



# NAB CAPITAL NOTES 4

**Investor Presentation**

February 2020

# IMPORTANT NOTICE

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 (“NAB”) in relation to its proposed offer of NAB Capital Notes 4. A prospectus in respect of the offer of NAB Capital Notes 4 was lodged with ASIC on 17 February 2020 (“Prospectus”). The Prospectus does not contain the Margin or the Application Form. The Prospectus is available online at [nab.com.au/ncn4offer](http://nab.com.au/ncn4offer)

A prospectus containing the Margin and the Application Form will be lodged with ASIC once the Margin is determined (expected to be on or about 25 February 2020) and will be available within Australia.

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# NAB AT A GLANCE

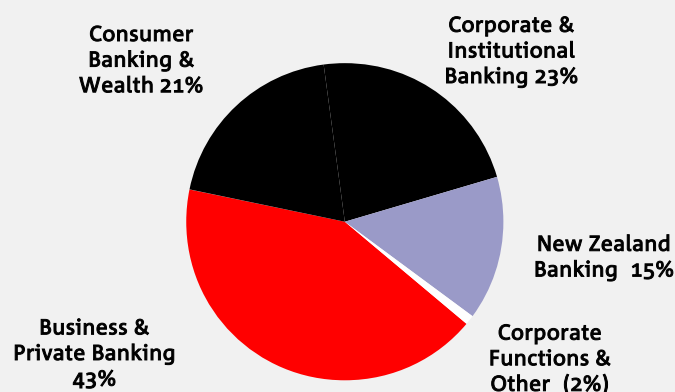
>34,000  
Employees

~9 million  
Customers

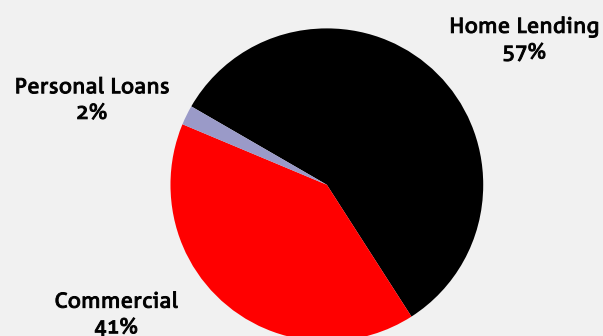
892  
Branches/Business centres

>160 years  
in operation

## CASH EARNINGS DIVISIONAL SPLIT<sup>1, 5</sup>



## GROSS LOANS & ACCEPTANCES SPLIT<sup>5</sup>



### Key Financial Data

	FY19	Q120 (unaudited)
Cash Earnings <sup>1</sup>	\$6.55 bn	\$1.65 bn
Cash ROE <sup>1</sup>	12.7%	n/a
Gross Loans & Acceptances	\$601 bn	n/a
Non-performing loans to GLAs <sup>2</sup>	93 bps	94 bps
CET1 (APRA)	10.4%	10.6%
NSFR (APRA)	113%	112%

### Australian Market Share

As at 30 September 2019

Business lending <sup>3</sup>	22.1 %
Housing lending <sup>3</sup>	15.1 %
Personal lending <sup>4</sup>	9.7 %
Cards <sup>3</sup>	13.3 %

Credit Ratings  
NAB Ltd LT/ST

S&P AA-/A-1+  
(stable)

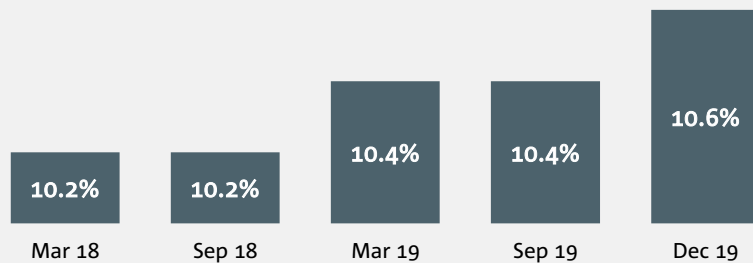
Moody's Aa3/P-1  
(stable)

Fitch AA-/F1+  
(negative)

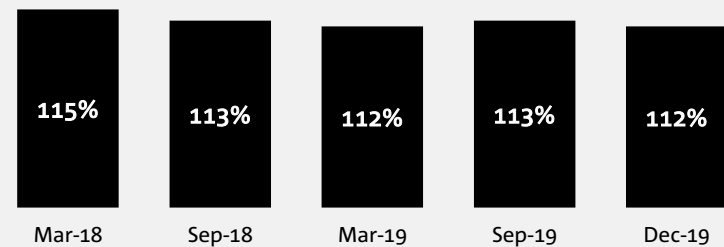
- (1) Numbers are shown excluding large notable items. Refer to page 102 NAB's NAB's Full Year 2019 Investor Presentation for definition of cash earnings and reconciliation to statutory net profit
- (2) 90+ days past due and gross impaired assets to gross loans and acceptances
- (3) APRA Monthly Authorised Deposit-taking Institution statistics
- (4) Personal loans business tracker reports provided by RFI, represents share of RFI defined peer group data
- (5) As at 30 September 2019

# A ROBUST BALANCE SHEET... AND 'UNQUESTIONABLY STRONG'

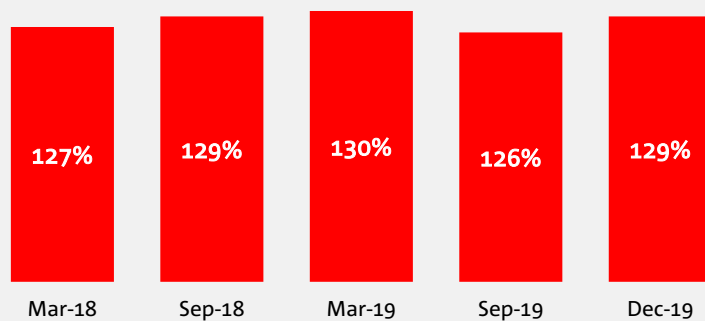
## COMMON EQUITY TIER 1 (CET1)



## NET STABLE FUNDING RATIO

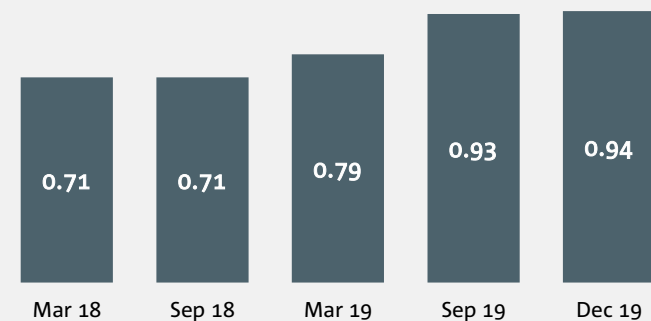


## LIQUIDITY COVERAGE RATIO<sup>1</sup>



## ASSET QUALITY – 90DPD AND GROSS IMPAIRED ASSETS/ GROSS LOANS AND ADVANCES

bps



(1) Quarterly Average LCR

# OVERVIEW OF NAB CAPITAL NOTES 4 (“NCN4”) OFFER

Issuer	<ul style="list-style-type: none"> <li>National Australia Bank Limited (“NAB”)</li> </ul>
Offer Size	<ul style="list-style-type: none"> <li>\$750 million, with the ability to raise more or less</li> </ul>
Margin and Term	<ul style="list-style-type: none"> <li>Expected to be 2.95% - 3.15%</li> <li>Perpetual: Optional call ~7.5 years; Mandatory call ~9.5 years (See slide 6 for further information)</li> </ul>
Offer Structure	<p>The Offer comprises:</p> <ol style="list-style-type: none"> <li><b>Broker Firm Offer:</b> An offer to Australian resident clients of Syndicate Brokers</li> <li><b>Institutional Offer:</b> An offer to Institutional Investors through the Arranger (i.e. NAB)</li> <li><b>Reinvestment Offer:</b> An offer to Eligible NAB Capital Notes (NCN) Holders to rollover NCN investment (‘NABPC’) and reinvest NCN Resale Proceeds in NCN4 (See slide 8 for further information)</li> <li><b>Securityholder Offer:</b> An offer to eligible holders of NAB securities<sup>1</sup></li> </ol>
Minimum Application	<ul style="list-style-type: none"> <li><b>For Broker Firm, Institutional and Securityholder Offers:</b> 50 NCN4 (\$5,000) and thereafter in multiples of 10 NCN4 (\$1,000)</li> <li><b>For Reinvestment Offer:</b> No minimum application if you own less than 50 NCN. Otherwise, same as above. (See slide 8 for further information)</li> </ul>
Use of proceeds	<ul style="list-style-type: none"> <li>The net proceeds of the Offer will be used for general corporate purposes</li> </ul>

- ASIC has published guidance which may be relevant to your consideration of whether to invest in NCN4 – namely, information for retail investors who are considering investing in bank hybrid securities. You can find this guidance by searching “hybrid securities” on ASIC’s MoneySmart website at [moneysmart.gov.au](http://moneysmart.gov.au)
- NAB has developed a web-based Hybrid Securities Education Guide (Guide) to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities. It is available at [nab.com.au/hybrideducation](http://nab.com.au/hybrideducation). The Guide may be helpful when you are considering an investment in bank hybrid securities, such as NCN4 (but it is not a substitute for reading the prospectus)<sup>2</sup>

(1) NAB securities refer to NAB Ordinary Shares, National Income Securities, NAB Subordinated Notes 2, NAB Convertible Preference Shares II, NAB Capital Notes, NAB Capital Notes 2, and NAB Capital Notes 3.

(2) If you do not fully understand how NCN4 work or the risks associated with them, you should seek professional advice from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding to invest.

# OVERVIEW OF NCN4 TERMS

Type of Security	<ul style="list-style-type: none"> <li>▪ Mandatorily convertible, subordinated, perpetual notes directly issued by NAB</li> <li>▪ Not guaranteed or secured, not protected accounts and are not deposit liabilities</li> </ul>
Face Value	<ul style="list-style-type: none"> <li>▪ \$100 per NCN4</li> </ul>
Distributions	<p>Key features of Distributions:</p> <ul style="list-style-type: none"> <li>▪ Scheduled to be paid quarterly</li> <li>▪ Floating rate, where Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)</li> <li>▪ Expected to be franked at the same rate as Ordinary Shares<sup>1</sup></li> <li>▪ Discretionary (i.e. not guaranteed) and subject to payment conditions</li> <li>▪ Non-cumulative</li> </ul> <p>See slide 14 for further information</p>
Margin	<ul style="list-style-type: none"> <li>▪ Expected to be 2.95% – 3.15% (To be determined under the Bookbuild)</li> </ul>
Term	<ul style="list-style-type: none"> <li>▪ Perpetual (no fixed maturity date)</li> <li>▪ Could be Converted, Redeemed or Resold (see below)</li> <li>▪ Could remain on issue indefinitely (and Face Value will not be repaid)</li> </ul>
Conversion, Redemption or Resale	<p>Subject to conditions, NCN4 could be:</p> <ol style="list-style-type: none"> <li>1. Converted, Redeemed or Resold on the Optional Conversion/Redemption/Resale Date: 17 September 2027</li> <li>2. Converted on the Mandatory Conversion Date: 17 September 2029</li> <li>3. Converted following certain events that could occur at any time (including a Tax Event, a Regulatory Event, a Loss Absorption Event, an Acquisition Event or a Potential Acquisition Event)</li> <li>4. Redeemed or Resold if a Tax Event or Regulatory Event occurs</li> </ol> <p>See slides 9 - 12 for further information</p>
Capital Classification	<ul style="list-style-type: none"> <li>▪ Additional Tier 1 Capital</li> </ul>
Quotation	<ul style="list-style-type: none"> <li>▪ Expected to be quoted on ASX under code 'NABPG'</li> </ul>

(1) Franking is not guaranteed and Holders' ability to use franking credits will depend on their individual circumstances and applicable Australian tax laws. Under existing law, there is a risk that a rule may deny Holders of NCN4 franking benefits in respect of Distributions. The Government is aware of this issue and has released Exposure Draft legislation which, if enacted, would apply retrospectively and allow NAB to take steps to ensure that this rule would not apply to Distributions. For further information, see slide 14 and Section Eight of the Prospectus.

# KEY DATES<sup>1</sup>

Key Dates for the Offer	Date
Record Date for Securityholder Offer and Reinvestment Offer (7.00pm Melbourne time)	12 February 2020
Announcement of the Offer and lodgement of Prospectus with ASIC	17 February 2020
Bookbuild	17-24 February 2020
Announcement of Margin	25 February 2020
Opening Date for the Offer and lodgement of replacement Prospectus with ASIC	25 February 2020
Closing Date for the Offer (5.00pm Melbourne time)	17 March 2020
Issue Date of NCN4	23 March 2020
Commencement of trading of NCN4 on normal settlement basis	24 March 2020
Completion of despatch of NCN4 Holding Statements	27 March 2020

Key Dates for NCN4	Date
Issue Date	23 March 2020
Distribution Payment Dates <sup>2</sup>	17 <sup>th</sup> of March, June, September and December
Record Date for first Distribution	9 June 2020
First Distribution Payment Date <sup>2</sup>	17 June 2020
Optional Conversion / Redemption / Resale Date	17 September 2027
Mandatory Conversion Date	17 September 2029

(1) These dates are indicative and may change

(2) Subject to Directors resolving to pay and no Payment Condition existing

# OPTIONS AVAILABLE FOR ELIGIBLE NCN HOLDERS

## Option 1: Reinvest your NCN Resale Proceeds into NCN4 under the Reinvestment Offer

You may participate in the Reinvestment Offer by submitting an Application Form directly to NAB or through your Syndicate Broker:

- **Allocation Preference:** Application under the Reinvestment Offer will likely be given preference for allocation
- **NCN Distribution:** You will receive a final distribution cash payment of \$0.7718 per NCN on 23 March 2020, subject to the satisfaction of the distribution payment conditions in the NCN Terms (Note: Final distribution cannot be reinvested)
- **Application Monies:** No separate payment required

**Note:** Margin for NCN is 3.50% and the Margin for NCN4 is expected to be in the range of 2.95% to 3.15%.

## Option 2: Apply for additional NCN4 under the Securityholder Offer

You may also apply for more NCN4 than the number of your NCN:

- **Application Monies:** Must be paid by cheque, money order or BPAY®

## Option 3: Sell your NCN on market through your broker

You may choose to sell your NCN on market before the last trading day for NCN, 11 March 2020:

- **Cost:** You may have to pay brokerage fee
- **NCN proceeds:** You may receive a price greater or less than the face value of \$100 per NCN
  - The market price of NCN is subject to change from time to time. Up-to-date information about the market price of NCN can be obtained from [asx.com.au](http://asx.com.au) (ASX code 'NABPC').

## Option 4: Take no action<sup>1</sup>

If you take no action, on 23 March 2020 you will receive:

- **NCN proceeds:** \$100 per NCN<sup>2</sup> from the NCN Nominated Purchaser (i.e. UBS)
- **NCN Distribution:** A final distribution cash payment of \$0.7718 per NCN from the issuer (i.e. NAB), subject to the satisfaction of the distribution payment conditions in the NCN Terms

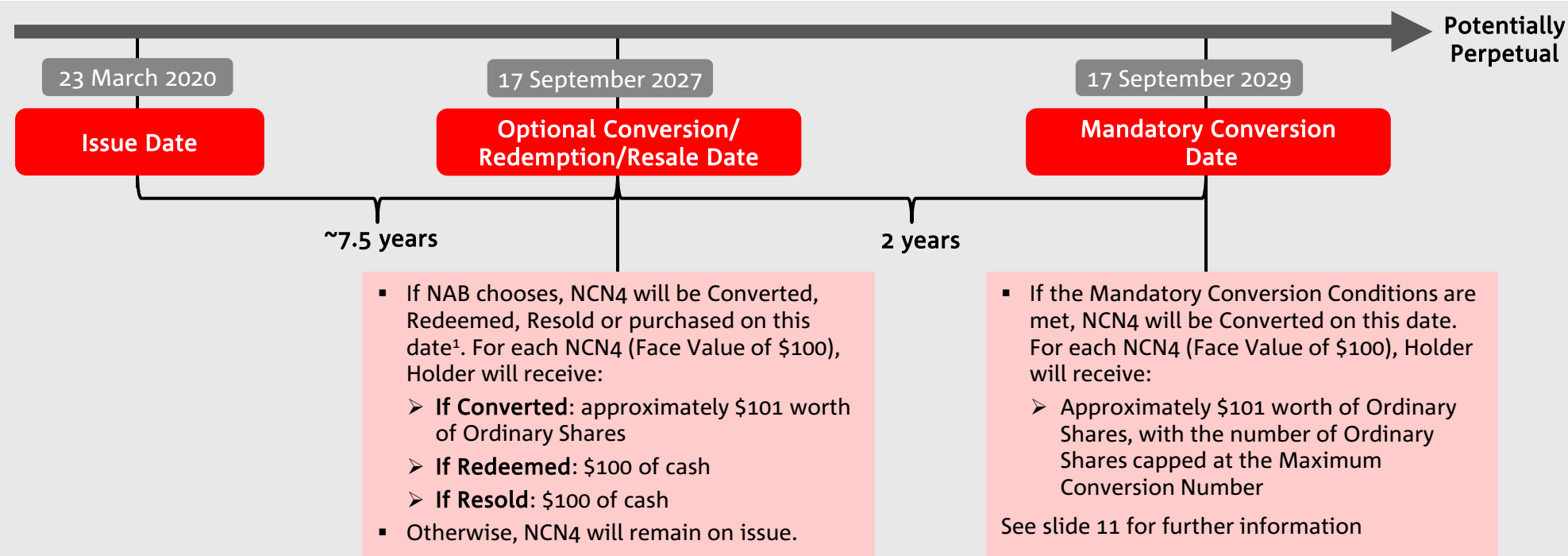
(1) Eligible NCN holders are not required to take any action, participation in the Reinvestment Offer is voluntary

(2) All NCN will be mandatorily purchased by the NCN Nominated Purchaser on 23 March 2020 for \$100 per NCN

# EVENTS THAT MAY OCCUR WHILE NCN4 ARE ON ISSUE

- NCN4 do not have a fixed maturity date but there are certain events that could occur while NCN4 are on issue which may result in NCN4 being Converted into Ordinary Shares, Redeemed, Resold or purchased for cash, or Written Off.
- If none of these events occur, NCN4 could remain on issue indefinitely and the Face Value will not be repaid.
- The diagrams below and table on the next slide summarise when certain events could occur and what Holders may receive if those events occur.

## Events that may occur on scheduled dates:



## Events that could occur at any time:

- There are certain events that could occur at any time while NCN4 are on issue which may result in NCN4 being Converted, Redeemed, Resold, or Written Off.

See slide 10 for further information

(1) Conditions apply to any optional Conversion, Redemption, Resale or purchase of NCN4, including the prior written approval of APRA.

# EVENTS THAT MAY OCCUR WHILE NCN4 ARE ON ISSUE<sup>1</sup> (cont.)

Event	When?	NCN4 impacted?	Is APRA approval required?	Do conditions apply?	What value will a Holder receive for each NCN4?	In what form will that value be provided to Holders?
<b>Mandatory Conversion (See slide 11)</b>	On 17 September 2029 or the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	All	No	Yes	Approximately \$101 <sup>2</sup>	Variable number of Ordinary Shares
<b>Optional Conversion</b>	On 17 September 2027	All or some	Yes	Yes	Approximately \$101 <sup>2</sup>	Variable number of Ordinary Shares
<b>Optional Redemption or Resale</b>	On 17 September 2027	All or some	Yes	Yes	\$100 (Face Value)	Cash
<b>Conversion in other circumstances</b>	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	All or some	Yes	Yes	Approximately \$101 <sup>2</sup>	Variable number of Ordinary Shares
	If an Acquisition Event occurs	All	No	Yes	Approximately \$101 <sup>2</sup>	Variable number of Ordinary Shares
	If a Loss Absorption Event occurs (See slide 12)	Potentially all	No	No	Depending on the market price of Ordinary Shares, likely to receive significantly less than \$101 and may lose a significant amount of the money they invested in NCN4 as a consequence	Variable number of Ordinary Shares (If NCN4, for any reason, are not Converted into Ordinary Shares within the required time, NCN4 will be Written Off <sup>3</sup> )
<b>Redemption / Resale in other circumstances</b>	If a Tax Event or Regulatory Event occurs	All or some	Yes	Yes	\$100 (Face Value)	Cash

(1) This is a summary only. Refer to Section 1.2 of the Prospectus for further details on certain events that may occur while NCN4 are on issue, and what Holders may receive if those events occur.

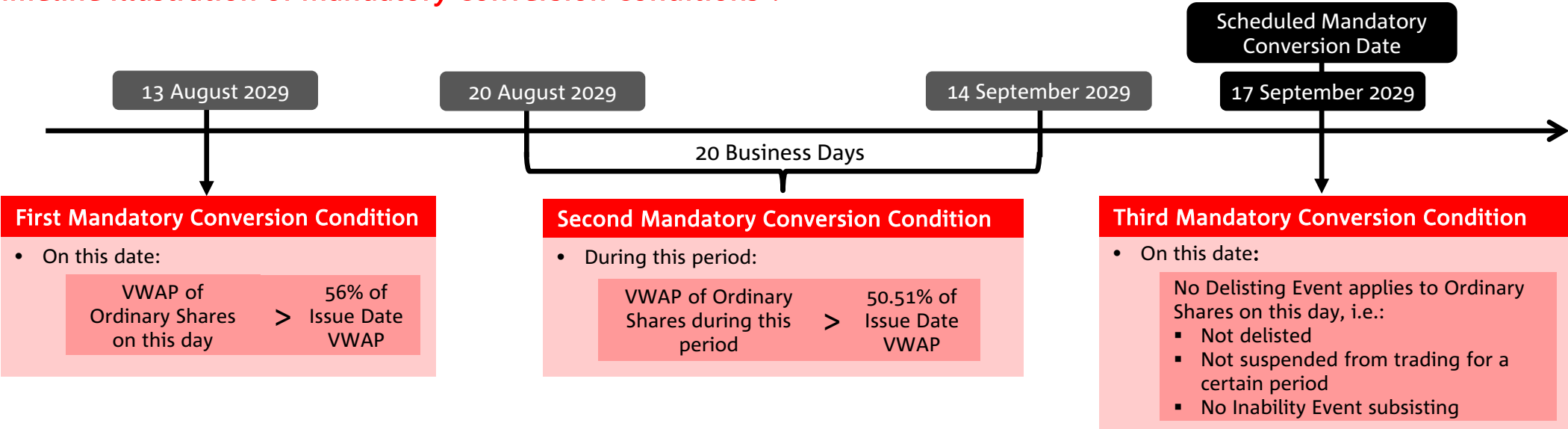
(2) Based on a Face Value of \$100 and with the benefit of a 1% discount. However, the value of Ordinary Shares received on Conversion may be worth more or less than \$101. The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number.

(3) If a NCN4 is Written Off, all rights (including to Distributions) in respect of that NCN4 will be terminated, and the Holder will not have their capital repaid.

# MANDATORY CONVERSION

NCN4 Scheduled Mandatory Conversion Date: 17 September 2029	
Mandatory Conversion	<ul style="list-style-type: none"><li>On the Mandatory Conversion Date, NAB must Convert all outstanding NCN4 into Ordinary Shares provided that the <b>Mandatory Conversion Conditions</b> are satisfied.</li><li>If any of the <b>Mandatory Conversion Conditions</b> are not satisfied on this date, the Mandatory Conversion Date will be deferred to the next Distribution Payment Date on which those conditions are satisfied. These conditions may never be satisfied and accordingly, NCN4 may remain on issue indefinitely.</li></ul>
What Holders will receive	<ul style="list-style-type: none"><li>With a 1% discount, Holders will receive approximately \$101 worth of Ordinary Shares per NCN4 (\$100 Face Value).</li><li>The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number.</li></ul>
Maximum Conversion Number (MCN)	<ul style="list-style-type: none"><li>Calculated using the following formula: <math>MCN = \frac{\\$100}{\text{Issue Date VWAP} \times 0.5}</math></li></ul>
Mandatory Conversion Conditions	<ul style="list-style-type: none"><li>There are three Mandatory Conversion Conditions (see diagram below), each of which must be satisfied for Mandatory Conversion to occur.</li><li>These conditions are intended to provide protection for Holders:<ul style="list-style-type: none"><li>➤ <b>First and Second Mandatory Conversion Conditions:</b> Designed to ensure that Holders receive approximately A\$101 worth of Ordinary Shares for each NCN4 they hold</li><li>➤ <b>Third Mandatory Conversion Condition:</b> Designed to ensure that the Ordinary Shares that Holders receive are capable of being sold on ASX</li></ul></li></ul>

## Timeline Illustration of Mandatory Conversion Conditions<sup>1</sup>:



(1) Based on scheduled Mandatory Conversion Date (17 September 2029). The dates and period applicable to Mandatory Conversion Conditions are defined in terms of business days (refer to Section 2.3 of the Prospectus for further details). Therefore, dates shown on this timeline may change subject to business days calculation in 2029.

# LOSS ABSORPTION EVENTS

NCN4 have certain loss absorption features, which may be triggered where NAB encounters severe financial difficulty:

Loss Absorption Event	<ul style="list-style-type: none"> <li>A Loss Absorption Event is each of:               <ol style="list-style-type: none"> <li>1) A <b>Common Equity Trigger Event</b>; and</li> <li>2) A <b>Non-Viability Trigger Event</b>.</li> </ol> </li> <li>May occur at any time and on any day.</li> <li>On the date on which a Loss Absorption Event occurs, NAB must immediately Convert some or all NCN4 as required. If Conversion has not been effected within 5 days for any reason, those NCN4 will not be Converted but instead will be Written Off.</li> </ul>
Conversion as a result of a Loss Absorption Event	<ul style="list-style-type: none"> <li>Conversion is immediate and irrevocable.</li> <li>Mandatory Conversion Conditions do not apply.</li> <li>Even with a 1% discount, Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NCN4 (\$100 Face Value), depending on the market price of Ordinary Shares.</li> <li>The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number (MCN), calculated as:               <math display="block">MCN = \frac{\\$100}{\text{Issue Date VWAP} \times 0.2}</math> </li> <li>Holders may lose a significant amount of the money they invested in NCN4.</li> </ul>
Write Off Following a Loss Absorption Event	<ul style="list-style-type: none"> <li>Write Off is immediate and irrevocable.</li> <li>Rights of Holders (including to payments of Distributions and Face Value) will be terminated and written off with effect on and from the date on which a Loss Absorption Event occurs.</li> <li>Holders will not have their NCN4 capital repaid.</li> </ul>

## Common Equity Trigger Event

- A Common Equity Trigger Event occurs when NAB or APRA determines that, on either or both NAB Level 1 and Level 2 basis:

$$\text{CET1 Capital Ratio} \leq 5.125\%$$

- NAB must immediately convert into Ordinary Shares or write off all or some Relevant Tier 1 Capital Instruments (including NCN4) as required so that both NAB Level 1 and Level 2 CET1 Capital Ratios are greater than 5.125%
- As at 31 December 2019, NAB's Level 2 CET1 Capital Ratio was 10.6%, representing a buffer of approximately A\$23bn above the 5.125% trigger.

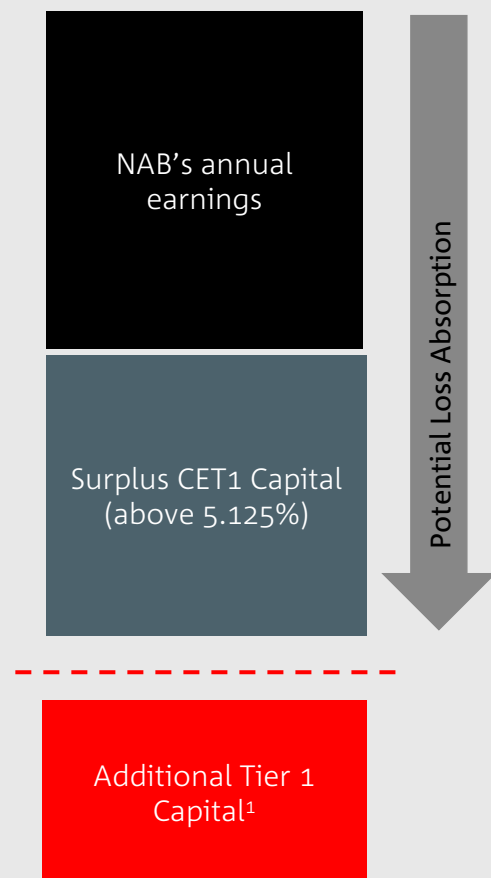
## Non-Viability Trigger Event

- A Non-Viability Trigger Event occurs when APRA notifies NAB in writing that:
  - The conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments (including NCN4) is necessary because without that conversion or write off, APRA considers that NAB would become non-viable; or
  - Without a public sector injection of capital or equivalent support, APRA considers NAB would become non-viable.
- NAB must immediately convert into Ordinary Shares or write off all or some Relevant Tier 1 Capital Instruments (including NCN4) as required so that APRA is satisfied that NAB will not become non-viable. If a public sector injection of capital is required, NAB must convert or write off all Relevant Tier 1 Capital Instruments (including NCN4).
- APRA has not provided specific guidance as to how it would determine non-viability but has indicated that non-viability is likely to arise prior to the insolvency of an ADI.

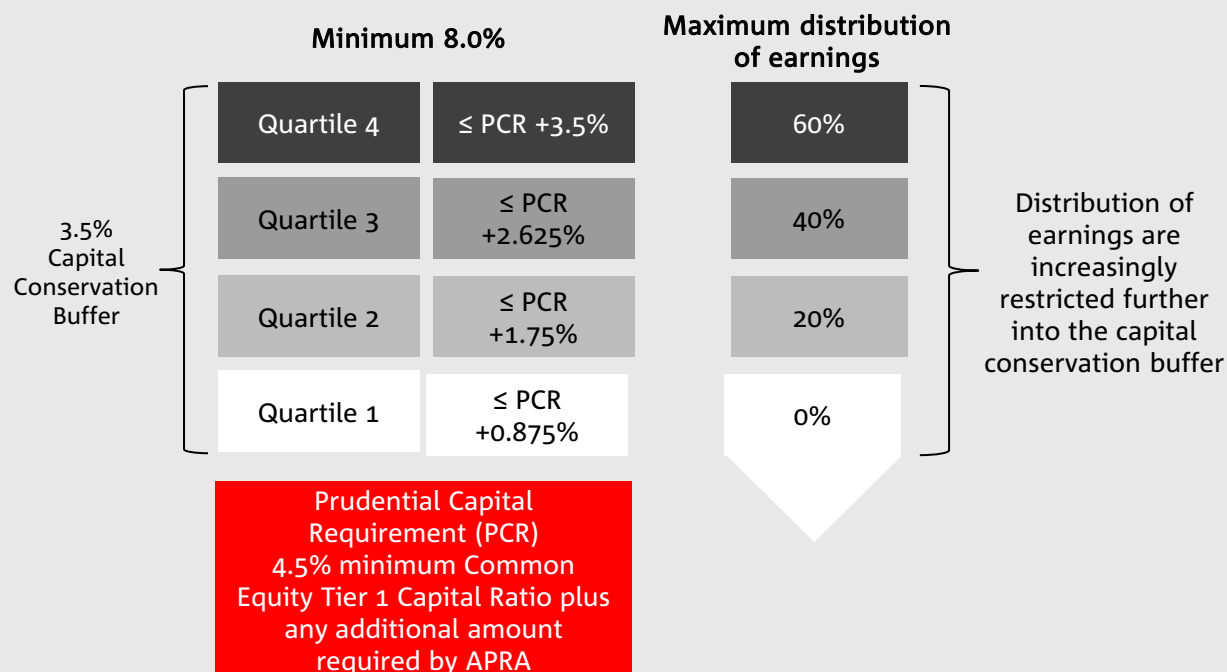
# BUFFERS AND PRE-EMPTIVE ACTIONS TO PROTECT NCN4 HOLDERS

## NAB's capital position and earnings provide a buffer for NCN4 holders

- Indicative Buffers above Common Equity Trigger Event Level:



The Capital Conservation Buffer (CCB) restricts the ability to distribute earnings (including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions) if NAB's CET1 ratio falls below NAB's minimum CET1 requirement inclusive of buffers (of at least 8% of RWA)



## Pre-emptive management actions available to strengthen capital²

- Dividend reinvestment plan discount and underwrite
- Equity raising (which may be underwritten)
- Ordinary dividend payout management
- Other actions including asset disposals, repricing, expense management and changing business plans

(1) May include some Basel II AT1 Capital which is subject to different conditions to Basel III AT1 Capital and may be treated differently.  
 (2) NAB does not commit to take any of the illustrative pre-emptive actions, and NAB's level of Common Equity Tier 1 Capital may be affected by risks associated with its business and its ability to raise and maintain levels of capital which are outside its control

# DISTRIBUTIONS

## 1. Expected to pay quarterly, floating rate Distributions

Distribution Payment Dates	<ul style="list-style-type: none"> <li>Scheduled to be paid quarterly on 17 March, 17 June, 17 September, and 17 December, commencing on 17 June 2020 until the date that NCN4 are Converted or Redeemed.</li> </ul>
Distribution Rate	<ul style="list-style-type: none"> <li>The Distribution Rate is a floating rate (may go up or down) and will be calculated using the following formula for each quarterly Distribution:  <b>Distribution Rate = (Bank Bill Rate<sup>1</sup> + Margin) x (1 – Tax Rate<sup>2</sup>)</b> <ul style="list-style-type: none"> <li>Margin to be determined under the Bookbuild, expected to be 2.95% - 3.15%. Margin will not change for the term of the NCN4.</li> <li>It is possible for the Bank Bill Rate to be negative. If this occurs, the negative amount will be taken into account in calculating the Distribution Rate (but there is no obligation on Holders to pay NAB if the Distribution Rate becomes negative).</li> </ul> </li> </ul>
Example Distribution Rate Calculation	<ul style="list-style-type: none"> <li>For example, if the Bank Bill Rate was 0.75%, the Margin was 2.95% and the Tax Rate was 30%, assuming the Distribution is fully franked:  <b>Distribution Rate = (0.7500% + 2.9500%) x (1 - 0.30) = 2.5900%<sup>3</sup> per annum, equivalent to unfranked distribution rate of 3.7000%<sup>4</sup> per annum</b> </li> </ul>

## 2. Distributions are discretionary, not guaranteed, and non-cumulative

Restrictions on Distributions	<ul style="list-style-type: none"> <li>A Distribution will be paid provided the Directors decide to pay it, and provided a Payment Condition does not exist on the Distribution Payment Date.</li> <li>Broadly, a Payment Condition exists where NAB is prevented from paying the Distribution by prudential regulatory requirements, applicable law or insolvency.</li> <li>Failure to pay a Distribution when scheduled will not constitute an event of default. If a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment.</li> <li>Distributions are non-cumulative.</li> </ul>
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## 3. Distributions are expected to be franked but franking is not guaranteed

Franking Credits	<ul style="list-style-type: none"> <li>Distributions paid are expected to be franked at the same rate as dividends paid on NAB's Ordinary Shares</li> <li>Franking is not guaranteed and Holders' ability to use franking credits will depend on their individual circumstances and applicable Australian tax laws. Under existing law, there is a risk that a rule may deny Holders of NCN4 franking benefits in respect of Distributions.<sup>5</sup> The Government is aware of this issue and has released Exposure Draft legislation which, if enacted, would apply retrospectively and allow NAB to take steps to ensure that this rule would not apply to Distributions.<sup>6</sup> For further information, see Section Eight of the Prospectus.</li> </ul>
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**Restrictions on Ordinary Shares if Distributions are not paid**

- If for any reason a Distribution has not been paid in full on a Distribution Payment Date, NAB must not, subject to certain exceptions, unless approved by an Ordinary Resolution, until and including the next Distribution Payment Date:
  - Declare, determine to pay or pay a dividend on Ordinary Shares; or
  - Buy-back or reduce capital on Ordinary Shares.
- However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.

(1) Bank Bill Rate is a benchmark interest rate for the Australian money market, currently the 3M BBSW published by ASX.

(2) Tax Rate means the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date.

(3) The Distribution Rate shown is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution Rate.

(4) Your ability to use the franking credits will depend on your individual tax position. The potential value of franking credits does not accrue to you at the same time as you receive the cash Distribution.

(5) The terms of the NCN4 do not provide for any increase in Distributions or other compensation if Holders are denied the benefit of franking credits on their Distributions.

(6) NAB can give no assurance that the amending legislation will be passed.

# COMPARISON OF NCN4 TO OTHER NAB INSTRUMENTS<sup>1</sup>


Feature	Term deposit	NAB Subordinated Notes 2	National Income Securities	NCN, NAB Capital Notes 2, NAB Capital Notes 3, NCN4	Ordinary Shares
Capital classification	None	Tier 2 Capital	Additional Tier 1 Capital <sup>2</sup>	Additional Tier 1 Capital	Common Equity Tier 1 Capital
Protection under the Financial Claims Scheme	Yes	No	No	No	No
Term	Often 1 month - 5 years	11.5 years	Perpetual	Perpetual	Perpetual
Loss absorption event	No	Yes	No	Yes	No
Transferable	No	Yes – ASX code ‘NABPE’	Yes – ASX code ‘NABHA’	Yes – ASX codes: NCN: ‘NABPC’ NAB Capital Notes 2: ‘NABPD’ NAB Capital Notes 3: ‘NABPF’ NCN4: expected to be quoted ‘NABPG’	Yes – ASX code ‘NAB’
Interest / Distribution / Dividend					
Payment type (Frequency)	Fixed rate interest payments	Floating rate interest payments	Floating rate distributions	Floating rate distributions	Variable dividends
Payment Frequency	Often at the end of term or per annum	Quarterly	Quarterly	Quarterly	Typically twice yearly, no fixed dates
Subject to payment conditions	No	Yes	Yes	Yes	Yes
Dividend restriction if interest /dividend / distribution not paid	N/A	No	Yes – applies to Ordinary Shares and equally ranking securities until a year’s distribution is paid	Yes – applies to Ordinary Shares only, until the next Distribution Payment Date	N/A
Rights if not fully franked	N/A – not franked	N/A – not franked	N/A – not franked	Distribution adjusted to reflect applicable franking rate	None
Redemption or Conversion into Ordinary Share by NAB					
Optional early redemption	No	Yes <sup>3</sup>	Yes <sup>3</sup>	Yes <sup>3</sup>	No
Mandatory / optional early conversion	No	No	No	Yes	N/A

(1) This is a summary of the key comparisons only. Refer to Section 2.10 of the Prospectus for further details (including conditions on payments, Redemption and/or Conversion) on the differences between NCN4 and other NAB instruments.

(2) Transitional AT1 capital until 31 December 2021

(3) With APRA’s prior written approval

# RANKING UPON WINDING UP

		Examples	Examples of existing NAB obligations and securities <sup>1</sup>
Higher Ranking			
	Senior ranking obligations	Liabilities preferred by law and secured debt	<ul style="list-style-type: none"> <li>▪ Savings accounts and term deposits</li> <li>▪ Employee entitlements</li> <li>▪ Secured liabilities and covered bonds</li> </ul>
		Unsubordinated unsecured debt	<ul style="list-style-type: none"> <li>▪ Bonds and notes, e.g. senior unsecured notes</li> <li>▪ Trade and general creditors</li> </ul>
		Term subordinated unsecured debt issued <b>before</b> 1 January 2013	<ul style="list-style-type: none"> <li>▪ Subordinated unsecured debt obligations issued before 1 January 2013</li> </ul>
		Term subordinated unsecured debt issued <b>after</b> 1 January 2013 and perpetual subordinated unsecured debt	<ul style="list-style-type: none"> <li>▪ Relevant Tier 2 Capital Instruments</li> </ul>
	Equal ranking obligations	Preference shares and other equally ranked instruments	<ul style="list-style-type: none"> <li>▪ <b>NCN4<sup>2</sup></b>, and any securities expressed to rank equally with NCN4, which include: <ul style="list-style-type: none"> <li>▪ NCN</li> <li>▪ NAB Capital Notes 2</li> <li>▪ NAB Capital Notes 3</li> <li>▪ NAB Convertible Preference Shares II</li> <li>▪ The preference shares comprised in the National Income Securities</li> </ul> </li> </ul>
	Lower ranking obligations	Ordinary shares	<ul style="list-style-type: none"> <li>▪ Ordinary Shares</li> </ul>
Lower Ranking			

- (1) This is a very simplified capital structure of NAB and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations (including the incurring or guaranteeing by it of any indebtedness) or securities of any kind at any time. NCN4 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time.
- (2) If an NCN4 is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of NAB. If a Write Off of an NCN4 occurs following a Loss Absorption Event, the rights of Holders to distributions and returns of capital in respect of that NCN4 will be terminated, the NCN4 will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. If NCN4 are Written Off, Holders will likely be worse off than holders of CPS II and Ordinary Shares.

# ABOUT NAB



# PERFORMANCE SUMMARY

Financial Results	FY14 <sup>1</sup>	FY15 <sup>1</sup>	FY16	FY17	FY18	FY19
Cash earnings (\$m) <sup>2</sup>	5,055	6,222	6,483	6,642	6,493 <sup>6</sup>	6,545 <sup>6</sup>
NIM	1.91%	1.90%	1.88%	1.85%	1.85%	1.78%
Cash ROE	11.6%	14.8%	14.3%	14.0%	13.3% <sup>6</sup>	12.7% <sup>6</sup>
Balance Sheet	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18	Sep 19
CET1 ratio (APRA)	8.63%	10.24%	9.77%	10.06%	10.20%	10.38%
Total capital ratio (APRA)	12.16%	14.15%	14.14%	14.58%	14.12%	14.68%
Risk-weighted assets spot (\$bn) <sup>3</sup>	367.7	399.8	388.4	382.1	389.7	415.8
Gross loans and acceptances (GLA) (\$bn) <sup>1,3,4</sup>	537.6	521.9	545.8	565.1	585.6	601.4
Total deposits spot (\$bn) <sup>1,4</sup>	383.0	362.0	390.5	407.6	409.0	424.6
90+ DPD and GIA to GLA <sup>1</sup>	1.19%	0.63%	0.85%	0.70%	0.71%	0.93%
Collective provision to risk-weighted assets <sup>1</sup>	0.83%	0.99%	0.85%	0.86%	0.92%	0.96%
Specific Provision to gross impaired assets <sup>3,5</sup>	35.5%	30.3%	38.3%	45.5%	44.4%	39.7%

- (1) Information is presented on a continuing operations basis including restatement for September 2015 for the demerger of CYBG PLC and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. September 2014 was restated for the sale of GWB, but has not been restated for the demerger of CYBG PLC or the sale of 80% of the NAB Wealth's life insurance business to Nippon Life
- (2) The definition of cash earnings, a discussion of non-cash earnings items and a full reconciliation of the cash earnings to statutory net profit attributable to owners of NAB is set out on page 2 to 8 of the 2019 Full Year Results Announcement
- (3) Including loans and advances at fair value
- (4) Spot balance as at reporting date
- (5) Consists only of impaired assets where a specific provision has been raised and excludes NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held
- (6) Excludes restructuring and customer remediation-related charges

# OUR ROADMAP FOR SUSTAINABLE CHANGE<sup>1</sup>

## APRA SELF-ASSESSMENT RESPONSE

- Enterprise-wide program led by ELT, overseen by NAB Board, with 150-strong working group

Realising NAB's desired culture

- Changes to executive remuneration framework and Group Variable Reward Plan
- Rollout of one-day culture leadership program for all people leaders, monthly survey of employees

Better Delivery

- Frontline technology upgrades
- Increased focus on tech foundations, processes and capabilities
- 42% decline in 'Critical and High' incidents in FY19

Improving risk and accountability

- Restructured NAB's risk governance committees and charters
- Identified and committed to a new governance, risk and compliance system in 2020

Customer First

- Reviewed >300 NAB products and reduced/removed 185 fees
- New Customer Committees (Board and Executive)
- Board and Executive immersion in customer calls

Finding and fixing issues

- Provision of \$2.1bn, and ~473k payments made to customers since June 2018 at a total value of \$247m
- Assigned an ELT owner to all material issues

## ROYAL COMMISSION RESPONSE

Completed

5

In progress (including those pending legislation, or regulatory or industry guidance)

34

No action required by NAB (including awaiting future reviews)

29

Not applicable to NAB

8

- Small business protections**  
Extended the protections of the Code to Small Businesses with less than \$5 million in total borrowings
- Default Interest**  
Ceased charging default interest to agri customers in drought declared areas and/or impacted by other natural disasters
- Vulnerable customers**  
Launched a Customer Support Hub for customers experiencing vulnerability, financial abuse
- Indigenous services**  
Created Indigenous Customer Service Telephone Line to improve access for Aboriginal and Torres Strait Islander customers, particularly those living in remote areas

76 Royal Commission recommendations

(1) As at 30 September 2019

# KEY RISKS



# SUMMARY OF KEY RISKS OF INVESTMENT IN NCN4<sup>1</sup>

NCN4 are not deposit liabilities or Protected Accounts	<ul style="list-style-type: none"> <li>NCN4 do not constitute Protected Accounts or deposit liabilities for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any person.</li> </ul>
Distributions may not be paid	<ul style="list-style-type: none"> <li>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.</li> <li>As Distributions are non-cumulative, if a Distribution is not paid then NAB 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.</li> </ul>
The Distribution Rate may go up or down	<ul style="list-style-type: none"> <li>The Distribution Rate may go up or down. There is a risk that the return on NCN4 may become less attractive compared to returns on other investments.</li> </ul>
Market price of NCN4	<ul style="list-style-type: none"> <li>The market price of NCN4 may go up or down and there is no guarantee NCN4 will trade at or above their Face Value. The price at which NCN4 trade may, for example, be affected by how the Distribution Rate of NCN4 compares to that of other comparable instruments.</li> </ul>
Liquidity of NCN4	<ul style="list-style-type: none"> <li>The liquidity of NCN4 may be low, which means that, at certain times, you may be unable to sell your NCN4 at an acceptable price, if at all.</li> </ul>
Liquidity and price of Ordinary Shares	<ul style="list-style-type: none"> <li>Where NCN4 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.</li> <li>The market price of Ordinary Shares may go up or down due to various factors, including investor perceptions, domestic and worldwide economic conditions, NAB's financial performance and position and transactions affecting the share capital of NAB. As a result, the value of any Ordinary Shares received by Holders upon Conversion may be greater than or less than anticipated on issuance of NCN4.</li> <li>The market price of Ordinary Shares is also relevant to determining whether or not Conversion will occur (except for Conversions on account of a Loss Absorption Event) and the number of Ordinary Shares you will receive.</li> <li>See slide 12 and Section 2 of the Prospectus for further information on the Conversion or Write Off of NCN4 following a Loss Absorption Event and Section 7 of the Prospectus for the Key Risks.</li> </ul>
Use of franking credits	<ul style="list-style-type: none"> <li>Distributions paid on NCN4 are expected to be franked at the same rate as dividends paid on the NAB's Ordinary Shares. 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.</li> <li>If any Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate (see clause 2.5 of the Terms).</li> <li>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 laws. Under existing law, there is a risk that a rule may deny Holders of NCN4 franking benefits in respect of Distributions.<sup>2</sup> 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.</li> </ul>

(1) This is a summary of the key risks only. You should read the Prospectus in full before deciding to invest (including "Key risks of NAB Capital Notes 4" outlined in Section 7 of the Prospectus). In addition, ASIC has published guidance on hybrid securities on its website which may be relevant to your consideration of NCN4. You can find this guidance by searching "hybrid securities" on ASIC's MoneySmart website at [moneysmart.gov.au](http://moneysmart.gov.au). In addition, NAB has developed a web-based Hybrid Securities Education Guide (Guide) to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities. It is available at [nab.com.au/hybrideducation](http://nab.com.au/hybrideducation). The Guide may be helpful when you are considering an investment in bank hybrid securities, such as NCN4 (but it is not a substitute for reading the prospectus).

(2) The terms of the NCN4 do not provide for any increase in Distributions or other compensation if Holders are denied the benefit of franking credits on their Distributions.

# SUMMARY OF KEY RISKS OF INVESTMENT IN NCN4<sup>1</sup> (cont.)

NCN4 are perpetual and may not Convert	<ul style="list-style-type: none"> <li>NCN4 have no fixed maturity date but will Convert into Ordinary Shares on 17 September 2029 if they are still on issue on that date and if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on 17 September 2029 and the NCN4 remain on issue, Conversion will occur on the next Distribution Payment Date on which they are satisfied.</li> <li>If the Mandatory Conversion Conditions are never satisfied, there is a risk that NCN4 may never Convert.</li> </ul>
Holders have no right to request repayment	<ul style="list-style-type: none"> <li>Holders have no right to request that their NCN4 be repaid. Absent a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their NCN4 on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in NCN4 (see Sections 7.1.4 and 7.1.5 of the Prospectus).</li> </ul>
NAB has certain early Conversion, Redemption and Resale rights	<ul style="list-style-type: none"> <li>Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to: <ul style="list-style-type: none"> <li>Convert, Redeem or Resell NCN4 on 17 September 2027, or because of a Tax Event or a Regulatory Event; and</li> <li>Convert NCN4 because of a Potential Acquisition Event.</li> </ul> </li> <li>Holders should not expect that APRA's approval, if requested, will be given for any Conversion, Redemption or Resale of NCN4.</li> </ul>
Conversion or Write Off following Loss Absorption Event	<ul style="list-style-type: none"> <li>If Conversion occurs following a Loss Absorption Event, depending on the market price of Ordinary Shares at that time Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NCN4 and may lose a significant amount of the money they invested in NCN4 as a consequence. In cases where NCN4 are not Converted for any reason within 5 days after the Loss Absorption Event Conversion Date, NCN4 will be Written Off with effect on and from the Loss Absorption Event Conversion Date.</li> <li>If NCN4 are Written Off following a Loss Absorption Event: <ul style="list-style-type: none"> <li>The rights of Holders in relation to those NCN4 will be terminated;</li> <li>Those NCN4 will not be Converted, Redeemed or Resold on any subsequent date; and</li> <li>Holders will not have their capital repaid or receive any further Distributions in relation to those NCN4.</li> </ul> </li> </ul>
Ranking in a winding up of NAB	<ul style="list-style-type: none"> <li>In a winding up of NAB, NCN4 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).</li> <li>On a winding up of NAB, there is a risk that Holders may lose some or all of the money they have invested in NCN4. See also the above and Section 7.1.14 of the Prospectus in relation to the consequences of a Write Off. If NCN4 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.</li> </ul>
NAB may issue further securities or incur other indebtedness	<ul style="list-style-type: none"> <li>There is no limit on the amount of senior debt, deposits or other obligations or securities (whether ranking equally with, or in priority to or junior to NCN4) that may be incurred or issued by NAB at any time or the incurring or guaranteeing by NAB of any indebtedness, which may affect Holders' ability to be repaid on a winding up of NAB.</li> </ul>

(1) This is a summary of the key risks only. You should read the Prospectus in full before deciding to invest (including "Key risks of NAB Capital Notes 4" outlined in Section 7 of the Prospectus). In addition, ASIC has published guidance on hybrid securities on its website which may be relevant to your consideration of NCN4. You can find this guidance by searching "hybrid securities" on ASIC's MoneySmart website at [moneysmart.gov.au](http://moneysmart.gov.au). In addition, NAB has developed a web-based Hybrid Securities Education Guide (Guide) to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities. It is available at [nab.com.au/hybrideducation](http://nab.com.au/hybrideducation). The Guide may be helpful when you are considering an investment in bank hybrid securities, such as NCN4 (but it is not a substitute for reading the prospectus).

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**THANK YOU**