of Taxation applies rules that deny the benefit of franking (as set out in "Australian Taxation" below).

Capital Notes are perpetual and may not Convert:

Capital Notes have no fixed maturity date but will Convert into Ordinary Shares on the Scheduled Mandatory Conversion Date if they are still on issue on that date and if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on that date, the Capital Notes will not Convert on that date and Conversion will occur on the next Distribution Payment Date on which they are satisfied.

If the Mandatory Conversion Conditions are never satisfied, there is a risk that Capital Notes may never Convert.

<p> Holders have no right to request repayment:</p>	<p> Holders have no right to request that their Capital Notes be repaid. Unless there is a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their Capital Notes at the prevailing market price. That price may be less than the Principal Amount, and there may be no liquid market in Capital Notes. See “Liquidity of Capital Notes” above.</p>
<p> Acquisition Event Conversion:</p>	<p> Capital Notes are issued by the Issuer, which, as an ASX-listed company, may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.</p> <p> Where this corporate activity constitutes an Acquisition Event, as defined in the Conditions, the Issuer is required to Convert all Capital Notes, subject to certain conditions.</p> <p> There is a risk that the conditions to Conversion may never be satisfied, resulting in Holders continuing to hold Capital Notes in perpetuity following an Acquisition Event.</p> <p> Further, if Conversion on account of an Acquisition Event does occur, it may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.</p>
<p> The Issuer has certain early Conversion, Redemption and Resale rights:</p>	<p> Subject to the prior written approval of APRA and certain conditions being met, the Issuer has the right to:</p> <ul style="list-style-type: none"> <li>• Convert, Redeem or Resell Capital Notes on the dates specified in the relevant Pricing Supplement, or because of a Tax Event or a Regulatory Event; and</li> <li>• Convert Capital Notes because of a Potential Acquisition Event.</li> </ul> <p> Holders should not expect that APRA’s approval, if requested, will be given for any Conversion, Redemption or Resale of Capital Notes.</p> <p> There is a risk that the conditions to Conversion, Redemption or Resale of Capital Notes may never be satisfied. Further, Conversion, Redemption or Resale may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.</p>
<p> Loss Absorption Event:</p>	<p> The Issuer must immediately Convert Capital Notes into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur at any time and on any day (whether or not the day is a Business Day). Accordingly, any such Conversion on account of a Loss Absorption Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.</p> <p> A Loss Absorption Event is each of:</p> <ul style="list-style-type: none"> <li>• a Common Equity Trigger Event; and</li> <li>• a Non-Viability Trigger Event.</li> </ul>

**Non-Viability Trigger Event:** APRA has not provided specific guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of the Issuer's financial position and insolvency; however, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures and APRA's position on these matters may change over time. APRA has indicated that non-viability is likely to arise prior to the insolvency of an ADI. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of the Issuer. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of the Issuer.

**Conversion following Loss Absorption Event:** The number of Ordinary Shares that a Holder will receive on Conversion following a Loss Absorption Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted 5 Business Day VWAP but subject to the Maximum Conversion Number.

The VWAP of Ordinary Shares at the time of a Loss Absorption Event may vary according to the severity of the Loss Absorption Event. This may impact the number and value of Ordinary Shares that will be received by a Holder under a Conversion following a Loss Absorption Event.

Accordingly, Holders are likely to receive Ordinary Shares worth significantly less than the principal amount of their Capital Notes and may lose a significant amount of the money they invested in Capital Notes as a consequence.

**Write Off following Loss Absorption Event:** In cases where Capital Notes are not Converted for any reason within 5 days after the Loss Absorption Event Conversion Date (including on account of an Inability Event), Capital Notes will be Written Off with effect on and from the Loss Absorption Event Conversion Date.

If a Write Off occurs following a Loss Absorption Event:

- the rights of Holders to Distributions and returns of capital will be terminated;
- Capital Notes that are Written Off will not be Converted, Redeemed or Resold on any subsequent date; and
- Holders will not have their capital repaid.

The laws under which an Inability Event may arise include laws relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity. The laws and other grounds on which an Inability Event may arise may change and the change may be adverse to the interests of Holders.

The Banking Act gives statutory recognition to conversion and write-off provisions in regulatory capital instruments such as Capital Notes, subject to limited exceptions.

**Ranking in a winding up of the Issuer:** In a winding up of the Issuer, Capital Notes rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (including depositors and holders of Tier 2 Capital Instruments).

On a winding up of the Issuer, there is a risk that Holders may lose some or all of the money they have invested in Capital Notes. If Capital Notes are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.

The Issuer may issue further securities or incur other indebtedness:

There is no limit on the amount of senior debt, deposits or other obligations or securities (whether ranking equally with, or in priority or junior to the Capital Notes) that may be incurred or issued by the Issuer at any time or the incurring or guaranteeing by the Issuer of any indebtedness, which may affect Holders' ability to be repaid on a winding up of the Issuer.

NOHC Event:

Certain events which would otherwise constitute Acquisition Events are categorised under the Conditions as NOHC Events. Where a NOHC Event occurs and certain other conditions are satisfied, the NOHC Event will not trigger a Conversion of Capital Notes. Instead, the Issuer may amend the Conditions in order to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion. Accordingly, potential investors should be aware that, if a NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the Conditions, Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares of the Issuer on Conversion. Potential investors should also be aware that Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event.

Where a NOHC Event is accompanied by a transfer of assets from the Issuer to the Approved NOHC or another subsidiary of the Approved NOHC, the Issuer may as a result have reduced assets to meet the claims of its creditors (including Holders) and shareholders.

Following the substitution of an Approved NOHC as issuer of the ordinary shares on Conversion but prior to any Conversion, Holders continue to hold a note issued by the Issuer which ranks for payment of distributions and in a winding up of the Issuer as described in "Ranking of Capital Notes" and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in the Issuer.

There is no restriction on an Approved NOHC declaring or paying a dividend on, or buying back or reducing capital on its ordinary shares if the Issuer does not pay a Distribution on a Capital Note. If the Issuer does not pay a Distribution, the Issuer would remain subject to the restriction on it declaring or paying dividends on Ordinary Shares or buying back or reducing capital on its Ordinary Shares as described in "Restrictions on Ordinary Shares if Distributions not paid".

As at the Preparation Date, the Issuer has made no decision to implement a NOHC structure.

Relevant provisions of the Banking Act, powers of a statutory manager and APRA secrecy rules:

In certain circumstances APRA may appoint a statutory manager (a Banking Act statutory manager) to take control of the business of an ADI, such as the Issuer. The powers of a Banking Act statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. A Banking Act statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any

contract or arrangement to which the ADI is party or the ASX Listing Rules. The Banking Act statutory manager may also dispose of the whole or part of an ADI's business. In the event that a Banking Act statutory manager is appointed to the Issuer in the future, these broad powers of a Banking Act statutory manager may be exercised in a way which adversely affects the rights attaching to Capital Notes and the position of Holders. APRA may, in certain circumstances, require the Issuer to transfer all or part of its business to another entity under the Financial Sector (Transfer and Restructure) Act 1999 (Cth) ("**FSTR Act**").

A transfer under the FSTR Act overrides anything in any contract or agreement to which the Issuer is party and thus may have an adverse effect on the Issuer's ability to comply with its obligations under the Capital Notes and the position of Holders.

In addition, Holders should be aware that secrecy obligations may apply to action taken by APRA. This means that information about action taken by APRA (including in exercise of its powers under the Banking Act) may not be publicly disclosed.

Exposure to the Issuer's financial performance:

If the Issuer's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Capital Notes may decline in value. Accordingly, when evaluating whether to invest in Capital Notes, investors should carefully evaluate the investment risks associated with an investment in the Issuer.

Holders may be subject to FATCA withholding and information reporting:

It is possible that, in order to comply with FATCA, the Issuer (or if the Capital Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service ("**IRS**") or under applicable law) to request certain information from Holders or beneficial owners of the Capital Notes, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after the implementation date of the relevant U.S. regulations with respect to the Capital Notes if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If the Issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the Capital Notes, Holders and beneficial owners of the Capital Notes will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This description is based on guidance issued to date by the IRS, including recently issued regulations. Future guidance may affect the application of FATCA to the Capital Notes.

**FATCA** refers to Section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections).



# Capital Note Conditions

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*The following are the general terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will apply to each Capital Note issued under the Capital Notes Programme of National Australia Bank Limited. Definitions and interpretation provisions are set out in Condition 27 (“Interpretation and definitions”)*

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## 1 Introduction

### 1.1 Programme

Capital Notes (“**Capital Notes**”) may be issued under a Capital Notes Programme established on or about 30 October 2019 by NAB (the “**Programme**”).

### 1.2 Pricing Supplement

Capital Notes issued under the Programme are issued in Series.

Each Series may comprise one or more Tranches, provided that the requirements of APRA for Capital Notes to be eligible for inclusion as Additional Tier 1 Capital of NAB are met in respect of each Tranche.

Each Tranche is the subject of a Pricing Supplement which supplements, amends or replaces these Conditions. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement prevails.

Copies of the relevant Pricing Supplement are available for inspection or upon request by Holders or prospective Holders during normal business hours at the Specified Office of NAB or the Registrar.

### 1.3 Types of Notes

A Capital Note may be:

- (a) a Fixed Rate Capital Note;
- (b) a Floating Rate Capital Note; or
- (c) a Fixed-to-Floating Rate Capital Note,

in each case, as specified in the relevant Pricing Supplement.

### 1.4 Austraclear System

Capital Notes may be held in the Austraclear System.

If Capital Notes are held in the Austraclear System, the rights of each Holder and any other person holding an interest in those Capital Notes are subject to the rules and regulations of the Austraclear System, provided that such rules and regulations do not affect any provisions in these Conditions which affect the eligibility of the Capital Notes as Additional Tier 1 Capital of NAB.

NAB is not responsible for anything the Austraclear System does or omits to do.

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## 2 Form and Issue Price

### 2.1 Form

Capital Notes are mandatorily convertible subordinated perpetual debt securities. Capital Notes may be Redeemed, Converted or Resold by NAB in accordance with these Conditions and the relevant Pricing Supplement.

## 2.2 Issue Price

Capital Notes are issued for the Issue Price specified in the relevant Pricing Supplement.

## 2.3 Constitution and independent obligations

- (a) Capital Notes are constituted by and owing under the Capital Notes Deed Poll.
- (b) Capital Notes take the form of entries in, and are issued by entry in, the Register.
- (c) Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Holder of the obligations of NAB to the relevant Holder under these Conditions. Without prejudice to any provision requiring an Extraordinary Resolution or an Ordinary Resolution, the Holder to whom those obligations are owed is entitled to enforce them without having to join any other Holder or any predecessor in title of a Holder.
- (d) No certificates will be issued to Holders unless NAB determines that certificates should be available or if certificates are required by any applicable law or directive.

## 2.4 Nature of obligations

Capital Notes do not constitute deposit liabilities or protected accounts for the purposes of the Banking Act. In addition, Capital Notes are not guaranteed or insured by any government, Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other person.

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## 3 Denomination and currency

### 3.1 Denomination and Principal Amount

The “**Denomination**” and “**Principal Amount**” of each Capital Note is A\$1,000.

### 3.2 Currency

Capital Notes are denominated in Australian Dollars.

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## 4 General Provisions applicable to Distributions

### 4.1 Entitlement to Distributions

Subject to Condition 4.9, NAB shall pay a Distribution in respect of a Capital Note in arrears on each Distribution Payment Date. The Distribution Payment Dates for a Capital Note shall be:

- (a) each date so specified in, or determined in accordance with, the relevant Pricing Supplement; and
- (b) each date on which a Conversion, Redemption or Resale of the Capital Note occurs in accordance with the Conditions,

in each case, as adjusted in accordance with the relevant Business Day Convention.

### 4.2 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons Registered as Holders on the Record Date for that Distribution.

### 4.3 Calculation of Distribution on Capital Notes

The Distribution payable in respect of a Capital Note on a Distribution Payment Date is determined in accordance with the following formula:

$$\text{Distribution} = \text{Distribution Rate} \times \text{Principal Amount} \times \text{Day Count Fraction}$$

#### 4.4 Calculation of Distribution Rate on Fixed Rate Capital Notes

The Distribution Rate in respect of a Distribution on a Fixed Rate Capital Note is the rate (expressed as a percentage per annum) determined in accordance with by the following formula:

$$\text{Distribution Rate} = (\text{Fixed Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

Where **Fixed Rate** means the rate specified in, or determined in accordance with, the relevant Pricing Supplement.

#### 4.5 Calculation of Distribution Rate on Floating Rate Capital Notes

The Distribution Rate in respect of a Distribution on a Floating Rate Capital Note is the rate (expressed as a percentage per annum) determined in accordance with the following formula:

$$\text{Distribution Rate} = (\text{Base Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

**Base Rate** means, where the relevant Pricing Supplement specifies as the basis for determining the Base Rate:

- (i) "ISDA Determination", the ISDA Rate;
- (ii) "Screen Rate Determination", the Screen Rate; and
- (iii) "Bank Bill Rate Determination", the Bank Bill Rate,

or such other rate as is specified in the relevant Pricing Supplement.

#### 4.6 Calculation of Distribution Rate on Fixed-to-Floating Rate Capital Notes

The Distribution Rate in respect of a Distribution on a Fixed-to-Floating Rate Capital Note is the rate (expressed as a percentage per annum) determined as:

- (a) for the Fixed Rate Period, in accordance with Condition 4.4 as if the Capital Note were a Fixed Rate Capital Note; and
- (b) for the Floating Rate Period, in accordance with Condition 4.5 as if the Capital Note were a Floating Rate Capital Note.

#### 4.7 Base Rate Disruption Event

In respect of a Floating Rate Capital Note or a Fixed-to-Floating Rate Capital Note in the Floating Rate Period for which the Pricing Supplement specifies "Screen Rate Determination" or "Bank Bill Rate Determination" as the method for determining the Base Rate, if the Calculation Agent determines that a Base Rate Disruption Event has occurred, then, subject to APRA's prior written approval, the Calculation Agent:

- (a) shall use as the Base Rate such Alternative Base Rate as it may determine in accordance with these Conditions;
- (b) shall make such adjustments to these Conditions as it determines are reasonably necessary to calculate Distributions in accordance with such Alternative Base Rate; and
- (c) in making the determinations under paragraphs (a) and (b) above:
  - (i) shall act in good faith and in a commercially reasonable manner;

- (ii) may consult with such sources of market practice as it considers appropriate; and
- (iii) may otherwise make such determination in its discretion.

*Holders should note that APRA's approval may not be given for any Alternative Base Rate it considers to have the effect of increasing the rate of Distributions contrary to applicable prudential standards.*

#### **4.8 Franking adjustments**

If a Distribution is not franked to 100% under Part 3-6 of the Tax Act (and any provisions that revise or replace that Part), the Distribution payable under Condition 4.3 will be calculated according to the following formula:

$$\text{Distribution} = \frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$$

where:

**D** means the Distribution calculated under Condition 4.3; and

**F** means the applicable Franking Rate.

#### **4.9 Conditions to payment of Distributions**

A Distribution will be paid only if:

- (a) the Directors in their sole discretion resolve to pay the relevant Distribution on the relevant Distribution Payment Date; and
- (b) a Payment Condition does not exist on the relevant Distribution Payment Date.

#### **4.10 Distributions are non-cumulative**

Distributions are non-cumulative. If all or any part of a Distribution is not paid in full because of the restrictions in Condition 4.9 or for any other reason:

- (a) NAB has no liability to pay the unpaid amount of the Distribution;
- (b) Holders have no claim or entitlement in respect of such non-payment; and
- (c) such non-payment does not constitute an event of default.

No interest accrues on any unpaid Distributions and the Holder has no claim or entitlement in respect of interest on any unpaid Distributions.

#### **4.11 Restrictions in the case of non-payment**

Subject to Condition 4.12, if a Distribution on a Capital Note has not been paid in full (**Relevant Distribution**) on a Distribution Payment Date (**Relevant Distribution Payment Date**) for any reason (including because of the restrictions in Condition 4.9), NAB must not, unless approved by an Ordinary Resolution, until and including the Distribution Payment Date following the Relevant Distribution Payment Date:

- (a) declare, determine to pay or pay any Ordinary Share Dividend; or
- (b) undertake any Buy-Back or Capital Reduction,

unless the Relevant Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

#### 4.12 Exceptions to restrictions

The restrictions in Condition 4.11 do not apply:

- (a) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of NAB or any member of the Group;
- (b) in connection with NAB or any of its Controlled Entities purchasing shares in NAB:
  - (i) in connection with transactions for the account of customers of NAB or customers of any of its Controlled Entities; or
  - (ii) subject to APRA's prior written approval, in connection with the distribution or trading of shares in NAB in the ordinary course of business; or
- (c) to the extent that at the time a Distribution has not been paid on the Relevant Distribution Payment Date, NAB is legally obliged to pay on or after that date an Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

#### 4.13 Notification of Distribution, Distribution Rate and other items

- (a) In respect of each Distribution Period, NAB shall (or where the Calculation Agent is not NAB, shall procure the Calculation Agent to):
  - (i) determine the Distribution Rate and the Distribution for that Distribution Period in respect of any Capital Note; and
  - (ii) notify the Registrar as soon as practicable after its determination but, in any event, no later than the fourth Business Day of the Distribution Period.
- (b) NAB must notify the Registrar at least 5 Business Days before the relevant Record Date (or, if later, as soon as it decides not to pay a Distribution or as soon as a Payment Condition exists) if payment of the Distribution will not be made because of Condition 4.9.
- (c) NAB (or, where the Calculation Agent is not NAB, the Calculation Agent) may amend its calculation or determination of any date, rate or amount (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of the Distribution Period or calculation period or a change to the Tax Rate without prior notice but must notify the Registrar promptly after doing so.

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## 5 Mandatory Conversion on Mandatory Conversion Date

### 5.1 Mandatory Conversion

Subject to Conditions 6 and 7, on the Mandatory Conversion Date for a Series NAB must Convert all (but not some) Capital Notes of that Series into Ordinary Shares in accordance with Condition 9 and this Condition 5.

### 5.2 Mandatory Conversion Date

The **Mandatory Conversion Date** will be the first to occur of the following dates (each a **Relevant Mandatory Conversion Date**) on which the Mandatory Conversion Conditions are satisfied:

- (a) the Scheduled Mandatory Conversion Date; or
- (b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

### 5.3 Mandatory Conversion Conditions

The **Mandatory Conversion Conditions** for each Relevant Mandatory Conversion Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date on which trading in Ordinary Shares took place) is greater than 56% of the Issue Date VWAP (the **First Mandatory Conversion Condition**);
- (b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and
- (c) no Delisting Event applies in respect of the Relevant Mandatory Conversion Date (the **Third Mandatory Conversion Condition** and together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the **Mandatory Conversion Conditions**).

### 5.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date for a Series of Capital Notes, NAB will give notice to Holders between the 25th and the 21st Business Day before the Relevant Mandatory Conversion Date; or
- (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date for a Series of Capital Notes, NAB will give notice to Holders on or as soon as practicable after the Relevant Mandatory Conversion Date,

(each such notice a **Non-Conversion Notice**) that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Mandatory Conversion Date.

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## 6 Mandatory Conversion on Loss Absorption Event

### 6.1 Loss Absorption Event

A **Loss Absorption Event** is each of:

- (a) a Common Equity Trigger Event; and
- (b) a Non-Viability Trigger Event.

### 6.2 Common Equity Trigger Event

- (a) A **Common Equity Trigger Event** occurs when either or both of the Common Equity Tier 1 Ratio in respect of the NAB Level 1 Group and the NAB Level 2 Group as determined by NAB or APRA at any time is equal to or less than 5.125%.
- (b) NAB must immediately notify APRA in writing if it makes a determination under Condition 6.2(a).
- (c) If a Common Equity Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off:
  - (i) all Relevant Tier 1 Capital Instruments; or

- (ii) a proportion of the Relevant Tier 1 Capital Instruments sufficient to return each of the Common Equity Tier 1 Ratio in respect of the NAB Level 1 Group and the Common Equity Tier 1 Ratio in respect of the NAB Level 2 Group to a percentage above 5.125% determined by NAB for that ratio.

### 6.3 Non-Viability Trigger Event

- (a) A **Non-Viability Trigger Event** means APRA has provided a written determination to NAB that:
  - (i) the conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments in accordance with their terms or by operation of law 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.
- (b) If a Non-Viability Trigger Event occurs under Condition 6.3(a)(i), NAB must immediately convert into Ordinary Shares or write off:
  - (i) all Relevant Tier 1 Capital Instruments; or
  - (ii) where APRA is satisfied that conversion or write off of a proportion of Relevant Tier 1 Capital Instruments will be sufficient to ensure that NAB will not become non-viable, that proportion of Relevant Tier 1 Capital Instruments.
- (c) Where a Non-Viability Trigger Event occurs under Condition 6.3(a)(ii), NAB must immediately convert or write off all Relevant Tier 1 Capital Instruments then outstanding (including Capital Notes).

*APRA has stated that it will not approve partial conversion or partial write off in those exceptional circumstances where a public sector injection of funds is deemed necessary.*

### 6.4 Loss Absorption Event Conversion

- (a) On the date on which a Loss Absorption Event occurs (the **Loss Absorption Event Conversion Date**) NAB must immediately determine:
  - (i) the aggregate Principal Amount of Capital Notes that will Convert and the aggregate principal amount of other Relevant Tier 1 Capital Instruments that will convert into Ordinary Shares or be written off (in accordance with Condition 6.2 or Condition 6.3, as applicable); and
  - (ii) the identity of Holders whose Capital Notes will Convert on the Loss Absorption Event Conversion Date and in making that determination may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time.
- (b) Where NAB is required to Convert some but not all Capital Notes on account of a Loss Absorption Event, subject to paragraph (c):
  - (i) NAB must endeavour to select the Capital Notes of Holders to be Converted on an approximately proportionate basis among all Holders, but may make adjustments among Holders to take account of the effect on marketable parcels and other logistical considerations; and
  - (ii) where the Specified Currency of Relevant Tier 1 Capital Instruments is not the same for all Relevant Tier 1 Capital Instruments, NAB 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 Holders and holders of other Relevant Tier 1 Capital Instruments having regard to the need to effect conversion immediately.

- (c) Despite any other provision in these Conditions, on a Loss Absorption Event Conversion Date the aggregate Principal Amount (as determined under this Condition 6.4) of Capital Notes will Convert immediately and irrevocably.
- (d) A Loss Absorption Event occurs immediately on the day when NAB determines or is notified by APRA of the event whether or not the day is a Business Day and NAB must perform the obligations in respect of it on that day accordingly.
- (e) None of the following shall prevent, impede or delay the Conversion of Capital Notes as required by this Condition 6.4:
  - (i) any failure to convert into Ordinary Shares or write off, or delay in the conversion into Ordinary Shares or write off of, other Relevant Tier 1 Capital Instruments;
  - (ii) any failure or delay in giving a Loss Absorption Event Notice;
  - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
  - (iv) any obligation to treat Holders proportionately or to make the determinations or adjustments in accordance with Condition 6.4(b); or
  - (v) any decision as to the identity of Holders whose Capital Notes are to be Converted or Written Off.
- (f) From a Loss Absorption Event Conversion Date NAB shall treat the Holder in respect of its Capital Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

#### **6.5 Write Off following failure to Convert**

If Conversion required in respect of a Capital Note on account of a Loss Absorption Event has not been effected within 5 days after a Loss Absorption Event Conversion Date for any reason (including an Inability Event), then the Conversion will not occur and the Capital Notes which, but for this Condition 6.5, would be required to be Converted, will be Written Off with effect on and from the Loss Absorption Event Conversion Date.

**Written Off** means that, in respect of a Capital Note and a Loss Absorption Event Conversion Date:

- (a) the Capital Note will not be Converted in respect of the Loss Absorption Event Conversion Date and will not be Converted, Redeemed or Resold under these Conditions on any subsequent date; and
- (b) the relevant Holders' rights (including to payments of Distributions and Principal Amount) in relation to such Capital Note are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date.

#### **6.6 Loss Absorption Event Notice**

As soon as practicable following the occurrence of a Loss Absorption Event, NAB must give notice of the Loss Absorption Event (a **Loss Absorption Event Notice**) to the Registrar, and the Holders which states the Loss Absorption Event Conversion Date, the aggregate Principal Amount of Capital Notes Converted or Written Off and the aggregate principal amount of Relevant Tier 1 Capital Instruments converted into Ordinary Shares or written off.



## **6.7 Priority of Conversion obligations**

- (a) Conversion on account of the occurrence of a Loss Absorption Event is not subject to the matters described in Condition 5.3 as Mandatory Conversion Conditions.
- (b) Conversion required on account of a Loss Absorption Event takes place on the date, and in the manner, required by Condition 6.4, notwithstanding any other provision for Conversion, Redemption or Resale in these Conditions.
- (c) In the event of any conflict between the requirements of Conditions 6.3 and 6.2, Condition 6.3 prevails.

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## **7 Mandatory Conversion on Acquisition Event**

### **7.1 Conversion on occurrence of Acquisition Event**

If an Acquisition Event occurs, NAB must Convert all (but not some only) Capital Notes on the Acquisition Conversion Date by notice (an **Acquisition Conversion Notice**) to the Registrar and the Holders in accordance with this Condition 7 and Condition 9.

### **7.2 Acquisition Conversion Notice**

Subject to Condition 7.3, NAB must give an Acquisition Conversion Notice to the Registrar and the Holders as soon as practicable and in any event within 10 Business Days after becoming aware of an Acquisition Event.

An Acquisition Conversion Notice must specify:

- (a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;
- (b) the date on which Conversion is to occur (the **Acquisition Conversion Date**), which must be:
  - (i) the Business Day prior to the date reasonably determined by NAB to be the last date on which holders of Ordinary Shares are likely to be able to participate in the bid or scheme concerned or such other earlier date as NAB may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
  - (ii) such later date as APRA may require; and
- (c) whether any Distribution will be paid in respect of the Capital Notes on the Acquisition Conversion Date.

### **7.3 Where Acquisition Conversion Notice not required**

Notwithstanding any provision of Condition 7.1 or Condition 7.2, NAB is not required to give an Acquisition Conversion Notice if either or both of the Optional Conversion Restrictions would apply (reading those restrictions as if a reference to an Optional Conversion Notice were a reference to an Acquisition Conversion Notice). In those circumstances, Condition 7.4 will apply.

### **7.4 Deferred Conversion on Acquisition Event**

If Condition 7.3 applies or NAB has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Mandatory Conversion Date for the purposes of Condition 5.2, either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Conditions (but without limitation to the operation of Condition 6.7):

- (a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;
- (b) NAB will notify the Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a **Deferred Acquisition Conversion Notice**); and
- (c) NAB must, unless Condition 7.3 then applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in Condition 7.2.

If this Condition 7.4 applies but:

- (i) Condition 7.3 applies in respect of the Distribution Payment Date referred to in paragraph (c) such that no Acquisition Conversion Notice (or, as the case may be, no new Acquisition Conversion Notice) is given under this Condition 7.4; or
- (ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this Condition 7.4 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Mandatory Conversion Date for the purpose of Condition 5.2, either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this Condition 7.4 will be reapplied in respect of each subsequent scheduled Distribution Payment Date until a Conversion occurs.

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## **8 Optional Conversion**

### **8.1 Optional Conversion by NAB**

NAB may, with APRA's prior written approval, by notice to the Registrar and the Holders (an **Optional Conversion Notice**) elect to Convert:

- (a) all or some Capital Notes of a Series on an Optional Conversion Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all or some Capital Notes of a Series on an Optional Conversion Date following the occurrence of a Potential Acquisition Event; or
- (c) all or some Capital Notes of a Series on a Scheduled Optional Conversion Date.

*Holders should not expect that APRA's approval will be given for a Conversion of Capital Notes under these Conditions.*

### **8.2 When an Optional Conversion Notice may be given**

An Optional Conversion Notice under this Condition 8 may be given:

- (a) in the case of Condition 8.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Conversion Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date;

- (b) in the case of Condition 8.1(b), on any day following the occurrence of the Potential Acquisition Event; or
- (c) in the case of Condition 8.1(c), no earlier than 50 Business Days and no later than 25 Business Days before the Scheduled Optional Conversion Date, or such other period as is specified in the relevant Pricing Supplement.

Subject to Condition 6.7, an Optional Conversion Notice once given is irrevocable.

### 8.3 Contents of Optional Conversion Notice

An Optional Conversion Notice must specify:

- (a) in the case of Condition 8.1(a) or Condition 8.1(b), the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Optional Conversion Notice relates;
- (b) the date on which Conversion is to occur (the **Optional Conversion Date**) which:
  - (i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; or
  - (ii) in the case of a Potential Acquisition Event, is:
    - (A) the Business Day prior to the date reasonably determined by NAB to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned; or
    - (B) such other earlier date as NAB may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
    - (C) such later date as APRA may require; or
  - (iii) in the case of Condition 8.1(c), is the Scheduled Optional Conversion Date;
- (c) if less than all Capital Notes of a Series are subject to Conversion, the proportion of the Capital Notes of that Series that are to be Converted; and
- (d) whether any Distribution will be paid in respect of the Capital Notes to be Converted on the Optional Conversion Date.

### 8.4 Restrictions on election of Conversion

NAB may not elect to Convert Capital Notes under this Condition 8 if:

- (a) on the second Business Day before the date on which an Optional Conversion Notice is to be sent by NAB (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

### 8.5 Deferred Conversion on Optional Conversion Date

If NAB has given an Optional Conversion Notice but, if the Conversion Date were a Relevant Mandatory Conversion Date for the purposes of Condition 5.2, either the Second Mandatory

Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Conditions:

- (a) the Optional Conversion Date will be deferred until the first Distribution Payment Date on which the Mandatory Conversion Conditions (applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition) would be satisfied if that Distribution Payment Date were a Relevant Mandatory Conversion Date for the purposes of Condition 5.2 (the **Deferred Conversion Date**);
- (b) NAB must Convert the Capital Notes on the Deferred Conversion Date (unless the Capital Notes are Converted, Written Off, Redeemed or Resold earlier in accordance with these Conditions); and
- (c) until the Deferred Conversion Date, all rights attaching to the Capital Notes will continue as if the Optional Conversion Notice had not been given.

NAB will notify the Holders on or as soon as practicable after an Optional Conversion Date in respect of which this Condition 8.5 applies that Conversion did not occur on that Conversion Date.

## 9 Conversion mechanics

### 9.1 Conversion

If NAB elects to Convert Capital Notes (with APRA's prior written approval) or must Convert Capital Notes in accordance with these Conditions, then, subject to this Condition 9, the following provisions shall apply:

- (a) each Holder will be issued a number of Ordinary Shares for each Capital Note held by the Holder that is being Converted on the Conversion Date equal to the Conversion Number, where the **Conversion Number** is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$\frac{\text{Principal Amount}}{99\% \times \text{VWAP}}$$

**99% x VWAP**

where:

**VWAP** (expressed in dollars and cents) means the VWAP during the VWAP Period; and

**Maximum Conversion Number** means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Principal Amount}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

where:

**Relevant Fraction** means:

- (A) if Conversion is occurring on a Mandatory Conversion Date, 0.5; and
- (B) if Conversion is occurring for any other reason, 0.2.

- (b) each Holder's rights (including to payment of Distributions, other than the Distribution if any, payable on a Conversion Date that is not a Loss Absorption Event Conversion Date) in relation to each Capital Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Principal Amount of that Capital Note and NAB will apply the Principal Amount by way of payment for subscription for the Conversion Number of Ordinary Shares to be issued under Condition 9.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this Condition 9.1(b) is to be applied as provided for in this Condition 9.1(b) and no Holder has any right to payment in any other way;
- (c) if the total number of Ordinary Shares to be issued to a Holder in respect of their aggregate holding of Capital Notes that is being Converted upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to the Ordinary Shares issued upon Conversion do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, Acquisition Conversion Date or the Optional Conversion Date (as the case may be) or, in the case of a Conversion on the Loss Absorption Event Conversion Date, the time at which such Conversion occurs on that date. At that time:
  - (i) all other rights conferred or restrictions imposed on that Capital Note under these Conditions will no longer have effect (except for rights relating to a Distribution which has been determined to be payable on a Conversion Date (that is not a Loss Absorption Event Conversion Date), which rights will continue); and
  - (ii) the Ordinary Shares issued upon the Conversion will rank equally with all other Ordinary Shares.

## 9.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Conditions:

- (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 Capital 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 Tax Act;
  - (ii) (in the case of any other entitlement that is not a dividend or other distribution under Condition 9.2(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; 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 Capital 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.

### 9.3 Adjustments to VWAP for divisions and similar transactions

- (a) Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a 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 it 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) Any adjustment made by NAB in accordance with Condition 9.3(a) will be effective and binding on Holders under these Conditions and these Conditions will be construed accordingly. Any such adjustment must be promptly notified to the Holders.

### 9.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to the VWAP will be made in accordance with Conditions 9.2 and 9.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with Conditions 9.5 to 9.7 (inclusive); and
- (b) if so made, will correspondingly:
- (i) affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions; and
  - (ii) cause an adjustment to the Maximum Conversion Number.

Any adjustment made by NAB in accordance with Condition 9.5(a) or 9.6(a) will be effective and binding on Holders under these Conditions and these Conditions will be construed accordingly.

### 9.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to Condition 9.5(b), if NAB makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_o \times \frac{RD}{RD + RN}$$

where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**V<sub>o</sub>** means the Issue Date VWAP applying 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) Condition 9.5(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 Condition 9.5(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 Condition 9.5 for any offer of Ordinary Shares not covered by Condition 9.5(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 Condition 9.5(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 Holders or otherwise requiring any consent or concurrence.

#### **9.6 Adjustment to Issue Date VWAP for divisions and similar transactions**

- (a) If at any time after the Issue Date 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 by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{\mathbf{A}}{\mathbf{B}}$$

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 Holder 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 Holders or otherwise requiring any consent or concurrence.

#### **9.7 No adjustment to Issue Date VWAP in certain circumstances**

Despite the provisions of Conditions 9.5 and 9.6, 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.

#### **9.8 Announcement of adjustments**

NAB will notify the Registrar and the Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this Condition 9 within 10 Business Days of NAB determining the adjustment.

## 9.9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion ranks equally with all other fully paid Ordinary Shares.

## 9.10 Listing Ordinary Shares issued on Conversion

NAB shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of Capital Notes on ASX. Holders agree 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.

## 9.11 Failure to Convert (other than on account of a Loss Absorption Event)

If on a Conversion Date (other than a Loss Absorption Event Conversion Date), an Ordinary Share is not issued or delivered in respect of a Capital Note, that Capital Note remains on issue (and will continue to entitle the Holder to Distributions in accordance with Condition 4) until the Ordinary Share is issued to the Holder (which date shall be the Conversion Date in respect of that Capital Note) or the Capital Note is Redeemed (which date shall be the Redemption Date in respect of that Capital Note) or Resold (which date shall be the Resale Date in respect of that Capital Note), and a Holder shall have no claim in respect of that failure other than for specific performance of the obligation to issue or deliver the Ordinary Shares. This Condition 9.11 does not affect the obligation of NAB to issue or deliver the Ordinary Shares when required in accordance with the Conditions.

## 9.12 Issue to an Eligible Nominee

(a) Where a Capital Note is required to be Converted and:

- (i) the Capital Note is held by a Foreign Holder, unless NAB is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder, either unconditionally or after compliance with conditions which NAB in its absolute discretion regards as acceptable and not unduly onerous; or
- (ii) the Holder has notified NAB that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date,

the Ordinary Shares which the Holder is obliged to accept will be issued to a nominee (which must not be NAB or any Related Entity of NAB) (**Eligible Nominee**) but otherwise in accordance with Condition 9.1 and on terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Eligible Nominee will arrange for their sale and pay to the relevant Holder on a date determined by the Eligible Nominee a cash amount equal to the Attributable Proceeds of the relevant Holder.

- (b) Where a Capital Note is required to be Converted and a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of such Capital Note, the Ordinary Shares which the Holder is obliged to accept will be issued to the Holder only to the extent (if at all) that the issue is net of FATCA Withholding and NAB will issue the balance of the Ordinary Shares (if any) to an Eligible Nominee who will sell those Ordinary Shares and deal with any proceeds of their disposal in accordance with FATCA.
- (c) The issue of Ordinary Shares in accordance with Condition 9.12(a) or Condition 9.12(b) above (as applicable) will satisfy all obligations of NAB in connection with the Conversion, the Capital Note will be deemed Converted and will be dealt with in accordance with Condition 9.1 and, on and from the issue of Ordinary Shares, the rights of a Holder the subject of Condition 9.12(a) or Condition 9.12(b) above in



respect of the Capital Note are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in those Conditions.

- (d) Without prejudice to the express obligations of NAB and the Eligible Nominee under this Condition 9.12:
  - (i) NAB has no duty to enquire into the law of a Foreign Holder's country of residence; and
  - (ii) neither NAB nor any Eligible Nominee owes any obligations or duties to Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares where required by this Condition 9.12.
- (e) If Conversion is occurring because of the occurrence of a Loss Absorption Event and has not been effected within 5 days after the Conversion Date for any reason (including an Inability Event), then Condition 6.5 will apply.

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## **10 Optional Redemption**

### **10.1 Optional Redemption by NAB**

NAB may, with APRA's prior written approval, by notice to the Registrar and the Holders (an **Optional Redemption Notice**), elect to Redeem:

- (a) all or some Capital Notes of a Series on a Redemption Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Capital Notes of a Series on a Scheduled Optional Redemption Date.

*Holders should not expect that APRA's approval will be given for any Redemption of Capital Notes under these Conditions.*

### **10.2 When Optional Redemption Notice may be given**

An Optional Redemption Notice under this Condition 10 may be given:

- (a) in the case of Condition 10.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Redemption Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date; and
- (b) in the case of Condition 10.1(b), no earlier than 60 Business Days and no later than 5 Business Days before the Scheduled Optional Redemption Date, or such other period as is specified in the relevant Pricing Supplement.

Subject to Condition 6.7, an Optional Redemption Notice once given is irrevocable.

### **10.3 Contents of Optional Redemption Notice**

An Optional Redemption Notice must specify:

- (a) in the case of Condition 10.1(a), the details of the Tax Event or Regulatory Event to which the Optional Redemption Notice relates;
- (b) the date on which Redemption is to occur (the **Redemption Date**), which:
  - (i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier Redemption Date having regard to the best interests of Holders as a whole and the relevant event; or

- (ii) in the case of Condition 10.1(b), is the Scheduled Optional Redemption Date;
- (c) if less than all Capital Notes are subject to Redemption, the proportion of the Capital Notes that are to be Redeemed; and
- (d) whether any Distribution will be paid in respect of the Capital Notes to be Redeemed on the Redemption Date.

#### **10.4 Restrictions on election by NAB of Redemption**

NAB may only elect to Redeem Capital Notes of a Series if APRA is satisfied that either:

- (a) the Capital Notes the subject of the Redemption are replaced concurrently or beforehand with a capital instrument 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
- (b) the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to Redeem the Capital Notes.

### **11 Redemption mechanics**

#### **11.1 Redemption mechanics to apply to Redemption**

If, subject to APRA's prior written approval and compliance with the conditions in Condition 10.4, NAB elects to Redeem a Capital Note in accordance with these Conditions, the provisions of this Condition 11 apply to that Redemption.

#### **11.2 Redemption**

Capital Notes will be redeemed by payment on the Redemption Date of an amount equal to the Principal Amount to the Holder.

#### **11.3 Effect of Redemption on Holders**

On the Redemption Date the only right Holders will have in respect of Capital Notes will be to obtain the Principal Amount payable in accordance with these Conditions and any Distribution NAB has determined is payable on that date. Upon the Principal Amount being paid (or taken to be paid in accordance with Condition 16), all other rights conferred, or restrictions imposed, by Capital Notes will no longer have effect.

### **12 Optional Resale**

#### **12.1 Optional Resale by NAB**

NAB may, with APRA's prior written approval, by notice to the Registrar and the Holders (an **Optional Resale Notice**), elect to Resell:

- (a) all or some Capital Notes of a Series on a Resale Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Capital Notes of a Series on Scheduled Optional Resale Date.

*Holders should not expect that APRA's approval will be given for any Resale of Capital Notes under these Conditions.*

#### **12.2 When Optional Resale Notice may be given**

An Optional Resale Notice under this Condition 12 may be given:

- (a) in the case of Condition 12.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Resale Notice cannot be given in the period of 20 Business Days preceding (and not including) a

Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date; or

- (b) in the case of Condition 12.1(b), no earlier than 60 Business Days and no later than 5 Business Days before the Scheduled Optional Resale Date, or such other period as is specified in the relevant Pricing Supplement.

Subject to Conditions 6.7, 13.2 and 13.6, an Optional Resale Notice once given is irrevocable.

### **12.3 Contents of Optional Resale Notice**

An Optional Resale Notice must specify:

- (a) in the case of Condition 12.1(a), the details of the Tax Event or Regulatory Event to which the Optional Resale Notice relates;
- (b) the date on which Resale is to occur (the **Resale Date**), which:
  - (i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier Resale Date having regard to the best interests of Holders as a whole and the relevant event; or
  - (ii) in the case of Condition 12.1(b), the Scheduled Optional Resale Date;
- (c) if less than all Capital Notes are subject to Resale, the proportion of the Capital Notes that are to be Resold;
- (d) the identity of the Nominated Purchasers for that Resale and the Resale Price; and
- (e) whether any Distribution will be paid in respect of the Capital Notes to be Resold on the Resale Date.

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## **13 Resale mechanics**

### **13.1 Resale mechanics**

If NAB elects to Resell Capital Notes in accordance with these Conditions, the provisions of this Condition 13 apply to that Resale.

### **13.2 Appointment of Nominated Purchaser**

- (a) NAB must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between NAB and the Nominated Purchasers (and, to the extent any such conditions may cause the Capital Notes to cease to be Additional Tier 1 Capital, with the prior written approval of APRA) including:
  - (i) as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the Optional Resale Notice may be amended, modified, added to or restated;
  - (i) as to the substitution of another entity (not being NAB or a Related Entity of NAB) as Nominated Purchaser if, for any reason, NAB is not satisfied that the Nominated Purchaser will perform its obligations under this Condition 13; and
  - (ii) as to the terms (if any) on which any Capital Notes acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with.
- (b) If NAB appoints more than one Nominated Purchaser in respect of a Resale, all or any of the Capital Notes held by a Holder which are being Resold may be

purchased by any one or any combination of the Nominated Purchasers, as determined by NAB for the Resale Price.

### **13.3 Identity of Nominated Purchasers**

NAB may not appoint NAB or any Related Entity of NAB as a Nominated Purchaser.

### **13.4 Irrevocable offer to sell Capital Notes**

Each Holder on the Resale Date is taken irrevocably to offer to sell Capital Notes the subject of an Optional Resale Notice to the Nominated Purchaser or Nominated Purchasers on the Resale Date for the Resale Price.

### **13.5 Effect of Resale**

On the Resale Date subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such Capital Notes (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

### **13.6 Effect of failure by Nominated Purchaser or Nominated Purchasers to pay**

If a Nominated Purchaser does not pay the Resale Price to the Holders on the Resale Date (a **Defaulting Nominated Purchaser**):

- (a) the Optional Resale Notice as it relates to the Defaulting Nominated Purchaser will be void;
- (b) Capital Notes will not be transferred to the Defaulting Nominated Purchaser on the Resale Date; and
- (c) Holders will continue to hold the Capital Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Conditions.

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## **14 General provisions relating to Conversion, Redemption and Resale**

### **14.1 Holder acknowledgements relating to Conversion**

Each Holder irrevocably:

- (a) upon Conversion of Capital Notes in accordance with these Conditions, consents to becoming a member of NAB and agrees to be bound by the Constitution, 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 Capital Notes including:
  - (i) any change in the financial position of NAB since the Issue Date;
  - (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 Capital Notes;
- (c) acknowledges and agrees that:
  - (i) where Condition 6.4 applies:
    - (A) there are no other conditions to a Loss Absorption Event occurring as and when provided in Conditions 6.2, 6.3 and 6.4;

- (B) Conversion must occur immediately on the Loss Absorption Event and that may result in disruption or failures in trading or dealings in the Capital Notes;
  - (C) it will not have any rights to vote or right of approval in respect of any Loss Absorption Event Conversion; and
  - (D) the Ordinary Shares issued on Loss Absorption Event Conversion may not be quoted at the time of issue, or at all;
- (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
  - (iii) the only conditions to a Conversion under Condition 7 or a Conversion under Condition 8 are the conditions expressly applicable to such Conversion as provided in Conditions 7 and 8 respectively and no other conditions or events will affect Conversion;
  - (iv) Condition 6.5 is a fundamental term of the Capital Notes and where this applies, no other conditions or events will affect its operation; and
  - (v) a Holder has no right to request a Conversion, Redemption or Resale of any Capital Note or to determine whether (or in what combination) Capital Notes are Converted, Redeemed or Resold; and
- (d) agrees to provide to NAB any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the relevant Capital Notes on the occurrence of the Conversion.

## **14.2 Purchases**

NAB or any Related Entity of NAB may at any time purchase the Capital Notes in the open market or otherwise and at any price or consideration, subject to the prior written approval of APRA.

*Holders should not expect that APRA's approval will be given for any purchase of Capital Notes under these Conditions.*

## **15 Title and transfer**

### **15.1 Registered form**

Each Capital Note takes the form of an entry in the Register.

### **15.2 Title**

Title to Capital Notes passes when details of the transfer are entered in the Register. The Register will be closed for the purpose of determining entitlements to payments of Distributions and Principal Amount at 5.00pm local registry office time on the Record Date prior to any relevant payment date.

### **15.3 Effect of entries in Register**

Each entry in the Register in respect of a Capital Note constitutes:

- (a) an unconditional and irrevocable undertaking by NAB to the Holder to make all payments of Distributions and Principal Amount in respect of the Capital Note in accordance with these Conditions; and
- (b) an entitlement to the other benefits given to the Holders under these Conditions in respect of the relevant Capital Note.

#### **15.4 Register conclusive as to ownership**

Entries in the Register in relation to a Capital Note constitute conclusive evidence that the person so entered is the absolute owner of the Capital Note subject to correction for fraud or error.

#### **15.5 Non-recognition of interests**

Except as required by law, NAB and each Agent must treat the person whose name is entered in the Register as the holder of a Capital Note as the absolute owner of that Capital Note. This Condition 15.5 applies despite any notice of ownership, trust or interest in the Capital Note.

#### **15.6 Joint holders**

Where two or more persons are entered in the Register as the joint holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint holders of a Capital Note.

#### **15.7 Transfers in whole**

Capital Notes may be transferred in whole but not in part.

#### **15.8 Transfer procedures**

Capital Notes entered into the Austraclear System will be transferable only in accordance with the regulations of the Austraclear System and the Registry Services Agreement.

Application for the transfer of Capital Notes not entered into the Austraclear System must be made by the lodgment of a transfer form with the Registrar at its Specified Office. Transfer forms must be in the form available from the Registrar. Each transfer form must be:

- (a) duly completed;
- (b) accompanied by any evidence the Registrar may require to establish that the transfer form has been duly executed; and
- (c) signed by both the transferor and the transferee.

#### **15.9 Austraclear as Holder**

Where Austraclear is recorded in the relevant Register as the Holder, each person in whose Security Record (as defined in the Austraclear Regulations) a Capital Note is recorded is deemed to acknowledge in favour of the Registrar, NAB and Austraclear that:

- (a) the Registrar's decision to act as the Registrar of that Capital Note is not a recommendation or endorsement by the Registrar or Austraclear in relation to that Capital Note, but only indicates that the Registrar considers that the holding of the Capital Notes is compatible with the performance by it of its obligations as Registrar under the Registry Services Agreement; and
- (b) the Holder does not rely on any fact, matter or circumstance contrary to Condition 15.9.

#### **15.10 Transfers of unidentified Capital Notes**

If a Holder transfers some but not all of the Capital Notes of a Series that it holds and the transfer form does not identify the specific Capital Notes transferred, the Registrar may choose which Capital Notes registered in the name of the Holder have been transferred. However:

- (a) the Capital Notes registered as transferred must be of the same Series as the Capital Notes expressed to be transferred in the transfer form; and

- (b) the aggregate Principal Amount of the Capital Notes registered as transferred must equal the aggregate Principal Amount of the Capital Notes expressed to be transferred in the transfer form.

#### **15.11 Limit on transfer**

- (a) Capital Notes may only be transferred pursuant to offers received in Australia if:
  - (i) the aggregate consideration payable at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the Capital Notes are otherwise transferred in a manner which does not require disclosure in accordance with Part 6D.2 or Part 7 of the Corporations Act; and
  - (ii) the transfer does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act.
- (b) Capital Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place and the transfer of the Capital Notes otherwise does not require disclosure to investors in accordance with the laws of the jurisdiction in which the transfer takes place.

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## **16 Payments**

### **16.1 Payments to Holders**

Each payment in respect of a Capital Note will be (including any Distribution, the Principal Amount or any Resale Price) made to the person that is recorded in the Register as the Holder of that Capital Note as at the Relevant Time on the Record Date for that payment.

### **16.2 Payments to accounts**

Except as otherwise provided in the relevant Pricing Supplement, NAB agrees to make payments in respect of a Capital Note:

- (a) if the Capital Note is held in the Austraclear System, by crediting on the relevant payment date, the amount due to the account previously notified by the Austraclear System to NAB and the Registrar in accordance with the Austraclear System’s rules and regulations in Australian Dollars; and
- (b) if the Capital Note is not held in the Austraclear System (subject to Condition 16.3), by crediting on the relevant payment date, the amount due to an account previously notified by the Holder to NAB and the Registrar in Australian Dollars.

### **16.3 Payments by cheque**

If a Holder has not notified the Registrar of an account to which payments to it must be made by close of business in the place where the Register is maintained on the Record Date, NAB may make payments in respect of the Capital Notes held by Holder by cheque.

If NAB makes a payment in respect of a Capital Note by cheque, NAB agrees to send the cheque by prepaid ordinary post on the Business Day immediately before the due date, to the Holder (or if two or more persons are entered in the Register as joint Holders of the Capital Note, to the first named joint Holder) at its address appearing in the Register at close of business in the place where the Register is maintained on the Record Date.

Cheques sent to a Holder are sent at the Holder’s risk and are taken to be received by the Holder on the due date for payment. If NAB makes a payment in respect of a Capital Note by cheque, NAB is not required to pay any additional amount as a result of the Holder not receiving payment on the due date in immediately available funds.

#### **16.4 Uncompleted payments**

If:

- (a) a Holder has not notified the Registrar by close of business on the Record Date of a bank account denominated in Australian Dollars with a financial institution to which payments in respect of the Capital Note may be credited and the Issuer has not made payment by cheque in accordance with Condition 16.3;
- (b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason; or
- (c) a cheque issued by NAB in accordance with Condition 16.3 has not been presented within six months of its date,

NAB will send a notice to the address most recently notified by the Holder advising of the uncompleted payment and the amount of the uncompleted payment will be held as a deposit in a non-interest bearing, special purpose account maintained by NAB or the Registrar until the first to occur of the following:

- (i) the Holder nominates a bank account denominated in Australian Dollars with a financial institution to which the payment may be credited;
- (ii) claims may no longer be made in respect of that amount, in which case the monies shall be paid to and be the property of NAB; or
- (iii) NAB becomes entitled or obliged to deal with the amount in accordance with the law relating to unclaimed monies.

NAB may cancel any cheque to which Condition 16.4(c) applies.

When this Condition 16.4 applies the amount payable in respect of the Capital Notes shall be treated as having been paid on the date scheduled for payment and no interest is payable in respect of any delay in payment.

#### **16.5 Time limit on claims**

A claim against NAB for a payment under a Capital Note is void unless made within 5 years from the date on which payment first became due.

#### **16.6 Determination and calculation final**

Except where there is fraud or a manifest error, any determination or calculation which is made by or on behalf of NAB in accordance with the Conditions is final and binds NAB, the Agents and each Holder.

#### **16.7 Rounding**

For the purposes of any calculations required under the Conditions:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 % being rounded up to 0.00001 %);
- (b) all figures must be rounded to four decimal places (with halves being rounded up); and
- (c) all amounts that are due and payable in respect of a Holder's aggregate holding of Capital Notes of a Series must be rounded to the nearest cent (with halves being rounded up).



## **16.8 Joint Holders**

A payment to any one joint Holder of a Capital Note will discharge NAB's liability in respect of the payment.

## **16.9 No set-off**

A Holder does not have any right to set-off any amounts owing to it by NAB in connection with the Capital Notes against any amount owing by it to NAB in connection with the Capital Notes or otherwise.

NAB does not have any right to set-off any amounts owing to it by a Holder against any amount owing by it to the Holder in connection with the Capital Notes.

## **16.10 Payments subject to law**

All payments are subject to applicable law, but without prejudice to the provisions of Condition 17.

## **16.11 Payments on Business Days**

If a payment:

- (a) is due on a Capital Note on a day which is not a Business Day then the due date for payment will be adjusted by the applicable Business Day Convention specified in the Pricing Supplement; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place,

provided that, in either case, the Holder is not entitled to any additional payment in respect of that delay. Nothing in this Condition 16.11 applies to any payment referred to in Condition 9.1(b) on a Loss Absorption Event Conversion Date.

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## **17 Taxation**

### **17.1 Withholdings and deductions**

NAB must make all payments in respect of Capital Notes without set-off or counterclaim and without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by this Condition 17.

### **17.2 FATCA**

NAB, in its absolute discretion, may withhold or deduct from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Capital Notes may be subject to FATCA, and may deal with such payment, the issue of Ordinary Shares and the Holder's Capital Notes in accordance with FATCA.

NAB, in its absolute discretion, may require information from the Holder to be provided to the IRS or any other relevant authority, to determine the applicability of any withholding under or in connection with FATCA.

### **17.3 No gross up**

If any withholding or deduction arises under or in connection with applicable law or FATCA, NAB will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Capital Notes for or in respect of any such withholding or deduction and it will be taken to have made the payment or issue of Ordinary Shares to the Holder in full by accounting for the withholding or deduction to the relevant revenue authority and paying the balance to the Holder.

#### **17.4 Tax file number**

Without limiting Conditions 17.1 and 17.3, NAB will, if required, withhold amounts for tax from payments of Distributions on the Capital Notes at the highest applicable rate if a Holder has not supplied an appropriate tax file number, Australian Business Number or exemption details.

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### **18 Ranking and subordination**

#### **18.1 Ranking of Distributions**

Capital Notes of each Series rank in respect of payment of Distributions:

- (a) in priority to Ordinary Shares;
- (b) equally and without any preference amongst themselves, Capital Notes of each other Series and all Equal Ranking Instruments; and
- (c) junior to the claims of all Senior Creditors.

#### **18.2 Ranking in a winding up**

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution passed, for the winding up of NAB in Australia, the Capital Notes are redeemable for their Principal Amount in accordance with this Condition 18.2.
- (b) In a winding up of NAB in Australia, a Capital Note confers upon the Holder, subject to Conditions 6.4 and 6.5, the right to payment in cash of the Principal Amount on a subordinated basis in accordance with Condition 18.2(c), but no further or other claim on NAB in the winding up of NAB in Australia.
- (c) Holders will rank for payment of the Principal Amount in a winding up of NAB in Australia:
  - (i) in priority to Ordinary Shares;
  - (ii) equally among themselves and with the claims of all Equal Ranking Instruments; and
  - (iii) junior to the claims of all Senior Creditors with respect to priority of payment in a winding up in that:
    - (A) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of Holders are paid; and
    - (B) until the Senior Creditors have been paid in full, the Holders 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,so that the Holder receives, for each Capital Note it holds, an amount equal to the amount it would have received if, in the winding up of NAB, it had held an issued and fully paid Preference Share.
- (d) Nothing in this Condition 18.2:
  - (i) creates a charge or security interest on or over any right of the Holder; or
  - (ii) requires the consent of any Senior Creditor to any amendment of these Conditions made in accordance with Condition 21.

### **18.3 Agreements of Holders as to subordination**

Each Holder irrevocably agrees:

- (a) that Condition 18.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in the winding up of NAB in any jurisdictions:
  - (i) until after all Senior Creditors have been paid in full; or
  - (ii) otherwise in a manner inconsistent with the subordination contemplated by Condition 18.2;
- (d) 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 respect of a Capital Note in excess of its entitlement under Condition 18.2; and
- (e) that the debt subordination effected by Condition 18.2 is not affected by any act or omission of NAB or a Senior Creditor which might otherwise affect it at law or in equity.

### **18.4 Further agreements of Holders**

Each Holder irrevocably acknowledges and agrees that:

- (a) a Holder has no right to apply for NAB to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of NAB merely on the grounds that NAB does not or is or may become unable to pay a Distribution when scheduled in respect of Capital Notes; and
- (b) these Conditions contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on a scheduled Distribution Payment Date will not constitute an event of default.

### **18.5 Unsecured**

Capital Notes are unsecured.

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## **19 Agents**

### **19.1 Role of Agents**

In acting under the relevant Agency Agreement and in connection with the Capital Notes, the Agents act solely as agents of NAB and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

### **19.2 Appointment and replacement of Agents**

Subject to Conditions 19.3 and 19.4, NAB reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor.

### **19.3 Required Agents**

NAB must:

- (a) at all times maintain a Registrar; and

- (b) if a person other than NAB is specified as the Calculation Agent in the relevant Pricing Supplement, at all times ensure a person is appointed to act as a Calculation Agent.

#### **19.4 Change of Agent**

Notice of any change of a relevant Agent or its Specified Offices must promptly be given to the relevant Holders by NAB or the Agent on its behalf.

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### **20 Meetings of Holders and voting rights**

#### **20.1 Meetings of Holders**

The Meetings Provisions contain provisions (which have effect as if incorporated in these Conditions) for convening meetings of the Holders of Capital Notes of any Series to consider any matter affecting their interests, including, subject to Conditions 20.3 and 21.2, the variation of these Conditions or the relevant Pricing Supplement.

Any such variation may be made if sanctioned by an Extraordinary Resolution and agreed by NAB. Such a meeting may be convened by NAB and must be convened by NAB upon the request in writing of Holders holding not less than 10% of the aggregate Principal Amount of the Outstanding Capital Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be persons holding or representing more than 50% of the aggregate Principal Amount of the Outstanding Capital Notes or 25% at an adjourned meeting. However, certain fundamental matters affecting the rights of Holders may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which persons holding or representing not less than 75% or, at any adjourned meeting, 35% of the aggregate Principal Amount of the Outstanding Capital Notes form a quorum.

In addition, a resolution in writing signed by or on behalf of Holders representing at least 75% of the aggregate Outstanding Capital Notes who for the time being are entitled to receive notice of a meeting of Holders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

#### **20.2 Resolutions binding**

Any resolution passed at any meeting of the Holders of Capital Notes of any Series is binding on all Holders of Capital Notes of such Series, whether or not they are present at the meeting.

#### **20.3 Requirement for APRA approval**

Any resolution which may affect the eligibility of the Capital Notes as Additional Tier 1 Capital cannot be approved by Holders without the prior written approval of APRA.

#### **20.4 Voting rights**

A Capital Note does not entitle its Holder to attend or vote at a general meeting of NAB.

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### **21 Amendment of these Conditions**

#### **21.1 Amendments without consent**

- (a) Subject to complying with all applicable laws, to Condition 21.1(c) and to obtaining APRA's prior written approval where required in accordance with Condition 21.4, NAB may without the authority, assent or approval of the Holders, amend these Conditions, any Pricing Supplement and the Capital Notes Deed Poll if NAB is of the opinion that the amendment:
- (i) is of a formal, minor or technical nature;
  - (ii) is made to cure any ambiguity or correct any manifest error;

- (iii) is necessary or expedient for the purpose of enabling the Capital Notes to be listed or to remain listed on a stock exchange or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- (iv) is necessary or expedient for the purpose of complying with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which NAB may propose to seek a listing or quotation of the Capital Notes;
- (v) is necessary and appropriate to effect the substitution under Condition 22;
- (vi) is made to amend any date or time period stated, required or permitted in connection with any Conversion, Redemption or Resale (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security to be issued by NAB or a member of the Group);
- (vii) is made to:
  - (A) amend the terms of the Capital Notes to align them with any Relevant Tier 1 Capital Instruments issued after the Issue Date; or
  - (B) amend the definition of Relevant Tier 1 Capital Instruments on account of the issue after the Issue Date of capital instruments of any member of the Group; or
- (viii) is not materially prejudicial to the interests of Holders as a whole.

For the purposes of determining whether the amendment is not materially prejudicial to the interests of Holders as a whole, the taxation and regulatory capital consequences to Holders (or any class of Holders) and other special consequences which are personal to a Holder (or any class of Holders) do not need to be taken into account.

- (b) Subject to complying with all applicable laws and Condition 21.1(c) and with APRA's prior written approval where required in accordance with Condition 21.4, NAB may without the authority, assent or approval of the Holders, amend these Conditions if NAB is of the reasonable opinion that the amendment is necessary and appropriate to effect the substitution of an Approved NOHC as issuer of the Ordinary Shares on Conversion in the manner contemplated by these Conditions including without limitation amendments and additions to effect a substitution in accordance with Condition 22.
- (c) If NAB considers that the amendment will be materially prejudicial to the interests of Holders as a whole, the amendment may only be made if it has been approved by an Extraordinary Resolution of Holders. In considering the rights of Holders as a whole NAB need not take into account the taxation and regulatory capital consequences to Holders (or any class of Holders) or other special consequences which are personal to a Holder (or any class of Holders).

## **21.2 Amendment with consent**

Without limiting Condition 21.1, NAB may amend or add to these Conditions or any relevant Pricing Supplement if the amendment or addition has been approved by an Extraordinary Resolution of Holders of Capital Notes of the relevant Series. An amendment or addition to these Conditions or any relevant Pricing Supplement which may affect the eligibility of the Capital Notes as Additional Tier 1 Capital cannot be approved by Holders under this Condition 21 without the prior written approval of APRA.

### 21.3 Notification of amendment to APRA

NAB will promptly notify APRA of any amendments made in accordance with this Condition 21.

### 21.4 Requirement for APRA approval

A requirement in this Condition 21 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital.

### 21.5 Meaning of amend and amendment

In this Condition 21, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

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## 22 Substitution

### 22.1 Substitution of Approved NOHC as issuer of Ordinary Shares

Where:

- (a) NAB proposes to implement a NOHC Event involving an Approved NOHC; and
- (b) the Approved NOHC agrees for the benefit of Holders:
  - (i) to deliver fully paid ordinary shares in its capital under all circumstances when NAB would otherwise have been required to deliver Ordinary Shares and upon the occurrence of an Acquisition Event with respect to the Approved NOHC, subject to the same terms and conditions as set out in these Conditions (with all necessary modifications); and
  - (ii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all ordinary shares in the capital of the Approved NOHC issued under these Conditions (with all necessary modifications) on the securities exchange on which the other ordinary shares in the capital of the Approved NOHC are quoted at the time of a Conversion,

NAB may give a notice (an **Approved NOHC Substitution Notice**) to the Holders (which, if given, must be given as soon as practicable before the NOHC Event and in any event no later than 10 Business Days before the NOHC Event occurs) specifying the amendments to these Conditions which will be made in accordance with Condition 22.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved NOHC Substitution Terms**). An Approved NOHC Substitution Notice, once given, is irrevocable. If NAB gives an Approved NOHC Substitution Notice to Holders in accordance with Condition 22.4, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice. No proposal to implement a NOHC shall prevent, impede or delay a Conversion required on account of a Loss Absorption Event.

### 22.2 Amendment without consent for substitution of an Approved NOHC

Subject to complying with all applicable laws and with APRA's prior written approval, if the circumstances described in Conditions 22.1(a) and 22.1(b) apply, without the authority, assent or approval of Holders, NAB may give an Approved NOHC Substitution Notice which:

- (a) amends the definition of "Conversion" such that, unless APRA otherwise agrees, on the date Capital Notes are to be Converted:
  - (i) each Capital Note that is being Converted will be automatically transferred by each Holder free from Encumbrance to the Approved NOHC (or another member of the Group which is a holding company of NAB) (the **Transferee**) on the date the Conversion is to occur;

- (ii) each Holder (or in the circumstances contemplated in Condition 9.12, the Eligible Nominee) will be issued a number of ordinary shares in the capital of the Approved NOHC equal to the Conversion Number; and
  - (iii) as between NAB and the Transferee, each Capital Note held by the Transferee as a result of the transfer will be automatically Converted into Ordinary Shares, in a number such that the total number of Ordinary Shares held by the Transferee increases by the number which equals the number of ordinary shares in the capital of the Approved NOHC issued by the Approved NOHC to Holders on Conversion; and
- (b) makes such other amendments as in NAB's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Conditions, including without limitation:
- (i) amendments and additions to the definition of "Group", "Acquisition Event", "Common Equity Trigger Event", "Non-Viability Trigger Event", "Loss Absorption Event", "Regulatory Event", "Tax Event" and "Mandatory Conversion";
  - (ii) 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 (or compensation) 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 Condition 9;
  - (iii) amendments to the mechanics for adjusting the Conversion Number; and
  - (iv) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the Capital Notes to remain as Tier 1 Capital.

### **22.3 Further substitutions**

After a substitution under Condition 22.1, the Approved NOHC may, without the consent of the Holders, effect a further substitution in accordance with Condition 22.1 (with necessary changes).

### **22.4 Notice to Holders**

NAB or the Approved NOHC must notify the Registrar and the Holders of the particulars of any substitution according to Condition 22.1 or Condition 22.3 in writing as soon as practicable after the substitution.

### **22.5 Acknowledgement of Holders**

Each Holder 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 Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares in NAB.

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## **23 Further issues and no other rights**

### **23.1 Further issues permitted**

Each of the following is expressly permitted and authorised by these Conditions:

- (a) the allotment or issue of notes, preference shares or other securities, or the conversion of existing securities into preference shares or other securities, ranking

equally with, in priority to or junior to, or having different rights from, the Capital Notes then on issue;

- (b) a redemption, conversion, buy-back or return or distribution of capital in respect of any share capital (except as provided by Condition 4.11) or any other securities issued by NAB, whether ranking behind, equally with, or in priority to, the Capital Notes;
- (c) the incurring or guaranteeing by NAB of any indebtedness upon such terms as NAB thinks fit in its sole discretion; and
- (d) issuing further Capital Notes having the same Conditions as the Capital Notes of any Series in all respects (or in all respects except for the first Distribution Payment Date) so as to form a single Series with the Capital Notes of that Series, provided that the requirements of APRA that the Capital Notes be eligible to be treated as Additional Tier 1 Capital are met. References in these Conditions to the Capital Notes include (unless the context requires otherwise) any other Capital Notes issued pursuant to this Condition 23.1(d) and forming a single Series with the Capital Notes.

## **23.2 No other rights**

A Holder of the Capital Notes has no right to participate in the issue of any other securities of NAB and has no claim on NAB other than as expressly set out in these Conditions or on any other member of the Group.

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## **24 Notices**

### **24.1 Notices to Holders**

All notices, certificates, consents, approvals, waivers and other communications in connection with a Capital Note to the Holders must be in writing and may be:

- (a) given by an advertisement published in the Australian Financial Review or The Australian, or any other newspaper nationally circulated within Australia or specified in the Pricing Supplement;
- (b) sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the relevant notice or communication); or
- (c) where Capital Notes are lodged in the Austraclear System, by delivery to the Austraclear System for communication by the Austraclear System to the persons shown in its records as having interests therein.

### **24.2 Notices to NAB and the Registrar**

All notices, and other communications to NAB and the Registrar must be in writing and may be sent by prepaid post or left at the address of the registered office of NAB or the Registrar or such other address as is notified to Holders from time to time.

### **24.3 When effective**

Communications take effect from the time they are received or taken to be received (whichever happens first) unless a later time is specified in them.

### **24.4 Receipt – publication in newspaper**

If published in a newspaper, communications are taken to be received on the first date that publication has been made in all the required newspapers.



## 24.5 Receipt – postal

Unless a later time is specified in it, a notice, if sent by post, it is taken to be received on the sixth succeeding Business Day in the place of the addressee.

## 24.6 Receipt – Austraclear System

If published via the Austraclear System, where Capital Notes are lodged in the Austraclear System, communications are taken to be received on the fourth Business Day after delivery to the Austraclear System.

## 24.7 Non-receipt of notice

If there are two or more Holders, the non-receipt of any notice by, or the accidental omission to give any notice to, a Holder does not invalidate the giving of that notice.

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## 25 Governing law and jurisdiction

### 25.1 Governing law

The Capital Notes are governed by the laws in force in Victoria, Australia.

### 25.2 Jurisdiction

NAB submits to the non-exclusive jurisdiction of the courts of Victoria and courts of appeal from them. NAB waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

### 25.3 Serving documents

Without preventing any other method of service, any document in any action in connection with the Capital Notes may be served on NAB by being delivered or left at NAB's address as set out below:

Attention: Head of Group Capital Management

Address: Level 36, 500 Bourke Street, Melbourne, VIC 3000

or such other address as NAB notifies to ASX as its address (as the case may be) for notices or other communications in respect of the Capital Notes from time to time.

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## 26 Power of attorney

- (a) Each Holder appoints each of NAB, its Authorised Officers and any External Administrator of NAB (each an **Attorney**) severally to be the attorney and agent of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Conditions including, but not limited to, effecting any transfers of Capital Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.
- (b) The power of attorney given in this Condition 26 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Conditions and is irrevocable.

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## 27 Interpretation and definitions

### 27.1 Definitions

**Acquisition Conversion Date** has the meaning given in Condition 7.2.

**Acquisition Conversion Notice** has the meaning given in Condition 7.1.

**Acquisition Event** means any one of the following events:

- (a) 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:
  - (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
  - (ii) 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
- (b) 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% of the Ordinary Shares that will be on issue after the scheme is implemented and:
  - (i) 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
  - (ii) 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,

provided that none of the events described above will constitute an Acquisition Event if:

- (c) the event is a NOHC Event;
- (d) the ordinary shares of the NOHC are listed on an internationally recognised stock exchange; and
- (e) the NOHC makes the agreements for the benefit of Holders contemplated by Condition 22.1(b).

**Additional Tier 1 Capital** means the additional tier 1 capital of the NAB Level 1 Group or the NAB Level 2 Group as defined by APRA from time to time.

**Adjustment Notice** has the meaning given in Condition 9.8.

**Agency Agreement** means:

- (a) the Registry Services Agreement; and
- (b) any other agency agreement entered into by NAB in relation to an issue of Capital Notes under the Programme.

**Agent** means the Registrar and each Calculation Agent and includes any successor, substitute or additional agent appointed under an Agency Agreement from time to time.

**Alternative Base Rate** means a rate other than the Base Rate that is generally accepted in the market for floating rate securities denominated in Australian Dollars of a tenor and interest period comparable to that of the relevant Capital Note, or if the Calculation Agent is not able, after making reasonable efforts, to ascertain such rate, or there is no such rate:

- (a) a reference rate that is, in the Calculation Agent's opinion, appropriate to floating rate debt securities denominated in Australian Dollars of a tenor and interest period most comparable to that of the relevant Capital Note; or

- (b) such other reference rate as the Calculation Agent considers appropriate having regard to available comparable indices.

**amend** for the purposes of Condition 21, has the meaning given in Condition 21.5.

**Approved NOHC** means a NOHC of the Group arising from a NOHC Event in circumstances where the proviso to the definition of Acquisition Event will be satisfied.

**Approved NOHC Substitution Notice** has the meaning given in Condition 22.1.

**Approved NOHC Substitution Terms** has the meaning given in Condition 22.1.

**APRA** means the Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.

**ASX** means ASX Limited (ABN 98 008 624 691) 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.

**Attorney** has the meaning given in Condition 26(a).

**Attributable Proceeds** means, in respect of a Holder to whom Condition 9.12 applies, an amount equal to the Net Proceeds per Ordinary Share multiplied by the number of Ordinary Shares issued and sold in accordance with Condition 9.12 in respect of that Holder.

**Austraclear** means Austraclear Limited (ABN 94 002 060 773).

**Austraclear Regulations** means the regulations known as "Austraclear System Regulations" established by Austraclear to govern the use of the Austraclear System.

**Austraclear System** means the system operated by Austraclear in Australia for holding securities and electronic recording and settling of transactions in those securities between members of that system.

**Australian Dollar** means the lawful currency of the Commonwealth of Australia.

**Authorised Officers** means each director and secretary of NAB and any person delegated on the authority of the board of directors of NAB to exercise the power of attorney conferred by Condition 26.

**Bank Bill Rate** means for a Distribution Period:

- (a) the rate (expressed as a percentage per annum) designated "BBSW" in respect of prime bank eligible securities having a tenor closest to the Distribution Period which rate ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am (Sydney time) (or such other time at which such rate is accustomed to be so published) on the first day of the Distribution Period; or
- (b) if the Calculation Agent determines that such rate as is described in paragraph (a) above:
- (i) is not published by the Cut-Off Time (other than on account of a Base Rate Disruption Event); or
- (ii) is published, but is affected by an obvious error,

such other rate that the Calculation Agent determines having regard to comparable indices then available.

**Banking Act** means the Banking Act 1959 (Cth).

**Base Rate** has the meaning given in Condition 4.5.

**Base Rate Disruption Event** means that, in respect of a Floating Rate Capital Note or a Fixed-to-Floating Rate Capital Note in the Floating Rate Period for which the Pricing Supplement specifies “Screen Rate Determination” or “Bank Bill Rate Determination” as the method for determining the Base Rate, in the Calculation Agent’s opinion, the Base Rate:

- (a) has been discontinued or otherwise ceased to be calculated or administered; or
- (b) is no longer generally accepted as a reference rate appropriate to floating rate debt securities denominated in Australian Dollars of a tenor and interest period comparable to that of Floating Rate Capital Note.

**Business Day** means a day on which commercial banks and foreign exchange markets are open to settle payments and for general business in Sydney and Melbourne.

**Business Day Convention** means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the relevant Pricing Supplement, in relation to any date applicable to any Capital Note, have the following meanings:

- (a) **Following Business Day Convention** means that the date is postponed to the first following day that is a Business Day;
- (b) **Modified Following Business Day Convention or Modified Business Day Convention** means that the date is postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is brought forward to the first preceding day that is a Business Day;
- (c) **Preceding Business Day Convention** means that the date is brought forward to the first preceding day that is a Business Day; and
- (d) **No Adjustment** means that the relevant date must not be adjusted in accordance with any Business Day Convention.

**Buy-Back** means a transaction involving the acquisition by NAB of its Ordinary Shares pursuant to an offer made at NAB’s discretion in accordance with the provisions of Part 2J of the Corporations Act.

**Calculation Agent** means NAB or any other person specified as such in the relevant Pricing Supplement.

**Capital Notes** has the meaning given in Condition 1.1.

**Capital Notes Deed Poll** means the deed poll relating to the Capital Notes made by NAB on or about 30 October 2019.

**Capital Reduction** means a reduction in capital initiated by NAB in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX or its affiliates or any system that replaces it relevant to the Capital Notes (including in respect of the transfer or Conversion of the Capital Notes).

**Common Equity Tier 1 Capital** means in respect of each of the NAB Level 1 Group and the NAB Level 2 Group has the meaning determined for that term (or its equivalent) by APRA from time to time.

**Common Equity Tier 1 Ratio** means:

- (a) in respect of the NAB Level 1 Group, the ratio of Common Equity Tier 1 Capital in respect of the NAB Level 1 Group to risk weighted assets of the NAB Level 1 Group; and
- (b) in respect of the NAB Level 2 Group, the ratio of Common Equity Tier 1 Capital in respect of the NAB Level 2 Group to risk weighted assets of the NAB Level 2 Group,

in each case as calculated by the methodology prescribed by APRA from time to time.

**Common Equity Trigger Event** has the meaning given in Condition 6.2.

**Conditions** means these terms and conditions as supplemented and amended for any particular Capital Notes by the terms of the relevant Pricing Supplement and a numbered **Condition** means the correspondingly numbered condition in these terms and conditions.

**Constitution** means the constitution of NAB as amended from time to time.

**Control** has the meaning given in the Corporations Act.

**Controlled Entity** means, in respect of NAB (or any NOHC that is the holding company of NAB), an entity that NAB (or such NOHC) Controls.

**Conversion** means, in relation to a Capital Note, to convert the Principal Amount of that Capital Note into a number of Ordinary Shares in accordance with Condition 9, and **Convert**, **Converted** and **Converting** have corresponding meanings.

**Conversion Date** means a Mandatory Conversion Date, a Loss Absorption Event Conversion Date, Acquisition Conversion Date or an Optional Conversion Date in respect of a Conversion.

**Conversion Number** has the meaning given in Condition 9.1.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cum Value** has the meaning given in Condition 9.2.

**Cut-Off Time** means:

- (a) if “Screen Rate Determination” is specified in the Pricing Supplement as the manner in which the Distribution Rate is to be determined, the time that is 15 minutes after the Specified Time, or such other time as is specified in the Pricing Supplement; or
- (b) if “Bank Bill Rate Determination” is specified in the Pricing Supplement as the manner in which the Distribution Rate is to be determined, midday or such other time as is specified in the Pricing Supplement.

**Day Count Fraction** means, in respect of the calculation of the amount of a Distribution on any Capital Note for a Distribution Period or any other period of time (“**Calculation Period**”), the day count fraction specified in these Conditions or the relevant Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period

divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (b) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of:
  - (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
  - (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months unless:
  - (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day is not considered to be shortened to a 30-day month; or
  - (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February is not considered to be lengthened to a 30-day month);
- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February is not considered to be lengthened to a 30-day month);
- (g) if “**RBA Bond Basis**” or “**Australian Bond Basis**” is so specified, means:
  - (i) for amounts paid and/or calculated in respect of Distribution Payment Dates, one divided by the number of Distribution Payment Dates in a year; and
  - (ii) for amounts paid and/or calculated in respect of dates other than Distribution Payment Dates, Actual/Actual (ICMA); and

(h) any other Day Count Fraction specified in the relevant Pricing Supplement.

**Defaulting Nominated Purchaser** has the meaning given in Condition 13.6.

**Deferred Acquisition Conversion Notice** has the meaning given in Condition 7.4.

**Deferred Conversion Date** has the meaning given in Condition 8.5.

**Delisting Event** means, in respect of a date, that:

- (a) NAB has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, NAB or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
  - (i) at least 5 consecutive Business Days prior to that date; and
  - (ii) that date; or
- (c) an Inability Event subsists preventing NAB from Converting Capital Notes of Holders generally.

**Denomination** has the meaning given in clause 3.1.

**Determination Date** has the meaning given in the relevant Pricing Supplement.

**Directors** mean the directors of NAB acting as a board or an authorised committee of the board.

**Distribution** means a cash distribution calculated in accordance with Condition 4.

**Distribution Commencement Date** means, for a Capital Note, the Issue Date of the Capital Note or any other date so specified in the relevant Pricing Supplement.

**Distribution Payment Date** means:

- (a) each date so specified in, or determined in accordance with, the relevant Pricing Supplement; and
- (b) each date on which a Conversion, Redemption or Resale of a Capital Note occurs in accordance with these Conditions,

in each case, as adjusted in accordance with the relevant Business Day Convention.

**Distribution Period** means in respect of:

- (a) the first Distribution Period, the period from (and including) the Distribution Commencement Date until (but not including) the first Distribution Payment Date after the Distribution Commencement Date; and
- (b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

**Distribution Rate** means:

- (a) in the case of a Fixed Rate Capital Note, the rate determined under Condition 4.4;

- (b) in the case of a Floating Rate Capital Note, the rate determined under Condition 4.5; and
- (c) in the case of a Fixed-to-Floating Rate Capital Note, the rate determined under Condition 4.6.

**Eligible Nominee** has the meaning given in Condition 9.12.

**Encumbrance** means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing.

**Equal Ranking Instruments** means in respect of the payment of distributions or the payment in a winding up:

- (a) the NIS preference shares;
- (b) NAB CPS II;
- (c) NAB Capital Notes;
- (d) NAB Capital Notes 2;
- (e) NAB Capital Notes 3;
- (f) each other preference share that NAB has issued or may issue that has the same identifying number as the identifying number provided in the Constitution with respect to priority of payment of dividends or payment in a winding up of NAB as any of the preference shares listed in (a) to (b) above; and
- (g) any securities or other instruments that rank in respect of distributions or in a winding up equally with those preference shares.

**External Administrator** means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person,

or in either case any similar official.

**Extraordinary Resolution** has the meaning given in the Meetings Provisions.

**FATCA** means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended ("the Code") (or any consolidation, amendment, re-enactment or replacement of those sections), any current or future regulations or official interpretations issued, agreements entered into pursuant to section 1471(b) of the Code or non-US laws enacted or regulations or practices adopted pursuant to any intergovernmental agreement in connection with the implementation of those sections.

**FATCA Withholding** means any withholding or deduction imposed or required pursuant to FATCA.

**First Mandatory Conversion Condition** has the meaning given in Condition 5.3.

**First Optional Conversion Restriction** has the meaning given in Condition 8.4.



**First Test Date** has the meaning given in Condition 5.3(a).

**Fixed Rate** has the meaning given in Condition 4.4.

**Fixed Rate Capital Note** means a Capital Note on which distributions are calculated at a fixed rate and scheduled to be paid in arrears on a fixed date or fixed dates in each year or in respect of any other period or on any date specified in the relevant Pricing Supplement.

**Fixed Rate Period** means the period commencing on the Issue Date and concluding on the date immediately prior to the Floating Rate Commencement Date.

**Fixed-to-Floating Rate Capital Note** means a Capital Note on which distributions are calculated in accordance with Condition 4.4 for the Fixed Rate Period and in accordance with Condition 4.5 for the Floating Rate Period.

**Floating Rate Capital Note** means a Capital Note on which distributions are calculated at a floating rate payable 1, 2, 3, 6, or 12 monthly or in respect of any other period or on any date specified in the relevant Pricing Supplement.

**Floating Rate Commencement Date** has the meaning given in the relevant Pricing Supplement.

**Floating Rate Period** means the period commencing on the Floating Rate Commencement Date and concluding on the date on which no Capital Notes of a Series remain Outstanding.

**Foreign Holder** means a Holder whose address in the Register is a place outside Australia or who NAB otherwise believes may not be a resident of Australia.

**Franking Rate** (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of NAB at the relevant Distribution Payment Date.

**Government Agency** means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

**Group** means NAB (or any NOHC that is the holding company of NAB) and the Controlled Entities of NAB (or of such NOHC).

**Holder** means:

- (a) for the purposes of determining the person entitled to be issued Ordinary Shares (or, where Condition 9.12 applies, the net proceeds of sale of such Ordinary Shares) and the amount of their entitlements, for so long as such Capital Notes are held in the Austraclear System, a person who is a Participant (as defined in the Austraclear Regulations); and
- (b) for all other purposes, a person whose name is entered in the Register as the holder of that Capital Note. If a Capital Note is held in the Austraclear System, references to the Holder of that Capital Note include the operator of the Austraclear System or a nominee for that operator (acting in accordance with the rules and regulations of the Austraclear System).

**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 the Capital Notes.

**Information Memorandum** means at any time any current information memorandum (and any supplement to it) prepared on behalf of, and approved by, NAB in connection with the issue of Capital Notes and includes:

- (a) all documents incorporated by reference in it; and

- (b) any other information (including a Pricing Supplement) approved by NAB from time to time.

**IRS** means the United States Internal Revenue Service or any authority succeeding to its powers and responsibilities.

**ISDA Definitions** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (as supplemented, amended and updated as at the Issue Date of the first Tranche of the Capital Notes of the relevant Series).

**ISDA Rate** means for a Floating Rate Capital Note and a Distribution Period, the rate the Calculation Agent determines would be the "Floating Rate" under a Swap Transaction if the Calculation Agent were acting as Calculation Agent for that Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option, the Designated Maturity and the Reset Date are as specified in the Pricing Supplement; and
- (b) the Period End Dates are each Distribution Payment Date, and the Floating Rate Day Count Fraction is the Day Count Fraction.

For the purposes of this definition, "Swap Transaction", "Floating Rate", "Floating Rate Option", "Designated Maturity", "Reset Date", "Period End Date", and "Floating Rate Day Count Fraction" have the meanings given to those terms in the ISDA Definitions.

**Issue Date** means the date on which a Capital Note is, or is to be, issued, as specified in, or determined in accordance with, the relevant Pricing Supplement.

**Issue Date VWAP** means, for a Series of Capital Notes, the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Capital Notes of that Series were issued, as adjusted in accordance with Conditions 9.4 to 9.7 (inclusive).

**Issue Price** of a Capital Note means the price at which that Capital Note is issued as specified in, calculated in or determined in accordance with the relevant Pricing Supplement.

**Level 1** and **Level 2** mean those terms as defined by APRA from time to time.

**Loss Absorption Event** has the meaning given in Condition 6.1.

**Loss Absorption Event Conversion** means the Conversion of Capital Notes to Ordinary Shares on the Loss Absorption Event Conversion Date in accordance with Condition 6.4.

**Loss Absorption Event Conversion Date** has the meaning given in Condition 6.4.

**Loss Absorption Event Notice** has the meaning given in Condition 6.6.

**Mandatory Conversion** means the mandatory conversion of Capital Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with Condition 5.

**Mandatory Conversion Conditions** has the meaning given in Condition 5.3.

**Mandatory Conversion Date** has the meaning given in Condition 5.2.

**Margin** means the margin specified in, or determined in accordance with, the relevant Pricing Supplement.

**Maximum Conversion Number** has the meaning given in Condition 9.1.

**Meetings Provisions** means the provisions for the convening of meetings and passing of resolutions by Holders set out in Schedule 2 of the Capital Notes Deed Poll.

**N** means the number of days in the Distribution Period,

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

**NAB Capital Notes** means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB on 23 March 2015.

**NAB Capital Notes 2** means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB on 7 July 2016.

**NAB Capital Notes 3** means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB on 20 March 2019.

**NAB CPS II** means convertible preference shares, being fully paid preference shares issued by NAB on 17 December 2013.

**NAB Level 1 Group** means NAB and those of its controlled 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 together with each other Related Entity included by APRA from time to time in the calculation of NAB's capital ratios on a Level 2 basis.

**NAB New York Branch** means NAB acting through its branch office in New York City.

**Net Proceeds per Ordinary Share** means, in respect of Ordinary Shares issued and sold in accordance with Condition 9.12, an amount equal to the proceeds of sale of such Ordinary Shares actually received by the Eligible Nominee after deduction of any applicable brokerage, stamp duty and other taxes, charges and expenses (including the Eligible Nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares), divided by the number of such Ordinary Shares issued and sold.

**Next Distribution Payment Date** means the scheduled Distribution Payment Date immediately following the date on which the Optional Conversion Notice, Optional Redemption Notice or Optional Resale Notice (as applicable) was given by NAB provided that if such Distribution Payment Date is less than 20 Business Days following the date on which such notice was given then it shall be the immediately following Distribution Payment Date.

**NIS** means the income securities issued by NAB in 1999 comprising fully paid notes issued by NAB through NAB New York Branch stapled to unpaid preference shares issued by NAB.

**NIS preference shares** means the preference shares issued by NAB in connection with the NIS which, if paid up in accordance with the terms of the NIS, will be outstanding in an aggregate liquidation amount of up to A\$2.0 billion.

**NOHC** means a "non-operating holding company" within the meaning of the Banking Act.

**NOHC Event** means an event which would otherwise be an Acquisition Event which is initiated by the Directors, acting as a board, and the result of which is that the ultimate holding company of NAB would be a NOHC.

**Nominated Purchaser** means, subject to Condition 13.3, one or more third parties selected by NAB in its absolute discretion, provided that such party cannot be NAB or any Related Entity of NAB.

**Non-Conversion Notice** has the meaning given in Condition 5.4.

**Non-Conversion Test Date** has the meaning given in Condition 8.4.

**Non-Viability Trigger Event** has the meaning given in Condition 6.3.

**Optional Conversion Date** has the meaning given in Condition 8.3.

**Optional Conversion Notice** has the meaning given in Condition 8.1.

**Optional Conversion Restrictions** has the meaning given in Condition 8.4.

**Optional Redemption Notice** has the meaning given in Condition 10.1.

**Optional Resale Notice** has the meaning given in Condition 12.1.

**Ordinary Resolution** has the meaning given the Meetings Provisions.

**Ordinary Share** means a fully paid ordinary share in the capital of NAB.

**Ordinary Share Dividend** means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution in relation to Ordinary Shares.

**Outstanding** means in relation to the Capital Notes of any Series, all of the Capital Notes of such Series other than:

- (a) Capital Notes which have been redeemed, repaid, resold or satisfied in full by NAB;
- (b) Capital Notes for which funds equal to their aggregate Principal Amount are on deposit with the Registrar on terms which prohibit the redemption of those Capital Notes or in respect of which the Registrar holds an irrevocable direction to apply funds in repayment of Capital Notes to be redeemed on that day;
- (c) Capital Notes in respect of which a Holder is unable to make a claim as a result of the operation of Condition 16.5; or
- (d) a Capital Note which has been Converted or Written Off in full.

**Payment Condition** means in respect of Distributions scheduled to be paid on a Distribution Payment Date:

- (a) the payment of Distributions will result in NAB or the Group not complying with APRA's then current Prudential Capital Requirements;
- (b) unless APRA otherwise approves in writing, making the Distribution payment would result in NAB or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to NAB or the Group (as the case may be) at the time;
- (c) APRA otherwise objects to the payment of Distributions;
- (d) making the Distribution payment would result in NAB becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (e) NAB is not permitted to pay the Distribution under the Corporations Act.

**Potential Acquisition Event** means any one of the following events:

- (a) an event within paragraph (a) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented,

in each case other than where such event is a NOHC Event.

**Preference Share** means a notional preference share in the capital of NAB conferring a claim in the winding up of NAB equal to the Principal Amount and ranking equally in respect of return of capital in a winding up with each of the preference shares which is an Equal Ranking Instrument in respect of payment in a winding up.

**Pricing Supplement** means, in respect of a Tranche, a pricing supplement specifying the relevant issue details in relation to it.

**Principal Amount** has the meaning given in clause 3.1.

**Programme** has the meaning given in Condition 1.1.

**Prudential Capital Requirements** means at any time the requirements of APRA with respect to the ratio of Common Equity Tier 1 Capital, Tier 1 Capital or Total Capital to total risk weighted assets as applicable to NAB or the Group at that time.

**Record Date** means, for a payment in respect of a Capital Note, the eighth calendar day before the relevant payment date, any other date specified in, or determined in accordance with, the Pricing Supplement, or any other date prescribed by the rules of the Austraclear System and notified in writing to Holders.

**Redemption** means, in relation to a Capital Note, redemption in accordance with Condition 11.2 and **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

**Redemption Date** means the date on which Capital Notes are to be redeemed or, if Capital Notes are not redeemed on that day, the date on which the Capital Notes are Redeemed.

**Reference Banks** means, for a Floating Rate Capital Note in respect of which "Screen Rate" applies, the financial institutions specified in the Pricing Supplement or, if none are specified, four leading banks selected by the Calculation Agent in the Relevant Financial Centre.

**Reference Rate** has the meaning given in the relevant Pricing Supplement.

**Register** means a register, including any branch register, of holders of each Series of Capital Notes established and maintained by or on behalf of NAB under the Registry Services Agreement.

**Registered** means recorded in the Register.

**Registrar** means Austraclear Services Limited (ABN 28 003 284 419) or any other person appointed by NAB under the Registry Services Agreement to maintain the Register and perform any payment and other duties as specified in that agreement.

**Registry Services Agreement** means the agreement titled "The ASX Austraclear Registry and IPA Services Agreement" dated 23 August 2011 between NAB and the Registrar and any other registry services agreement from time to time entered into between NAB and a Registrar in relation to the Capital Notes.

**Regular Period** means:

- (a) in the case of Capital Notes where Distributions are scheduled to be paid only by means of regular payments, each Distribution Period;
- (b) in the case of Capital Notes where, apart from the first Distribution Period, Distributions are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Distribution Payment Date falls; and

- (c) in the case of Capital Notes where, apart from one Distribution Period other than the first Distribution Period (the “**Irregular Distribution Period**”), Distributions are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Distribution Payment Date falls other than the Distribution Payment Date falling at the end of the Irregular Distribution Period.

**Regulatory Change** means any amendment to, clarification of or change (including any announcement of any change that will be introduced) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying 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 event is announced on or after the Issue Date and which NAB did not expect as at the Issue Date.

**Regulatory Event** means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of a Regulatory Change, more than de minimis additional requirements would be imposed on NAB in relation to or in connection with Capital Notes of a Series (which were not expected by NAB at the Issue Date) which the Directors determine, in their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors that, as a result of a Regulatory Change, NAB is not or will not be entitled to treat some or all Capital Notes of a Series as Additional Tier 1 Capital except where the reason NAB is not or will not be entitled to treat some or all Capital Notes of a Series as Additional Tier 1 Capital is because of a limit or other restriction on the recognition of Additional Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by NAB may come into effect.

**Related Entity** has the meaning given to it by APRA from time to time.

**Relevant Distribution** has the meaning given in Condition 4.11.

**Relevant Distribution Payment Date** has the meaning given in Condition 4.11.

**Relevant Financial Centre** means, for a Capital Note in respect of which “Screen Rate” applies, the place specified in the Pricing Supplement.

**Relevant Fraction** has the meaning given in Condition 9.1.

**Relevant Mandatory Conversion Date** has the meaning given in Condition 5.2.

**Relevant Tier 1 Capital Instruments** means Tier 1 Capital instruments of NAB (on a Level 1 or Level 2 basis) (including Capital Notes) that, in accordance with their terms or by operation of law, are capable of being converted into Ordinary Shares or written off on a Loss Absorption Event Conversion Date.

**Relevant Screen Page** means, for a Capital Note in respect of which “Screen Rate” applies:

- (a) the page, section or other part of a particular information service which displays the applicable Reference Rate, as specified in the Pricing Supplement; or
- (b) any other page, section or other part as may replace it on that information service or another information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

**Relevant Time** has the meaning given in the relevant Pricing Supplement.

**Reorganisation** means, in relation to NAB, a division, consolidation or reclassification of NAB's share capital not involving any cash payment or other distribution (or compensation) to or by the holders of Ordinary Shares.

**Resale** means, in relation to a Capital Note, the taking effect of the rights specified in Condition 12 in relation to that Capital Note, and **Resold** and **Resell** have corresponding meanings.

**Resale Date** has the meaning given in Condition 12.3.

**Resale Price** means, for a Capital Note, a cash amount equal to its Principal Amount.

**Scheduled Mandatory Conversion Date** means, for a Series of Capital Notes, the date so specified in the relevant Pricing Supplement.

**Scheduled Optional Conversion Date** means, for a Series of Capital Notes, each date so specified in the relevant Pricing Supplement.

**Scheduled Optional Redemption Date** means, for a Series of Capital Notes, each date so specified in the relevant Pricing Supplement.

**Scheduled Optional Resale Date** means, for a Series of Capital Notes, the date so specified in the relevant Pricing Supplement.

**Screen Rate** means, for a Floating Rate Capital Note and a Distribution Period:

- (a) the quotation offered for the Reference Rate as displayed on the Relevant Screen Page at the Specified Time on the Determination Date for the Distribution Period; or
- (b) if the Calculation Agent determines that such rate as is described in paragraph (a) above:
  - (i) is not published by the Cut-Off Time (other than on account of a Base Rate Disruption Event); or
  - (ii) is published, but is affected by an obvious error,such other rate that the Calculation Agent determines having regard to comparable indices then available.

**Second Mandatory Conversion Condition** has the meaning given in Condition 5.3 (but in Conditions 7.4 and 8.5, as adjusted in those Conditions).

**Second Optional Conversion Restriction** has the meaning given in Condition 8.4.

**Senior Creditors** means all present and future creditors of NAB, including depositors and holders of Tier 2 Capital Instruments, whose claims are:

- (a) entitled to be admitted in the winding up of NAB; and
- (b) not in respect of Equal Ranking Instruments.

**Series** means an issue of Capital Notes made up of one or more Tranches all of which form a single Series and are issued on the same terms except that the Issue Date, Issue Price, and Distribution Commencement Date may be different in respect of a different Tranche of a Series.

**Specified Currency:**

- (a) in the case of any references to Capital Notes, Australian Dollars; and

- (b) in the case of any Relevant Tier 1 Capital Instruments other than Capital Notes, means the currency in which such instruments are denominated.

**Specified Office** means the office specified in the most recent Information Memorandum or any other address notified to Holders from time to time.

**Specified Time** has the meaning given in the relevant Pricing Supplement.

**Subsequent Mandatory Conversion Date** has the meaning given in Condition 5.2.

**Taxes** means taxes, levies, imposts, deductions or charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties and expenses in connection with them.

**Tax Act** means:

- (a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth);
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under any of those laws.

**Tax Event** means on or after the Issue Date, NAB receives an opinion from a reputable legal counsel or other tax adviser in Australia experienced in such matters that there is more than an insubstantial risk that, as a result of a Tax Law Change:

- (a) NAB or another member of the Group would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any amount of other Taxes, duties, assessments or other governmental charges) in connection with Capital Notes of a Series; or
- (b) NAB or the tax consolidated group of which it is a member would not be entitled to treat any Distribution as a frankable distribution within the meaning of Division 202 of the Tax Act (or may do so only subject to requirements which the Directors determine, in their absolute discretion, to be unacceptable).

**Tax Law Change** means:

- (a) an amendment to or change (including any announcement of any change that will be introduced) in any laws or regulations under those laws affecting taxation in Australia;
- (b) a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;
- (c) an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body in Australia making the administrative pronouncement or taking any action; or
- (d) a challenge asserted or threatened in connection with Capital Notes of a Series in writing from the Australian Taxation Office,

which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which NAB did not expect as at the Issue Date.



**Tax Rate** means the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date (expressed as a decimal).

**Third Mandatory Conversion Condition** has the meaning given in Condition 5.3.

**Tier 1 Capital** means tier 1 capital as defined by APRA from time to time.

**Tier 2 Capital** means tier 2 capital as defined by APRA from time to time.

**Tier 2 Capital Instruments** means securities issued by NAB or a member of the NAB Level 2 Group which qualify as Tier 2 Capital.

**Total Capital** means total capital as defined by APRA from time to time.

**Tranche** means an issue of Capital Notes specified as such in the relevant Pricing Supplement which are issued on the same terms except that the Issue Date, Issue Price, and Distribution Commencement Date may be different.

**Transferee** has the meaning given in Condition 22.2.

**VWAP** means, subject to any adjustments under Condition 9, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days 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:

(a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the lesser of:

(i) 20 Business Days on which trading in Ordinary Shares takes place; and

(ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be);

in each case immediately preceding (but not including) the Business Day before the Optional Conversion Date or Acquisition Conversion Date in respect of that event (as the case may be);

(b) in the case of a Conversion resulting from a Loss Absorption Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Loss Absorption Event Conversion Date;

(c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Conditions; or

(d) otherwise, the period for which VWAP is to be calculated in accordance with these Conditions.

**Written Off** has the meaning given in Condition 6.5 and **Write Off** has a corresponding meaning.

## 27.2 Interpretation

- (a) Unless the context otherwise requires, a reference to “Conditions” is a reference to these Conditions as supplemented, modified or altered by the relevant Pricing Supplement.
- (b) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Conditions and the Constitution then, to the maximum extent permitted by law, the provisions of these Conditions will prevail.
- (c) Unless otherwise specified, a reference to a paragraph is a reference to a paragraph of these Conditions.
- (d) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (e) The singular includes the plural and vice versa.
- (f) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (h) Calculations, elections and determinations made by or on behalf of NAB under these Conditions are binding on Holders in the absence of manifest error.
- (i) Any provisions of these Conditions which refer to the requirements of APRA or any other prudential regulatory requirements will apply only if NAB is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity (including a NOHC), subject to regulation and supervision by APRA at the relevant time.
- (j) Any provisions which require APRA’s consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.
- (k) Any provisions in these Conditions requiring the prior approval of APRA for a particular course of action to be taken do not imply that APRA has given its consent or approval to the particular action as of the Issue Date. Where under these Conditions, APRA approval is required, for any act to be done or not done, that term does not imply that APRA approval has been given as at the Issue Date.
- (l) The terms “holding company”, “wholly-owned subsidiary” and “subsidiary”, when used in these Conditions have the meaning given in the Corporations Act.
- (m) A reference to a party to an agreement or deed includes a reference to a replacement or substitute of the party according to that agreement or deed.
- (n) A reference to an agreement or deed includes a reference to that agreement or deed as amended, added to or restated from time to time.
- (o) The words “includes” or “including”, “for example” or “such as” do not exclude a reference to other items, whether of the same class or genus or not.
- (p) Words importing any gender include all other genders.
- (q) The terms takeover bid, relevant interest, scheme of arrangement, buy- back, related body corporate and on-market buy-back when used in these Conditions have the meaning given in the Corporations Act.

- (r) A reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital", "Common Equity Tier 1 Capital", "Level 1", "Level 2", "Prudential Capital Requirements", "Tier 1 Capital" and "Total Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (s) A reference to a term defined by the ASX Listing Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (t) 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).
- (u) Where NAB is required to give or serve a notice by a certain date under these Conditions, NAB is required to despatch the notice by that date (including at NAB's discretion, by posting or lodging notices with a mail house) and delivery or receipt (or deemed delivery) is permitted to occur after that date.
- (v) Where a Holder is required to give or deliver a notice to NAB by a certain date under these Conditions, the notice must be received by NAB by that date.
- (w) A reference to time is to Melbourne time unless otherwise specified.

### **27.3 Terms defined in Pricing Supplement**

If these Conditions state that a definition has the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no meaning or specifies that the definition is "Not Applicable", then that definition is not applicable to the Capital Notes.

### **27.4 No adjustment to Loss Absorption Event Conversion Date**

The operation of Condition 6 (Mandatory Conversion on a Loss Absorption Event) and Condition 9 (Conversion mechanics) is not affected by any other provision of the Conditions, including the Business Day Convention.

# Form of Pricing Supplement

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The Pricing Supplement that will be issued in respect of each Tranche of Capital Notes will be substantially in the form set out below.

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Capital 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 (“**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 (“**MiFID2**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID2. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Capital Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Series No.: [●]

Tranche No.: [●]

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

## Capital Notes Programme

Issue of  
**[Aggregate Principal Amount of Tranche] Capital Notes (the “Capital Notes”)**

This Pricing Supplement (as referred to in the Information Memorandum in relation to the above Programme) relates to the Tranche of Capital Notes (the “**Capital Notes**”) referred to above. The date of this Pricing Supplement is [●]. It is supplementary to, and should be read in conjunction with the Capital Notes Deed Poll dated 30 October 2019 made by National Australia Bank Limited (ABN 12 004 044 937) (“**NAB**”).

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Capital Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

The particulars to be specified in relation to the Tranche of Capital Notes referred to above are as follows:

1	<b>Issuer:</b>	NAB
2	<b>Type of Issue:</b>	[Private]/[Syndicated Issue]
3	<b>Relevant Dealer:</b>	[●]
4	<b>Lead Manager:</b>	[●]
5	<b>Registrar:</b>	Austraclear Services Limited (ABN 28 003 284 419)
6	<b>Calculation Agent:</b>	[National Australia Bank Limited (ABN 12 004 044 937)]/[●]
7	<b>If to form a single Series with an existing Series, specify date on which all Capital Notes of the Series become fungible, if not the Issue Date:</b>	[Not applicable]/[●]

- 8 **Aggregate Principal Amount of Tranche:** [●] [*Specify amount and currency*]
- 9 **Aggregate Principal Amount of Series (including the Tranche):** [●] [*Specify amount and currency*]
- 10 **If interchangeable with existing Series:** Applicable: [Yes]/[No]
- 11 **Issue Date:** [●]
- 12 **Issue Price:** [●] [*Specify amount and currency*]
- 13 **Denomination:** \$A1,000
- 14 **Type of Capital Notes:** [Fixed Rate Capital Note]/[Floating Rate Capital Note]/[Fixed-to-Floating Rate Capital Note]
- 15 **If the Capital Notes are Fixed Rate Capital Notes, specify:** Applicable: [Yes]/[No] [*If not applicable, deleting the remaining sub-paragraphs.*]
- (a) **Fixed Rate:** [●] per cent per annum
- (b) **Margin:** [●] per cent per annum
- (c) **Distribution Commencement Date:** [Issue Date]/[●]
- (d) **Distribution Payment Dates:** each [●] [*Specify one or more dates per annum*]
- (e) **Business Day Convention:** [●] [*Specify convention in accordance with definition of "Business Day Convention" in Condition 27.1*]
- (f) **Day Count Fraction:** [●] [*Specify fraction in accordance with definition of "Day Count Fraction" in Condition 27.1*]
- 16 **If the Capital Notes are Floating Rate, specify:** Applicable: [Yes]/[No] [*If not applicable, deleting the remaining sub-paragraphs.*]
- (a) **Basis for determining Base Rate:** [ISDA Determination]/[Screen Rate Determination]/[Bank Bill Rate Determination]/[●]
- (b) **Margin:** [●] per cent per annum
- (c) **Distribution Commencement Date:** [Issue Date]/[●]
- (d) **Distribution Payment Dates:** each [●] [*Specify one or more dates per annum*]
- (e) **Business Day Convention:** [●] [*Specify convention in accordance with definition of "Business Day Convention" in Condition 27.1*]
- (f) **Day Count Fraction:** [●] [*Specify fraction in accordance with definition of "Day Count Fraction" in Condition 27.1*]

*[In the case of Fixed-to-Floating Rate Notes, specify. If not applicable, deleting the remaining sub-paragraph.]*

- (g) **Floating Rate Commencement Date:** [●]

*[If ISDA Determination applies, specify. If not applicable, deleting the remaining sub-paragraphs.]*

(h) **Floating Rate Option:** [●] [Specify appropriate Floating Rate Option based on 2006 ISDA Definitions]

(i) **Designated Maturity:** [●] [Specify period of time corresponding to length of Distribution Period]

(j) **Reset Date:** [●]

[If Screen Rate Determination applies, specify. If not applicable, deleting the remaining sub-paragraphs.]

(k) **Relevant Screen Page:** [●]

(l) **Specified Time:** [●]

(m) **Reference Rate:** [●]

(n) **Reference Banks:** [●]

(o) **Relevant Financial Centre:** [●]

(p) **Determination Date:** [●]

17 **Scheduled Mandatory Conversion Date:** [●] [Specify a date falling no earlier than 2 years after the last date specified in items 18, 19 and 20]

18 **Scheduled Optional Conversion Date:** [●] [Specify a date (or dates) falling no earlier than 5 years after the Issue Date]

19 **Scheduled Optional Redemption Date:** [●] [Specify a date (or dates) falling no earlier than 5 years after the Issue Date]

20 **Scheduled Optional Resale Date:** [●] [Specify a date falling no earlier than 5 years after the Issue Date]

21 **Modification to notice periods :** [Not applicable]/[Specify any variation to the notice periods for the purposes of giving an Optional Conversion Notice, Optional Redemption Notice and/or Optional Resale Notice]

22 **Modifications to payment provisions:** [Not applicable]/[●] [Specify any variation to Condition 16.2]

23 **ISIN:** [●]

24 **Common Code:** [●]

25 **U.S. selling restrictions:** Regulation S Compliance Category 2

26 **Other selling restrictions:** [Not applicable]/[●] [Specify any variation to the selling restrictions in appendix to this Pricing Supplement]

27 **Listing:** [Not applicable]/[●]

28 **Additional or alternate newspapers:** [Not applicable]/[●]

29 **Relevant Time:** [●] [am]/[pm]

30 Other amendments:

[Not applicable][●] [Specify any Conditions to be altered, varied, deleted otherwise than as provided above, any additional Conditions to be included and/or any modifications to or additions to the disclosure included in the current version of the Information Memorandum]

SIGNED by )  
 )  
 )  
 as attorney for NATIONAL AUSTRALIA )  
 BANK LIMITED under power of attorney )  
 dated )  
 )  
 in the presence of: )  
 )  
 )  
 ..... )  
 Signature of witness )  
 )  
 ..... )  
 Name of witness (block letters) )

.....  
By executing this document the attorney states that the attorney has received no notice of revocation of the power of attorney

# National Australia Bank Limited

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The Issuer is a public limited company incorporated on June 23, 1893 in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act and the Banking Act. The Issuer's registered office is at Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

The Issuer (together with its subsidiaries, the "**Group**") is a financial services organisation. The majority of the Group's financial services businesses operate in Australia and New Zealand with branches located in Asia, the United Kingdom and the United States.

More detailed information and financial statements, including the notes thereto, are contained in the most recently published Issuer's Annual Report from time to time which is publicly available on the internet at [www.nab.com.au](http://www.nab.com.au).



## Description of Ordinary Shares

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The rights and liabilities that attach to Ordinary Shares are set out in the Issuer's constitution. Investors who wish to inspect the Constitution may do so at the registered address of the Issuer. These rights and liabilities are also regulated by the Corporations Act, ASX Listing Rules and general law.

The following is a non-exhaustive summary of the main rights attaching to Ordinary Shares:

- the right to one vote per fully paid Ordinary Share at general meetings of the Issuer (or a fraction of a vote in proportion to the amount paid up on that Ordinary Share);
- the right to transfer the Ordinary Shares, in accordance with the Constitution;
- subject to the rights of holders carrying preferred rights, the right to receive dividends in proportion to the amount paid up on that Ordinary Share, if and when the Directors determine to pay them;
- the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- subject to the rights of holders having preferred rights, the right to participate in a surplus of assets on a winding up of the Issuer.

The Issuer's ability to pay a dividend may be restricted by Australian law and by the terms of prior ranking securities.

# Australian Taxation

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The following is a summary of the Australian income tax, capital gains tax (“**CGT**”), goods and services tax (“**GST**”) and stamp duty consequences for Australian tax resident Holders of Capital Notes (“**Resident Holders**”) and Holders who are not tax residents of Australia (and do not hold Capital Notes at or through an Australian permanent establishment) (“**Non-Resident Holders**”) who, in each case, acquire Capital Notes upon issuance, hold the Capital Notes on capital account for tax purposes and are not subject to the ‘taxation of financial arrangements’ (“**TOFA**”) regime in respect of their Capital Notes.

The following is general in nature and should be treated with appropriate caution. It is not exhaustive and, in particular, does not deal with the position of certain classes of Holders of Capital Notes (including, for instance, dealers in securities, clearing systems, custodians or other third parties who hold Capital Notes on behalf of any Holder). Prospective Holders of Capital Notes should consult their professional advisers on the tax implications of an investment in the Capital Notes, taking into account their particular circumstances. This summary should not be read as constituting advice to any particular Holder.

## **(a) Distributions on Capital Notes**

The Capital Notes should be characterised as non-share equity interests for Australian income tax purposes. Distributions should be treated as non-share dividends and not as interest income for income tax purposes.

Distributions on the Capital Notes should be frankable distributions and may carry franking credits. Distributions are expected to be franked at the same rate as dividends paid on the Issuer’s Ordinary Shares. The Issuer will provide distribution statements to Holders in respect of Distributions on the Capital Notes. Holders may refer to the distribution statement to ascertain:

- (i) the amount of the Distribution;
- (ii) the amount of franking credits attached to the Distribution; and
- (iii) any amount of the unfranked part of the Distribution that is declared by the Issuer to be conduit foreign income.

### *Resident Holders*

The amount of Distributions should be included in the assessable income of a Resident Holder.

Provided the Resident Holder is a ‘qualified person’ (see discussion below) in relation to a Distribution, any attached franking credits should also be included in the assessable income of the Resident Holder and the Resident Holder should be entitled to a tax offset equal to the amount of the franking credits.

For some Resident Holders, if the tax offset exceeds their income tax liability for an income year, the excess tax offset may be refunded.

Broadly, a Resident Holder should be a ‘qualified person’ in relation to a Distribution if the Resident Holder has held the Capital Notes ‘at risk’ for a continuous period of at least 90 days during the relevant qualification period.

The length of the relevant qualification period will depend on whether the Resident Holder has made a ‘related payment’ in relation to the Distribution. Generally, this occurs where the Resident Holder makes a payment which passes the benefit of the Distribution to another person.

The Commissioner of Taxation may also apply anti-avoidance rules to deny the benefit of franking credits to Holders in limited circumstances.

One such rule (in section 207-158 of the Income Tax Assessment Act 1997) applies when the issuer of the instrument (here, the Issuer) is entitled to a deduction in a foreign jurisdiction in relation to distributions paid on the instrument. It is possible that this rule could apply to Distributions paid on Capital Notes as a result of how the Issuer's offshore branches are required to calculate taxable income in foreign jurisdictions. The Commissioner of Taxation is aware of this issue and, subject to the Issuer entering into a deed with the Commissioner of Taxation (if the Commission of Taxation so requests), has agreed to use his general administrative powers to not deny Resident Holders the benefit of either franking credits or tax offsets in relation to Distributions. The Issuer has agreed to enter into a deed with the Commissioner of Taxation (if the Commission of Taxation so requests) and to provide undertakings in relation to the potential application of section 207-158.

#### *Non-Resident Holders*

Non-Resident Holders may be subject to Australian dividend withholding tax on the Distributions.

Dividend withholding tax should generally not apply to Non-Resident Holders to the extent that:

- the Distribution is fully franked; or
- the amount of the unfranked part of the Distribution is declared by the Issuer to be conduit foreign income.

If Distributions are unfranked or partially franked, dividend withholding tax will apply. Australian dividend withholding tax is imposed at a general rate of 30% but the rate may be reduced under a double tax treaty between Australia and the jurisdiction where the Non-Resident Holder is resident.

If any dividend withholding tax is applicable, the Issuer will not increase the amount of the Distribution to account for that withholding.

#### **(b) ABN/TFN withholding tax**

Holders may choose to notify the Issuer of their tax file number ("**TFN**"), Australian Business Number ("**ABN**"), or a relevant exemption from ABN/TFN withholding tax with respect to Distributions.

If the Issuer does not receive such notification, withholding tax may be deducted at the rate of (currently) 47% to the extent required by law.

Holders may be able to claim a tax credit or rebate in respect of any tax withheld on the Distributions in their income tax returns.

#### **(c) CGT consequences of ordinary disposal**

Gains and losses made on the disposal of Capital Notes should be taxed under the CGT provisions. This is on the basis that the Issuer expects that the ATO would not treat the Capital Notes as 'traditional securities' for income tax purposes.

The cost base of each Capital Note acquired by a Holder should include the Issue Price of the Capital Note which the Holder pays on subscription. The cost base of each Capital Note should also include certain incidental costs (e.g. legal costs, broker fees) associated with the purchase and disposal of the Capital Note.

#### *Resident Holders*

A Resident Holder should make a capital gain on the sale of Capital Notes if the sale proceeds exceed their cost base in the Capital Notes. If the sale proceeds are less than their reduced cost base, the Resident Holder should make a capital loss. Capital losses may only be offset against capital gains (and not other income) in the same or later years of income.

Certain Resident Holders may be entitled to the CGT discount in respect of a capital gain made on the sale of Capital Notes if they have held the Capital Notes for at least 12 months for CGT purposes. A Resident Holder who is an individual or trust is entitled to a discount percentage of 50% and complying superannuation entities are entitled to a discount percentage of 33⅓%. Companies are generally not entitled to the CGT discount.

The Federal Government has announced that “managed investment trusts” (“**MITs**”) and “attribution MITs” (“**AMITs**”) will no longer be entitled to the CGT discount at the trust level from 1 July 2020. MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries who are entitled to the CGT discount.

#### *Non-Resident Holders*

Any capital gain or capital loss made in respect of the Capital Notes by a Non-Resident Holder is expected to be disregarded for Australian tax purposes.

### **(d) CGT consequences of Redemption, Conversion, Write Off and Resale**

#### **(i) Redemption**

A Redemption of the Capital Notes should have similar CGT consequences to a disposal of Capital Notes for CGT purposes, as set out above at section (c).

However, in the context of a Redemption, the CGT capital proceeds taken to be received should be either the actual Redemption proceeds received for each Capital Note, or the market value of the Capital Note at that time (determined as if the Redemption had not occurred or been proposed) if that market value is greater or less than the actual Redemption proceeds received.

#### **(ii) Conversion**

The Conversion of each Capital Note into Ordinary Shares should not result in a CGT event for CGT purposes which would give rise to a capital gain or capital loss at the time of Conversion.

The issue of Ordinary Shares to Holders of Capital Notes as part of the Conversion should not be assessable as either a dividend or as ordinary income in the hands of the Holders.

Each Ordinary Share received as a result of the Conversion should be taken to have been acquired for CGT purposes on the date of the Conversion (i.e. not on the date the Issuer issues the Capital Notes). In order to be eligible for the CGT discount on the sale of the Ordinary Shares, Holders will need to hold the Ordinary Shares for at least 12 months from the time of Conversion.

As a result of the Conversion, a Holder should apportion the original cost base (or reduced cost base) of the Capital Notes across the Ordinary Shares issued to the Holder on Conversion. The cost base (or reduced cost base) is relevant for determining the amount of any capital gain (or capital loss) resulting on a subsequent disposal of the Ordinary Shares.

#### **(iii) Write Off**

The Capital Notes will only be Written Off in limited circumstances if a Non-Viability Trigger Event occurs. A Write Off of Capital Notes may cause Resident Holders to make a capital loss. This is on the basis that no capital proceeds will be provided to Resident Holders on a Write Off of their Capital Notes. As discussed above, capital losses may only be offset against capital gains in the same or later years of income.

#### **(iv) Resale**

A Resale of the Capital Notes should constitute a disposal of Capital Notes for CGT purposes and the CGT consequences should be similar to those set out above in section (c) in relation to the CGT consequences of an ordinary disposal of Capital Notes.

**(e) Taxation of Financial Arrangements**

The TOFA regime contains tax timing rules for certain taxpayers to bring to account gains and losses from “financial arrangements”. The TOFA regime should not generally apply to an investment in Capital Notes unless the Holder has made certain elections under the TOFA regime.

Holders who have made TOFA elections should obtain specific tax advice relating to their individual circumstances regarding the application of the TOFA regime to their investment in the Capital Notes.

**(f) Goods and services tax**

Holders should not be liable for GST in respect of their investment in Capital Notes or the disposal of Capital Notes.

**(g) Stamp duty**

Neither the issue to nor the receipt by a Holder of the Capital Notes should give rise to a stamp duty liability in any Australian State or Territory provided that following the issue or receipt of Capital Notes, no Holder will, either alone or together with any associated persons, be entitled to a distribution of 50% or more of the property of the Issuer on a notional distribution of all the property of the Issuer.

The Redemption, Conversion, Write Off or Resale of the Capital Notes in accordance with the Conditions should also not give rise to any stamp duty liability in any Australian State or Territory, provided that no Holder will, either alone or together with any associated persons, hold an interest in the Issuer of 50% or more.

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