



Prospectus

NAB CAPITAL NOTES 5

Prospectus for the issue of NAB Capital Notes 5 to raise \$750 million with the ability to raise more or less.

This investment is riskier than a bank deposit. NAB Capital Notes 5 are complex and may not be suitable for all investors. They are not guaranteed or secured, are not Protected Accounts and are not deposit liabilities for the purposes of the Banking Act. You should carefully consider the risks and other information in this Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should seek advice from your financial adviser or other professional adviser before deciding whether to invest in NAB Capital Notes 5.

Issuer

National Australia
Bank Limited
ABN 12 004 044 937

Arranger

National Australia
Bank Limited

Joint Lead Managers

National Australia Bank Limited
Commonwealth Bank of Australia
Crestone Wealth Management Limited
E&P Corporate Advisory Pty Limited
Morgans Financial Limited
Morgan Stanley Australia Securities
Limited
Shaw and Partners Limited

Co-Managers

Bell Potter Securities Limited
JBWere Limited

IMPORTANT NOTICES

About this Prospectus

This Prospectus relates to the offer by National Australia Bank Limited ABN 12 004 044 937 (“NAB”) of NAB Capital Notes 5 to raise \$750 million, with the ability to raise more or less.

This Prospectus is dated 16 November 2020. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (“ASIC”) on that date. This Prospectus expires 13 months after 16 November 2020 and no NAB Capital Notes 5 will be issued on the basis of this Prospectus after that date.

Neither ASIC nor the ASX Limited (“ASX”) take any responsibility for the contents of this Prospectus or the Offer.

Offer

The Offer comprises the Reinvestment Offer, the Securityholder Offer, the Broker Firm Offer and the Institutional Offer. The Reinvestment Offer provides eligible holders of NAB Convertible Preference Shares II issued by NAB on 17 December 2013 (“CPS II”) with the opportunity to reinvest their CPS II into NAB Capital Notes 5.

Exposure Period

Under the Corporations Act, NAB must not process Applications in the seven days after lodgement of the Prospectus with ASIC on 16 November 2020 (“Exposure Period”).

The Exposure Period enables the Prospectus to be examined by market participants before the raising of funds.

Key risks

Investment products such as NAB Capital Notes 5 are subject to risks which could affect their performance, including:

- the **Distribution Rate may decrease** over the life of NAB Capital Notes 5; and
- the **market price of NAB Capital Notes 5 may fluctuate**.

These risks could result in the loss of all or some of your investment

and any associated income. NAB does not warrant or guarantee the future performance of NAB or the investment performance of NAB Capital Notes 5 (including the market price).

NAB must immediately Convert all or, in some cases, some NAB Capital Notes 5 into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur where NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than the money they invested in NAB Capital Notes 5. Following Conversion, there is no certainty as to the future value of the Ordinary Shares. If NAB Capital Notes 5 are not Converted at that time they will be Written Off and you will lose all the money that you invested in NAB Capital Notes 5. A Conversion or Write Off following a Loss Absorption Event is not subject to any conditions and you will not be given any choice if a Loss Absorption Event occurs.

Information about the key risks of investing in NAB Capital Notes 5 is detailed in Section 1.3 and in Section 7.

ASX quotation

NAB will apply for NAB Capital Notes 5 to be quoted on ASX within seven days after the date of this Prospectus.

Financial information and forward looking statements

Section 6 sets out financial information in relation to NAB and the basis of preparation of that information. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements. These forward looking statements may be identified

by the use of forward looking terminology, including the terms “may”, “could”, “believe”, “estimate”, “expect”, “target”, “intend”, “plan”, “project”, “anticipate”, “likely”, “will” or “should”, or, in each case, their negative or other variations or similar expressions. They may also be identified by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place any undue reliance on any forward looking statements.

Any forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results, circumstances or outcomes to differ materially from the results, circumstances or outcomes expressed, implied or anticipated in these forward looking statements. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. Forward looking statements should be read in conjunction with the risk factors set out in Section 7, and other information in this Prospectus.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by NAB.

None of the Joint Lead Managers, Co-Managers or the Registrar has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each of those parties expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any

IMPORTANT NOTICES

statements in, or omissions from, this Prospectus.

Unless otherwise indicated, all information in this Prospectus, while subject to change from time to time, is current as at the date of this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Appendix B “Glossary”, or if not there, in Appendix A “Terms of NAB Capital Notes 5”.

If there is any inconsistency between the description of the terms of NAB Capital Notes 5 in this Prospectus and in the Terms, the Terms prevail.

A reference to \$ or cents in this Prospectus is a reference to Australian currency. Unless otherwise specified, a reference to time in this Prospectus is a reference to Melbourne time.

Diagrams

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as at the date shown.

Obtaining a Prospectus

This Prospectus can be obtained electronically from nab.com.au/nabcapitalnotes5. NAB will not be providing paper copies of this Prospectus.

Electronic access to the Prospectus

The following conditions apply to your access to this Prospectus:

- you must download this entire Prospectus;
- your Application will only be considered where you have applied via an Application Form accompanying a copy of this Prospectus, including the online application form available at nab.com.au/nabcapitalnotes5; and

- you may only access, download or print this Prospectus in Australia.

Restrictions on foreign jurisdictions

This Prospectus is not an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with any of these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

In particular, NAB Capital Notes 5 have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to, the U.S. Securities Act. Neither this Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States or to any U.S. Persons.

Any offer, sale or resale of NAB Capital Notes 5 within the United States or to any U.S. Person may violate the registration requirements of the U.S. Securities Act if made within 40 days after the Closing Date.

Collecting your personal information

If you apply for NAB Capital Notes 5, NAB (or the Registrar as NAB’s agent) will collect and hold your personal information. See Section 9.10 for information on how NAB (as well as its subsidiaries and third party suppliers) collect, use and disclose your personal information.

Arranger and Joint Lead Manager activities

The Arranger, the Joint Lead Managers and their respective affiliates are involved in a wide range of financial services and businesses including some or all of 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, the Arranger, the Joint Lead Managers and their respective affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt, equity or hybrid securities or senior loans or financial products of any member of the Group or any third party involved in the Offer, and may finance the acquisition of those securities and/or financial products and take or enforce security over those securities and/or financial products. The Arranger, the Joint Lead Managers and their respective affiliates may receive fees for, or profits and other financial benefits from, those activities.

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GUIDANCE FOR RETAIL INVESTORS

1. Read this Prospectus in full

If you are considering applying for NAB Capital Notes 5 under the Offer, this Prospectus is important and should be read in its entirety.

You should have particular regard to the:

- “Investment Overview” in Section 1 and “About NAB Capital Notes 5” in Section 2’;
- “About the Reinvestment Offer” in Section 3 (if you are an Eligible CPS II Holder);
- “Key Risks of NAB Capital Notes 5” in Section 7; and
- “Terms of NAB Capital Notes 5” in Appendix A.

In considering whether to apply for any NAB Capital Notes 5, it is important to consider all risks and other information regarding an investment in NAB Capital Notes 5 in light of your particular investment objectives and circumstances, as the information in this Prospectus does not take into account those objectives and circumstances.

NAB Capital Notes 5 are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not insured or guaranteed 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. An investment in NAB Capital Notes 5 is riskier than a bank deposit.

NAB Capital Notes 5 are complex and may not be suitable for all investors. The overall complexity of NAB Capital Notes 5 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and associated income. If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should obtain professional advice.

NAB Capital Notes 5 are issued by NAB under the NAB Capital Notes 5 Deed Poll and Terms and Holders have no claim on NAB except as provided in those Terms.

2. Speak to your professional adviser

If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should seek professional advice from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.

ASIC has published guidance on how to choose a professional adviser on its MoneySmart website, moneysmart.gov.au

3. Consider the ASIC guidance for retail investors

ASIC has published guidance which may be relevant to your consideration of whether to invest in NAB Capital Notes 5 – 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 The guidance includes a series of questions you should ask before you invest in bank hybrid securities to check your understanding of how hybrids work, their features and risks.

4. Learn more about investing in bank hybrid securities

NAB has also 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

The Guide may be helpful when you are considering an investment in bank hybrid securities, such as NAB Capital Notes 5. However, the Guide is not specific to NAB Capital Notes 5, and reading the Guide is not a substitute for reading this Prospectus.

5. Obtain further information about NAB and NAB Capital Notes 5

NAB is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. NAB must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about NAB that a reasonable person would expect to have a material effect on the price or value of its securities, including NAB Capital Notes 5.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and NAB’s ASX announcements may be viewed on asx.com.au (ASX code ‘NAB’). Further information about NAB, including NAB’s half-yearly and annual financial reports, presentations and other investor information, can be obtained from nab.com.au/shareholder

6. Questions about the Offer

If you have any questions in relation to NAB Capital Notes 5 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the NAB Capital Notes 5 Information Line on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia) (Monday to Friday, 8.00am – 7.30pm) during the Offer Period and for a week following.

KEY DATES

Key dates for the Offer

Record date for determining Eligible Securityholders (7.00pm)	11 November 2020
Announcement of the Offer and lodgement of this Prospectus with ASIC	16 November 2020
Bookbuild	16 November 2020 - 23 November 2020
Announcement of Margin	23 November 2020
Opening Date	24 November 2020
Closing Date (5.00pm)	11 December 2020
Issue Date of NAB Capital Notes 5	17 December 2020
Commencement of trading of NAB Capital Notes 5 on a normal settlement basis	18 December 2020
Despatch of NAB Capital Notes 5 Holding Statements	23 December 2020

Key dates for NAB Capital Notes 5

Record Date for first Distribution	9 March 2021
First Distribution Payment Date ¹	17 March 2021
Optional Conversion / Redemption / Resale Date ²	17 December 2027
Mandatory Conversion Date ³	17 December 2029

Key dates for the Reinvestment Offer

Record date for determining Eligible CPS II Holders (7.00pm) (CPS II must also be held on the Closing Date)	11 November 2020
Opening Date	24 November 2020
Closing Date (5.00pm)	11 December 2020
Issue Date of NAB Capital Notes 5	17 December 2020
Payment date for the final CPS II dividend ⁴	17 December 2020
Commencement of trading of NAB Capital Notes 5 on a normal settlement basis	18 December 2020
Despatch of NAB Capital Notes 5 Holding Statements	23 December 2020

¹ Subject to the Directors resolving to pay the Distribution and no Payment Condition existing on 17 March 2021.

² With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 5 on 17 December 2027. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 17 December 2020.

³ NAB Capital Notes 5 will Convert into Ordinary Shares on 17 December 2029 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes 5 have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 17 December 2020.

KEY DATES

Key dates for CPS II Holders not participating in the Reinvestment Offer

Redemption notice given in respect of CPS II	5 November 2020
Last day of trading in CPS II	30 November 2020
Ex-date for the final CPS II dividend	1 December 2020
Record date for the final CPS II dividend (7.00pm)	2 December 2020
Payment date for the final CPS II dividend ⁴	17 December 2020
Payment date for CPS II Redemption Price	17 December 2020

These dates are indicative only and may change (other than the key dates in connection with CPS II Redemption, which are fixed, unless CPS II are required to be converted or written off before 17 December 2020). NAB and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. NAB may also withdraw the Offer at any time before NAB Capital Notes 5 are issued. Accordingly, if you wish to apply for any NAB Capital Notes 5 you are encouraged to apply as soon as possible after the Opening Date. Application Monies must be paid by BPAY⁵. Payments by cash or cheque will not be accepted for this Offer.

Except as otherwise specified in the Terms, if any of these dates are not Business Days and an event under the Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

⁴ A final dividend is scheduled to be paid on CPS II on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms.

⁵ Registered to BPAY Pty Limited ABN 69 079 137 518.

SECTION ONE:

INVESTMENT OVERVIEW

This section provides a summary of the key features and risks of NAB Capital Notes 5 and the Offer.

NAB Capital Notes 5 are complex and may not be suitable for all investors. They are not guaranteed or secured, are not Protected Accounts and are not deposit liabilities for the purposes of the Banking Act. The overall complexity of NAB Capital Notes 5 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and associated income. You should read this Prospectus in full before deciding whether to apply for NAB Capital Notes 5. If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should obtain professional advice.

A table comparing the key features of NAB Capital Notes 5 and other investments in NAB (including Ordinary Shares) is set out in Section 2.10.

SECTION ONE: INVESTMENT OVERVIEW

1.1 Key features of the Offer and NAB Capital Notes 5

Topic	Summary	Further information
Issuer	<p>National Australia Bank Limited (“NAB”)</p> <p>The Group is a financial services organisation with more than 34,000 colleagues, operating through a network of more than 850 branches, with over 639,000 shareholders and serving approximately nine million customers.</p> <p>The majority of the Group’s financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom (“UK”) and the United States (“US”).</p>	Section 5
Offer Size	\$750 million, with the ability to raise more or less.	
Use of proceeds	<p>The net proceeds of the Offer will be used for general corporate purposes.</p> <p>The Australian Prudential Regulation Authority (“APRA”) has provided confirmation that NAB Capital Notes 5, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB’s regulatory capital requirements.</p>	
Type of security	Convertible notes.	
Face Value	\$100 per NAB Capital Note 5.	
Distributions	<p>NAB Capital Notes 5 are scheduled to pay quarterly, floating rate Distributions in cash. The returns payable on NAB Capital Notes 5 are called “distributions” (whereas for Ordinary Shares, these returns are called “dividends”).</p> <p>The Distribution Rate is calculated in accordance with the following formula:</p> <p style="text-align: center;">Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)</p> <p>where:</p> <ul style="list-style-type: none"> • Margin is the margin to be determined under the Bookbuild, which is expected to be in the range of 3.50% to 3.70%. The Margin will not change for the term of NAB Capital Notes 5. • Tax Rate is the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date. • Bank Bill Rate is a benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a period of approximately 90 days as published by ASX (or its successor). It changes to reflect supply and demand in the cash and currency markets. The Bank Bill Rate for each Distribution Period is set on the first Business Day of the relevant Distribution Period. Fall-back procedures apply under the Terms if the Bank Bill Rate does not appear, if there is an obvious error in that rate or (subject to APRA’s prior written approval) if that rate is otherwise subject to disruption. <p>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. Even if the Distribution Rate is calculated to be negative there will be no obligation on Holders to pay NAB.</p>	Section 2.1

SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
Distributions (continued)	<p>A Distribution will be paid only if:</p> <ul style="list-style-type: none"> • The Directors resolve to pay it; and • A Payment Condition does not exist on the Distribution Payment Date. Broadly, a Payment Condition exists where NAB is prevented from paying the Distribution by prudential regulatory requirements, applicable law or insolvency (see Section 2.1). <p>This means a Distribution may not be paid.</p> <p>The Distribution Payment Dates are scheduled to be 17 March, 17 June, 17 September and 17 December.</p> <p>The first Distribution is expected to be paid on 17 March 2021. Distributions paid on NAB Capital Notes 5 are expected to be franked at the same rate as dividends paid on Ordinary Shares.</p> <p>However, 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. Holders should refer to the Australian Taxation Summary in Section 8 and seek professional advice in relation to their tax position.</p> <p>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 Distribution Rate, and therefore, 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, resulting in an increase in the cash amount received by Holders on that Distribution Payment Date.</p> <p>Distributions are non-cumulative, which means that unpaid Distributions do not add up or accumulate. Holders will not have any right to compensation if NAB does not pay Distributions. Failure to pay a Distribution when scheduled will not constitute an event of default.</p> <p>If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, NAB cannot declare, determine to pay, or pay dividends on its Ordinary Shares, or buy-back or reduce capital on any of its Ordinary Shares, until the next Distribution Payment Date. However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.</p>	Section 2.1

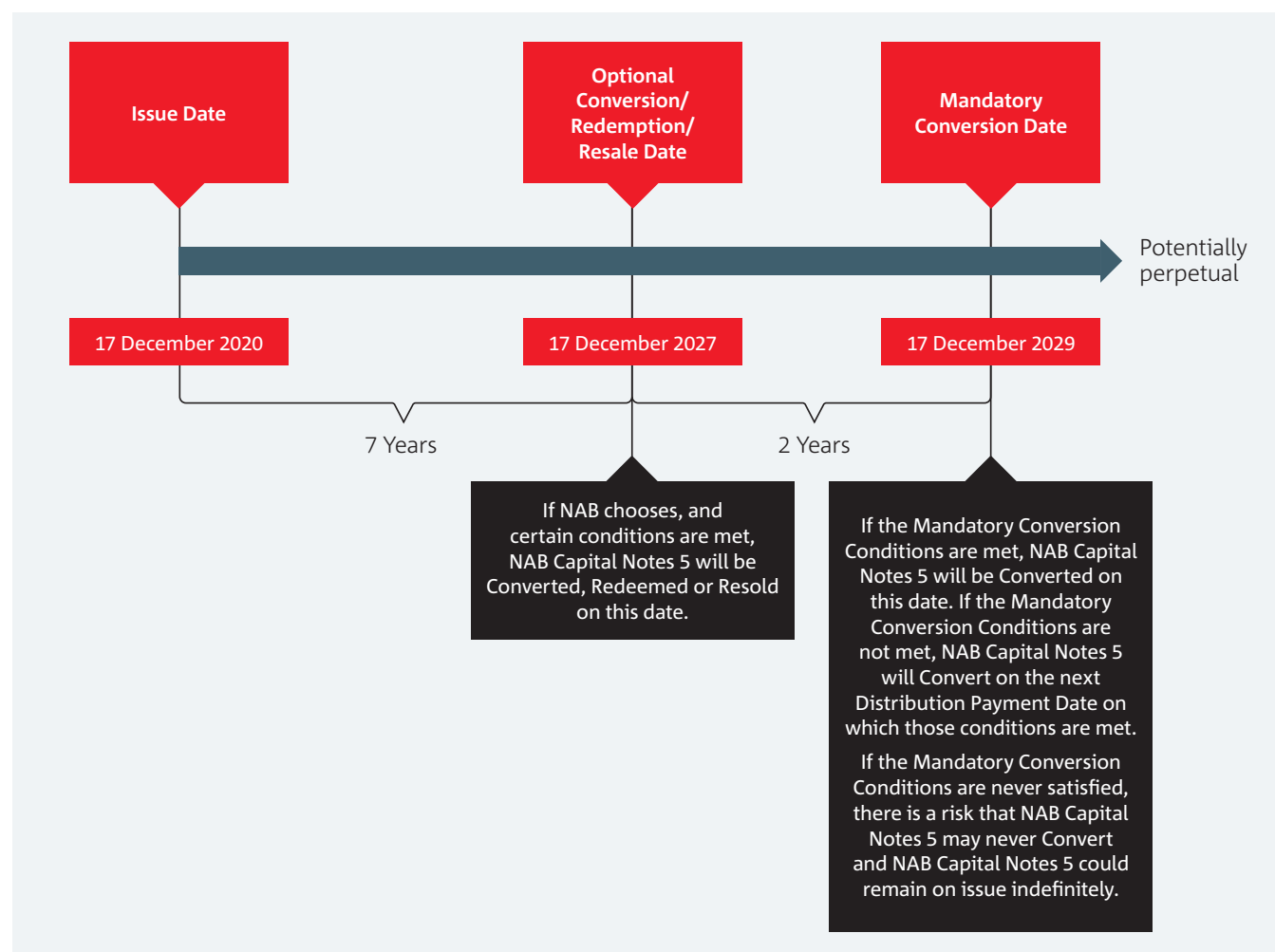
SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
Term	<p>Perpetual. However, there are certain events that could occur while NAB Capital Notes 5 are on issue which may result in NAB Capital Notes 5 being Converted into Ordinary Shares, Redeemed or Resold for cash, or Written Off. The following diagram and table summarise these events.</p> <p>NAB Capital Notes 5 do not have a fixed maturity date for repayment and Holders do not have a right to request or require NAB to Convert, Redeem or Resell NAB Capital Notes 5. It is possible that NAB Capital Notes 5 could remain on issue indefinitely, in which case the Face Value will not be repaid.</p>	Sections 2.2 – 2.7

1.2 Events that may occur while NAB Capital Notes 5 are on issue

The diagram below and the table on the next page summarise certain events that may occur while NAB Capital Notes 5 are on issue, and what Holders may receive if those events occur.

Figure 1: Timeline of certain events that may occur while NAB Capital Notes 5 are on issue



There are certain other events that could occur at any time while NAB Capital Notes 5 are on issue which may result in NAB Capital Notes 5 being Converted, Redeemed, Resold or Written Off.

SECTION ONE: INVESTMENT OVERVIEW

Table 1: Summary of certain events that may occur while NAB Capital Notes 5 are on issue

What can happen?	When?	NAB Capital Notes 5 impacted?	Is APRA approval required? ¹	Do conditions apply?	What value will a Holder receive for each NAB Capital Note 5?	In what form will that value be provided to Holders?	Further information
Mandatory Conversion	On 17 December 2029 or the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied ²	All	No	Yes	Approximately \$101 ^{3,4}	Variable number of Ordinary Shares	Section 2.3
Optional Conversion	On 17 December 2027 ²	All or some	Yes	Yes	Approximately \$101 ^{3,4}	Variable number of Ordinary Shares	Section 2.4
Optional Redemption or Resale	On 17 December 2027 ²	All or some	Yes	Yes	\$100 (Face Value)	Cash	Section 2.5
Conversion in other circumstances	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	All or some	Yes	Yes	Approximately \$101 ^{3,4,5}	Variable number of Ordinary Shares	Sections 2.4, 2.6 and 2.7
	If an Acquisition Event occurs	All	No	Yes	Approximately \$101 ^{3,4,5}	Variable number of Ordinary Shares	
	If a Loss Absorption Event occurs	Potentially all ⁶	No	No	A Loss Absorption Event may occur where NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares, Holders are likely to receive significantly less than \$101 and may lose a significant amount of the money they invested in NAB Capital Notes 5 as a consequence	Variable number of Ordinary Shares If, for any reason, NAB Capital Notes 5 are not Converted into Ordinary Shares within the required time, NAB Capital Notes 5 will be Written Off ⁷	

SECTION ONE: INVESTMENT OVERVIEW

What can happen?	When?	NAB Capital Notes 5 impacted?	Is APRA approval required? ¹	Do conditions apply?	What value will a Holder receive for each NAB Capital Note 5?	In what form will that value be provided to Holders?	Further information
Redemption/ Resale in other circumstances	If a Tax Event or Regulatory Event occurs	All or some	Yes	Yes	\$100 (Face Value) ⁵	Cash	Section 2.5
Ranking	In a winding up of NAB, NAB Capital Notes 5 rank ahead of Ordinary Shares, equally amongst themselves, equally with Equal Ranking Instruments and junior to Senior Creditors (including depositors and holders of Tier 2 Capital Instruments), as shown in Table 2. However, the amount of any return in a winding up will be adversely affected if a Loss Absorption Event has occurred						

¹ Holders should not expect that APRA approval will be given.

² To be eligible as Additional Tier 1 Capital, NAB cannot have the right to Redeem or Resell NAB Capital Notes 5 earlier than the fifth anniversary of the Issue Date or later than two years before the first scheduled Mandatory Conversion Date (other than for certain tax or regulatory reasons).

³ The Conversion conditions are designed to ensure that on a Conversion (other than following a Loss Absorption Event) Holders receive approximately \$101 worth of Ordinary Shares for each NAB Capital Note 5 they hold, and that the Ordinary Shares they receive following Conversion are capable of being sold on the ASX. However, the 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.

⁴ Based on a Face Value of \$100 and a 1% discount.


⁵ If a Conversion (other than on account of a Loss Absorption Event), Redemption or Resale occurs on a day that is not a scheduled Distribution Payment Date, Holders of NAB Capital Notes 5 which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 5 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Distribution).

⁶ The number of NAB Capital Notes 5 Converted will depend on how much Common Equity Tier 1 Capital NAB needs. However, where a Loss Absorption Event occurs on account of a Non Viability Trigger Event and a public sector injection of funds is required, NAB must convert all NAB Capital Notes 5. See Section 2.7 for further information.

⁷ If a NAB Capital Note 5 is Written Off, all rights (including to Distributions) in respect of that NAB Capital Note 5 will be terminated, and the Holder will not have their capital repaid.

SECTION ONE: INVESTMENT OVERVIEW

Table 2: Illustration of ranking on winding up



	Examples	Examples of existing NAB obligations and securities ⁸
Higher ranking	Senior ranking obligations	Liabilities preferred by law and secured debt
		Liabilities in Australia in relation to Protected Accounts (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law including employee entitlements, liabilities to secured creditors and in respect of covered bonds
		Unsubordinated unsecured debt
		Bonds and notes, trade and general creditors
	Term subordinated unsecured debt issued before 1 January 2013	Subordinated unsecured debt obligations issued before 1 January 2013
	Term subordinated unsecured debt issued after 1 January 2013 and perpetual subordinated unsecured debt	Relevant Tier 2 Capital Instruments
	Equal ranking obligations	Preference shares and other equally ranked instruments
		NAB Capital Notes 5 , ⁹ and any securities expressed to rank equally with NAB Capital Notes 5, which include: <ul style="list-style-type: none"> • NAB Capital Notes 2 • NAB Capital Notes 3 • CPS II (which are scheduled to be redeemed on 17 December 2020) • The preference shares comprised in the National Income Securities
Lower ranking	Lower ranking obligations	Ordinary shares
		Ordinary Shares

⁸ 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. NAB Capital Notes 5 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.

⁹ If a NAB Capital Note 5 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 a NAB Capital Note 5 occurs following a Loss Absorption Event, the rights of Holders to distributions and returns of capital in respect of that NAB Capital Note 5 will be terminated, the NAB Capital Note 5 will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. If NAB Capital Notes 5 are Written Off, Holders will likely be worse off than holders of National Income Securities (which are not able to be converted or written off), CPS II and Ordinary Shares. See Sections 2.8 and 7.1.15.

SECTION ONE: INVESTMENT OVERVIEW

1.3 Key risks of NAB Capital Notes 5

You should read Section 7 in full before deciding whether to invest. The key risks outlined in that section include risks associated with an investment in NAB Capital Notes 5 and an investment in NAB. Some of these risks are summarised below.

1.3.1 Key risks associated with an investment in NAB Capital Notes 5

Topic	Summary	Further information
NAB Capital Notes 5 are not deposit liabilities or Protected Accounts	NAB Capital Notes 5 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.	Section 7.1.1
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 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.</p>	Section 7.1.2
The Distribution Rate may go up or down	The Distribution Rate may go up or down. There is a risk that the return on NAB Capital Notes 5 may become less attractive compared to returns on other investments.	Section 7.1.3
Market price of NAB Capital Notes 5	The market price of NAB Capital Notes 5 may go up or down and there is no guarantee NAB Capital Notes 5 will trade at or above their Face Value. The price at which NAB Capital Notes 5 trade may, for example, be affected by how the Distribution Rate of NAB Capital Notes 5 compares to that of other comparable instruments.	Section 7.1.4
Liquidity of NAB Capital Notes 5	The liquidity of NAB Capital Notes 5 may be low, which means that, at certain times, you may be unable to sell your NAB Capital Notes 5 at an acceptable price, if at all.	Section 7.1.5
Liquidity and price of Ordinary Shares	<p>Where NAB Capital Notes 5 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.</p> <p>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 when they are issued or thereafter.</p> <p>The market price of Ordinary Shares is also relevant to determining whether or not Conversion will occur (except for any Conversion on account of a Loss Absorption Event) and the number of Ordinary Shares you will receive upon Conversion.</p> <p>See page 17 under the heading "Conversion or Write Off following Loss Absorption Event" and Section 7.1.14 for further information on the Conversion or Write Off of NAB Capital Notes 5 following a Loss Absorption Event.</p>	Sections 7.1.4, 7.1.5, 7.1.6 and 7.1.9

SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
Use of franking credits	<p>Distributions paid on NAB Capital Notes 5 are expected to be franked at the same rate as dividends paid on 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.</p> <p>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).</p> <p>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. 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.</p> <p>Holders should refer to the Australian Taxation Summary in Section 8 and seek professional advice in relation to their tax position.</p>	Sections 7.1.7 – 7.1.8
NAB Capital Notes 5 are perpetual and may not Convert	<p>NAB Capital Notes 5 have no fixed maturity date but will Convert into Ordinary Shares on 17 December 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 December 2029 and NAB Capital Notes 5 remain on issue, Conversion will occur on the next Distribution Payment Date on which they are satisfied.</p> <p>If the Mandatory Conversion Conditions are never satisfied, there is a risk that NAB Capital Notes 5 may never Convert and may remain on issue indefinitely.</p>	Section 7.1.9
Holders have no right to request repayment	<p>Holders have no right to request that their NAB Capital Notes 5 be repaid. Absent a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their NAB Capital Notes 5 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 NAB Capital Notes 5 (see Sections 7.1.4 and 7.1.5).</p>	Section 7.1.11
NAB has certain early Conversion, Redemption and Resale rights	<p>Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to:</p> <ul style="list-style-type: none"> • Convert, Redeem or Resell NAB Capital Notes 5 on 17 December 2027, or because of a Tax Event or a Regulatory Event; and • Convert NAB Capital Notes 5 because of a Potential Acquisition Event. <p>Holders should not expect that APRA's approval will be given for any Conversion, Redemption or Resale of NAB Capital Notes 5.</p>	Sections 7.1.11 – 7.1.12

SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
Conversion or Write Off following Loss Absorption Event	<p>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 NAB Capital Note 5 and may lose a significant amount of the money they invested in NAB Capital Notes 5 as a consequence. In cases where NAB Capital Notes 5 are not Converted for any reason within 5 days after the Loss Absorption Event Conversion Date, NAB Capital Notes 5 will be Written Off with effect on and from the Loss Absorption Event Conversion Date.</p> <p>If NAB Capital Notes 5 are Written Off following a Loss Absorption Event:</p> <ul style="list-style-type: none"> • The rights of Holders in relation to those NAB Capital Notes 5 will be terminated; • Those NAB Capital Notes 5 will not be Converted, Redeemed or Resold on any subsequent date; and • Holders will not have their capital repaid or receive any further Distributions in relation to those NAB Capital Notes 5. 	Section 7.1.14
Ranking in a winding up of NAB	<p>In a winding up of NAB, NAB Capital Notes 5 rank ahead of Ordinary Shares, equally amongst themselves and with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (including depositors and holders of Tier 2 Capital Instruments).</p> <p>On a winding up of NAB, there is a risk that Holders may lose some or all of the money they have invested in NAB Capital Notes 5. See also the above and Section 7.1.14 in relation to the consequences of a Write Off. If NAB Capital Notes 5 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.</p>	Sections 7.1.14 and 7.1.15
NAB may issue further securities or incur other indebtedness	<p>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 NAB Capital Notes 5) 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.</p>	Section 7.1.16

1.3.2 Key risks associated with an investment in NAB

See Section 7.2 for a description of the risks associated with an investment in NAB and the Group.

SECTION ONE: INVESTMENT OVERVIEW

1.4 Information about the Offer

Topic	Summary	Further information
Offer Structure	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • The Reinvestment Offer; • The Securityholder Offer; • The Broker Firm Offer; and • The Institutional Offer. <p>Information about the different offers and how to apply is provided below and in Section 4.</p> <p>If you are a current holder of CPS II applying under the Reinvestment Offer, you must also read Section 3.</p>	Section 4
Reinvestment Offer	<p>On 5 November 2020, NAB issued a redemption notice in accordance with the CPS II Terms. That notice confirms that on 17 December 2020 NAB will redeem all NAB Convertible Preference Shares II (“CPS II”) for \$100 per CPS II (“CPS II Redemption Price”).</p> <p>The CPS II form part of NAB’s share capital and the CPS II Redemption will be conducted substantially by way of reduction of capital, with the balance by way of redemption upon which all CPS II will be cancelled.⁶</p> <p>The Reinvestment Offer provides Eligible CPS II Holders with the opportunity to reinvest their CPS II into NAB Capital Notes 5 and maintain an ongoing investment in NAB.</p> <p>You are an Eligible CPS II Holder if you:</p> <ul style="list-style-type: none"> • were registered as a holder of CPS II at 7.00pm on 11 November 2020; • are shown on the CPS II register as having an address in Australia; • are not an individual residing in a member state of the European Union; and • are not in the United States, are not a U.S. Person, and are not acting (including as a nominee) for the account or benefit of, a U.S. Person, and are not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 5 under the laws of any jurisdiction. <p>To participate in the Reinvestment Offer, an Eligible CPS II Holder must also remain registered as a holder of CPS II on the Closing Date (expected to be 5.00pm on 11 December 2020).</p> <p>The options available to Eligible CPS II Holders are detailed in Section 3.</p> <p>Before submitting an Application under the Reinvestment Offer, Eligible CPS II Holders should read Section 3.2 which describes the differences between CPS II and NAB Capital Notes 5. In particular, Eligible CPS II Holders should note that the margin applicable to CPS II is 3.25%, and the Margin for NAB Capital Notes 5 is expected to be in the range of 3.50% to 3.70%. NAB does not guarantee that it will accept Applications under the Reinvestment Offer. If your Application under the Reinvestment Offer is not accepted, your CPS II will be redeemed on 17 December 2020 and you will receive the aggregate CPS II Redemption Price (\$100 per CPS II) for the CPS II you hold on that date.</p>	Section 3

⁶ References to the redemption of the CPS II in this Prospectus are to this process.

SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
How to Apply under the Offer	<ul style="list-style-type: none"> To apply directly to NAB for NAB Capital Notes 5 under the Reinvestment Offer, you must complete an online Application Form and follow the instructions in Section 4. To apply for NAB Capital Notes 5 under the Securityholder Offer, you must complete an online Application Form and follow the instructions in Section 4. If you are applying under the Broker Firm Offer (including to reinvest your CPS II), you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to submit your Application. If you are applying under the Reinvestment Offer, you must also read Section 3. 	Sections 3 and 4
Minimum Application under the Offer	<p>Securityholder Offer, Broker Firm Offer (excluding Applications to reinvest CPS II) and Institutional Offer</p> <p>Applications must be made for a minimum of 50 NAB Capital Notes 5 (\$5,000) and thereafter in multiples of 10 NAB Capital Notes 5 (\$1,000).</p> <p>Reinvestment Offer</p> <p>There is no minimum number of CPS II that you must hold to be able to participate in the Reinvestment Offer.</p> <p>If you are an Eligible CPS II Holder, own 50 CPS II or fewer and wish to participate in the Reinvestment Offer, you can apply to participate in the Reinvestment Offer but you must apply to reinvest ALL of your CPS II in NAB Capital Notes 5.</p> <p>If you are an Eligible CPS II Holder, own more than 50 CPS II and wish to participate in the Reinvestment Offer:</p> <ul style="list-style-type: none"> you must apply to reinvest at least 50 of your CPS II (\$5,000) and thereafter in multiples of 10 CPS II (\$1,000); or you can apply to reinvest ALL of your CPS II. <p>NAB does not guarantee to accept all Applications under the Reinvestment Offer.</p>	Sections 3 and 4
Key Dates for the Offer	<p>Offer Period:</p> <ul style="list-style-type: none"> The Offer opens on 24 November 2020; and The Offer is expected to close at 5.00pm on 11 December 2020. <p>Issue Date: NAB Capital Notes 5 are expected to be issued on 17 December 2020.</p> <p>Commencement of trading on ASX: Trading is expected to commence on 18 December 2020 on a normal settlement basis.</p> <p>Despatch of Holding Statements: Holding Statements are expected to be despatched on 23 December 2020.</p>	Key Dates

SECTION ONE: INVESTMENT OVERVIEW

Topic	Summary	Further information
Allocation policy	<p>Reinvestment Offer and Securityholder Offer</p> <ul style="list-style-type: none"> • Allocations to CPS II Reinvestment Applicants and Securityholder Applicants will be determined by NAB. • Applications from CPS II Reinvestment Applicants and Securityholder Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, NAB's current intention is to give preference to CPS II Reinvestment Applicants over Securityholder Applicants while still providing for a proportion of the available NAB Capital Notes 5 to be allocated to Securityholder Applicants. How NAB scales back Applications will depend on the number of Applications from CPS II Reinvestment Applicants and Securityholder Applicants. • In the event of excess demand, it is possible that the proportionate scale back applied to Securityholder Applicants will be greater than that applied to CPS II Reinvestment Applicants. <p>Broker Firm Offer and Institutional Offer</p> <ul style="list-style-type: none"> • Allocations to Syndicate Brokers will be determined by NAB in consultation with the Joint Lead Managers following completion of the Bookbuild. • Allocations to Institutional Investors will be determined by NAB following completion of the Bookbuild. • Allocations to Syndicate Brokers and Institutional Investors will reflect expected demand under the Reinvestment Offer. • Priority is intended to be given to Broker Firm Applicants applying to reinvest their CPS II over other Broker Firm Applicants. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. However, NAB takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker. 	Section 4
Tax consequences	Information about the Australian tax consequences of investing in NAB Capital Notes 5 is set out in Section 8.	Section 8
Fees and expenses associated with the Offer	NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus which are described in Section 9. These include payments to the Joint Lead Managers and Co-Managers.	Section 9
More information	<p>If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should seek advice from your financial adviser or other professional adviser.</p> <p>You can also call the NAB Information Line on 1300 367 647 (within Australia) or on +61 3 9415 4299 (outside Australia) (Monday to Friday, 8.00am – 7.30pm) during the Offer Period, and for a week following.</p>	

SECTION TWO:

ABOUT NAB CAPITAL NOTES 5

The following is an overview of the key terms of NAB Capital Notes 5. It is important that you read this Prospectus and the Terms in full before deciding whether to invest in NAB Capital Notes 5. If you do not fully understand how NAB Capital Notes 5 work or the risks associated with them, you should seek advice from your financial adviser or other professional adviser.

The full Terms are contained in Appendix A. Rights and liabilities attaching to NAB Capital Notes 5 may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

A table comparing the key features of NAB Capital Notes 5 and other investments in NAB (including Ordinary Shares) is set out in Section 2.10.

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.1 Distributions

NAB Capital Notes 5 are expected to pay quarterly floating rate Distributions in cash, which are expected to be franked at the same rate as dividends paid on 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. 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. Broadly, a Payment Condition exists where NAB is prevented from paying the Distribution by prudential regulatory requirements, applicable law or insolvency.

The Distribution Rate is a floating rate (i.e. it may go up or down), and is equal to the sum of the Bank Bill Rate plus a Margin (as determined under the Bookbuild), adjusted for NAB's tax rate.

Distributions are non-cumulative.

Topic	Summary	Further information
Distribution Rate	<p>The Distribution Rate for each Distribution will be calculated using the following formula:</p> $\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$ <p>where:</p> <ul style="list-style-type: none"> Bank Bill Rate is a benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a period of approximately 90 days as published by ASX (or its successor). It changes to reflect supply and demand in the cash and currency markets. The Bank Bill Rate for each Distribution Period is set on the first Business Day of the relevant Distribution Period. Fall-back procedures apply under the Terms if the Bank Bill Rate does not appear, if there is an obvious error in that rate or (subject to APRA's prior written approval) if that rate is otherwise subject to disruption; 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. Even if the Distribution Rate is calculated to be negative there will be no obligation on Holders to pay NAB; Margin is the margin to be determined under the Bookbuild, which is expected to be in the range of 3.50% to 3.70%. The Margin will not change for the term of NAB Capital Notes 5; and Tax Rate is the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date. <p>Below are two worked examples of the Distribution Rate calculated using:</p> <ul style="list-style-type: none"> a Bank Bill Rate of 0.0200% (i.e. if the Bank Bill Rate is positive); and a Bank Bill Rate of -1.0000% (i.e. if the Bank Bill Rate is negative). <p>These examples are for illustrative purposes only and do not indicate, guarantee or forecast the actual Bank Bill Rate for the first or any subsequent Distribution Period.</p>	Clause 2.4 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information																				
Distribution Rate (continued)	<p>Using a Bank Bill Rate of 0.0200% (i.e. a positive Bank Bill Rate)</p> <p>For example, if the Bank Bill Rate was 0.0200%, the Margin was 3.50% and the Australian corporate tax rate applicable to the franking account of NAB was 30%, assuming the Distribution is fully franked the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table border="0"> <tr> <td>Bank Bill Rate</td> <td>0.0200% per annum</td> </tr> <tr> <td><u>plus Margin</u></td> <td><u>3.5000% per annum</u></td> </tr> <tr> <td></td> <td>3.5200% per annum</td> </tr> <tr> <td><u>Multiplied by (1 – Tax Rate)</u></td> <td><u>x 0.70</u></td> </tr> <tr> <td>Distribution Rate =</td> <td>2.4640% per annum</td> </tr> </table> <p>Using a Bank Bill Rate of -1.0000% (i.e. a negative Bank Bill Rate)</p> <p>For example, if the Bank Bill Rate was -1.0000%, the Margin was 3.50% and the Australian corporate tax rate applicable to the franking account of NAB was 30%, assuming the Distribution is fully franked the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table border="0"> <tr> <td>Bank Bill Rate</td> <td>-1.0000% per annum</td> </tr> <tr> <td><u>plus Margin</u></td> <td><u>3.5000% per annum</u></td> </tr> <tr> <td></td> <td>2.5000% per annum</td> </tr> <tr> <td><u>Multiplied by (1 – Tax Rate)</u></td> <td><u>x 0.70</u></td> </tr> <tr> <td>Distribution Rate =</td> <td>1.7500% per annum</td> </tr> </table> <p>Even if the Distribution Rate is calculated to be negative there will be no obligation on Holders to pay NAB.</p> <p>The graph on the following page illustrates the movement in the Bank Bill Rate. The rate on 12 November 2020 was 0.0200%. The Australian corporate tax rate may change from time to time and that will affect the Distribution Rate.</p>	Bank Bill Rate	0.0200% per annum	<u>plus Margin</u>	<u>3.5000% per annum</u>		3.5200% per annum	<u>Multiplied by (1 – Tax Rate)</u>	<u>x 0.70</u>	Distribution Rate =	2.4640% per annum	Bank Bill Rate	-1.0000% per annum	<u>plus Margin</u>	<u>3.5000% per annum</u>		2.5000% per annum	<u>Multiplied by (1 – Tax Rate)</u>	<u>x 0.70</u>	Distribution Rate =	1.7500% per annum	
Bank Bill Rate	0.0200% per annum																					
<u>plus Margin</u>	<u>3.5000% per annum</u>																					
	3.5200% per annum																					
<u>Multiplied by (1 – Tax Rate)</u>	<u>x 0.70</u>																					
Distribution Rate =	2.4640% per annum																					
Bank Bill Rate	-1.0000% per annum																					
<u>plus Margin</u>	<u>3.5000% per annum</u>																					
	2.5000% per annum																					
<u>Multiplied by (1 – Tax Rate)</u>	<u>x 0.70</u>																					
Distribution Rate =	1.7500% per annum																					

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Movement in the Bank Bill Rate



Topic	Summary	Further information										
Calculation of Distribution	<p>Distributions scheduled to be paid on a Distribution Payment Date will be calculated using the following formula:</p> $\frac{\text{Distribution Rate} \times \$100 \times N}{365}$ <p>where:</p> <p>N is the number of days in the Distribution Period.</p> <p>Using the above formula, if the Distribution Rate was 2.4640% per annum, then the Distribution on each NAB Capital Note 5 for the first Distribution Period (if the Distribution Period was 90 days) would be calculated as follows:</p> <table border="0"> <tr> <td>Indicative Distribution Rate</td> <td>2.4640% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td>X \$100</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td> <td>X 90</td> </tr> <tr> <td>Divided by 365</td> <td>/ 365</td> </tr> <tr> <td>Indicative cash Distribution payment for the first Distribution Period for each NAB Capital Note 5</td> <td>\$0.6076</td> </tr> </table> <p>Distributions paid on NAB Capital Notes 5 are expected to be franked at the same rate as dividends paid on Ordinary Shares. However, 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. 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. Holders should refer to the Australian Taxation Summary in Section 8 and seek professional advice in relation to their tax position.</p>	Indicative Distribution Rate	2.4640% per annum	Multiplied by the Face Value	X \$100	Multiplied by the number of days in the Distribution Period	X 90	Divided by 365	/ 365	Indicative cash Distribution payment for the first Distribution Period for each NAB Capital Note 5	\$0.6076	Clause 2.4 of the Terms
Indicative Distribution Rate	2.4640% per annum											
Multiplied by the Face Value	X \$100											
Multiplied by the number of days in the Distribution Period	X 90											
Divided by 365	/ 365											
Indicative cash Distribution payment for the first Distribution Period for each NAB Capital Note 5	\$0.6076											

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Calculation of Distribution (continued)	<p>The example on the previous page is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin to be determined under the Bookbuild.</p>	Clause 2.4 of the Terms
Distribution Payment Dates	<p>The Distribution Payment Dates are scheduled to be:</p> <ul style="list-style-type: none"> • 17 March; • 17 June; • 17 September; and • 17 December, <p>commencing on 17 March 2021 until (but not including) the date that NAB Capital Notes 5 are Converted or Redeemed.</p> <p>In addition, if Conversion, Redemption or Resale occurs on a day that is not a scheduled Distribution Payment Date, provided the conditions to payment are met, Holders of NAB Capital Notes 5 which are being Converted (other than in the case of a Loss Absorption Event), Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 5 for the period from the immediately preceding Distribution Payment Date to the date on which the Conversion, Redemption or Resale occurs.</p> <p>If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date is the next Business Day.</p>	Clause 2.2 of the Terms
Franking credits	<p>Distributions paid on NAB Capital Notes 5 are expected to be franked at the same rate as dividends paid on 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.</p> <p>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).</p> <p>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. 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.</p> <p>Holders should refer to the Australian Taxation Summary in Section 8 and seek professional advice in relation to their tax position.</p>	Clause 2.5 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.2 Term

Topic	Summary	Further information
Term	<p>NAB Capital Notes 5 do not have a fixed maturity date and if they are not Converted, Written Off, Redeemed or Resold in accordance with the Terms, they could remain on issue indefinitely. Accordingly they are perpetual securities.</p> <p>There can be no certainty that NAB Capital Notes 5 will be Converted, Redeemed or Resold under the Terms. Holders will have no right to request NAB to Convert, Redeem or Resell NAB Capital Notes 5. Conditions apply to any optional Conversion, Redemption, Resale or purchase of NAB Capital Notes 5, including a requirement for the prior written approval of APRA. Holders should not expect that APRA's approval for any optional Conversion, Redemption, Resale, or purchase, will be given. Information on the circumstances in which NAB Capital Notes 5 may be Converted, Redeemed, Resold or Written Off is set out in Sections 2.3 to 2.7.</p>	<p>Sections 2.3 – 2.7</p> <p>Clause 12.2 of the Terms</p>

2.3 Mandatory Conversion

NAB must convert all (but not some) outstanding NAB Capital Notes 5 into Ordinary Shares on 17 December 2029, provided that certain conditions are met. If any of these conditions are not satisfied on this date, the Mandatory Conversion Date will be deferred to the next Distribution Payment Date on which they are satisfied. These conditions may never be satisfied and accordingly NAB Capital Notes 5 may never Convert into Ordinary Shares. The number of Ordinary Shares that Holders will receive on a Mandatory Conversion will not be greater than the Maximum Conversion Number.

The conditions to Mandatory Conversion and the associated Conversion calculations are designed to ensure that Holders receive approximately \$101 worth of Ordinary Shares for each NAB Capital Note 5 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on the ASX.

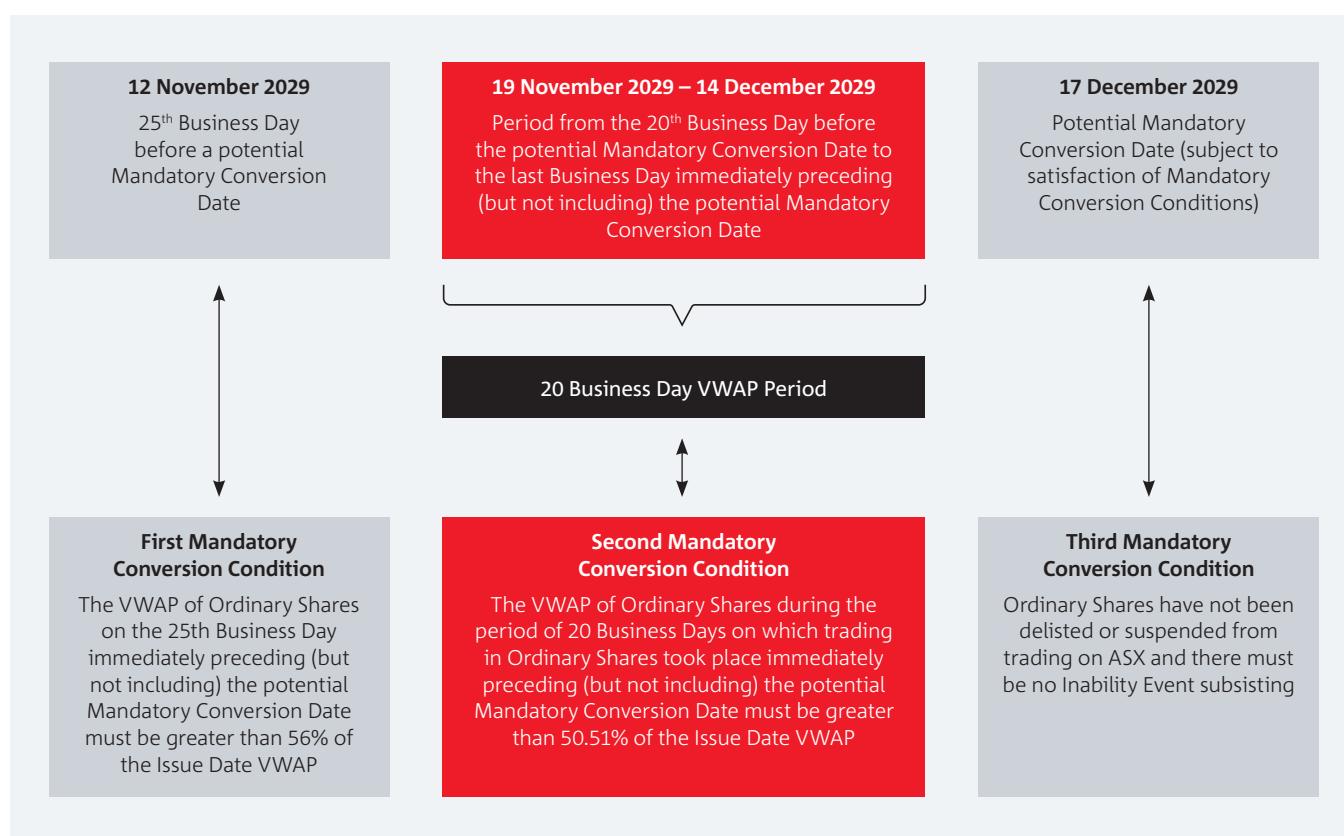
Topic	Summary	Further information
Mandatory Conversion Date	<p>Outstanding NAB Capital Notes 5 are scheduled to be mandatorily Converted on 17 December 2029, provided the Mandatory Conversion Conditions are satisfied on that date.</p> <p>If any of the Mandatory Conversion Conditions are not satisfied on this date, NAB Capital Notes 5 will continue to be on issue and the Mandatory Conversion Date will be deferred to the next Distribution Payment Date on which those conditions are satisfied.</p>	<p>Clauses 3.1 and 3.2 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Mandatory Conversion and consequences	<p>If the Mandatory Conversion Conditions are satisfied on the Mandatory Conversion Date, outstanding NAB Capital Notes 5 will be Converted and Holders will receive Ordinary Shares.</p> <p>Upon Conversion on a Mandatory Conversion Date, based on a Face Value of \$100 and with a 1% discount, Holders will receive approximately \$101 worth of Ordinary Shares per NAB Capital Note 5. The number of Ordinary Shares that Holders will receive will be based on the volume weighted average price of Ordinary Shares (“VWAP”) during a period of 20 Business Days on which trading in Ordinary Shares took place before the Mandatory Conversion Date, but will not be greater than the Maximum Conversion Number.</p> <p>As the VWAP is an average price, it may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received in respect of each NAB Capital Note 5 may be more or less than \$101 when they are issued or at any time after that.</p> <p>Following a Conversion, Holders will become holders of Ordinary Shares, which will rank equally with existing Ordinary Shares from the date of issue and which may be sold on the ASX at the prevailing market price (provided that trading in Ordinary Shares on the ASX has not been suspended at the relevant time).</p>	<p>Clause 3.1 of the Terms</p> <p>Clause 7.1 of the Terms</p>
Mandatory Conversion Conditions	<p>There are three Mandatory Conversion Conditions, each of which must be satisfied for Mandatory Conversion to occur.</p> <p>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to Holders against receiving less than approximately \$101 worth of Ordinary Shares per NAB Capital Note 5 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).</p> <p>The percentages used in the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition (see below) are derived from market precedents and the cap on the number of ordinary shares that is permitted to be issued under applicable prudential rules and ratings agency guidance. Worked examples follow.</p> <p>The Third Mandatory Conversion Condition is intended to provide protection for Holders by making Conversion conditional on Holders receiving Ordinary Shares which are capable of being sold on ASX.</p> <p>The Mandatory Conversion Conditions are as follows:</p> <ul style="list-style-type: none"> • 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; and • 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 NAB is delisted, its Ordinary Shares have been suspended from trading for a certain period, or an Inability Event subsists preventing NAB from Converting NAB Capital Notes 5 generally (i.e. where NAB is prevented from Converting NAB Capital Notes 5 by applicable law or order of any court or action of any government authority or any other reason). 	<p>Clause 3.3 of the Terms</p>

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Topic	Summary	Further information
Mandatory Conversion Conditions (continued)	<p>Satisfaction of Mandatory Conversion Conditions</p> <p>By way of example, if the Issue Date VWAP is \$18.00, for the First Mandatory Conversion Condition to be satisfied the relevant VWAP would need to be greater than \$10.08, and for the Second Mandatory Conversion Condition to be satisfied the relevant VWAP would need to be greater than \$9.09. The Third Mandatory Conversion Condition will be satisfied where the Ordinary Shares are able to be traded on the ASX at the relevant time and no Inability Event subsists.</p> <p>The following diagram illustrates the timeframes that are relevant for the Mandatory Conversion Conditions, using the date of 17 December 2029 as a potential Mandatory Conversion Date. These dates are indicative only and may change.</p>	



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Topic	Summary	Further information
Conversion Number	<p>On a Mandatory Conversion Date, a Holder will receive a number of Ordinary Shares per NAB Capital Note 5 ("Conversion Number") which is the lesser of:</p> <p>(a) the number (N) calculated in accordance with the following formula:</p> $N = \frac{\$100}{99\% \times \text{VWAP}}$ <p>where:</p> <ul style="list-style-type: none"> • "VWAP" broadly is the volume weighted average price of Ordinary Shares during the VWAP Period. For a Mandatory Conversion, the VWAP Period is the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. <p>and:</p> <p>(b) the Maximum Conversion Number ("MCN") calculated in accordance with the following formula:</p> $\text{MCN} = \frac{\$100}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$ <p>where:</p> <ul style="list-style-type: none"> • "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 NAB Capital Notes 5 were issued; and • "Relevant Fraction", for Conversion on a Mandatory Conversion Date, is 0.5. This fraction reflects the ratings agency requirement that the maximum number of Ordinary Shares issued on a Conversion of this kind does not exceed the number that would be issued if the Ordinary Share price fell from the price it was at the Issue Date to 50% of that price. <p>Adjustments to Issue Date VWAP and Maximum Conversion Number</p> <p>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 Terms (but not other transactions, including rights issues, which may affect the capital of NAB).</p> <p>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.</p>	Clauses 7.1 – 7.7 of the Terms

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Topic	Summary	Further information
<p>Number of Ordinary Shares Holders will receive on Mandatory Conversion Date – worked example</p>	<p>Worked example: Scheduled Mandatory Conversion Date Assume the VWAP from 19 November 2029 to 14 December 2029 (being the 20 Business Days on which trading in Ordinary Shares took place immediately preceding 17 December 2029) is \$15.00 and the Issue Date VWAP is \$18.00. Holders would be entitled to receive the Conversion Number of Ordinary Shares which is the lesser of:</p> $N = \frac{\$100}{99\% \times \$15.00} = 6.7340 \text{ Ordinary Shares per NAB Capital Note 5;}$ <p>and:</p> $\text{the MCN} = \frac{\$100}{\$18.00 \times 0.5} = 11.1111 \text{ Ordinary Shares per NAB Capital Note 5.}$ <p>Since N is less than the MCN (see above), the total number of Ordinary Shares to which a Holder of 100 NAB Capital Notes 5 would be entitled would be 673 (i.e. 100×6.7340, which number is rounded down to disregard the fraction of the Ordinary Share). Assuming a prevailing market price equal to the VWAP of \$15.00, this would represent a market value of \$10,095 (i.e. $673 \times \\$15.00$) which is slightly more than \$10,000 (the Face Value of 100 NAB Capital Notes 5).</p> <p>This example is for illustrative purposes only. The figures in it are not forward looking statements and do not indicate, guarantee or forecast the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p>	<p>Clause 7.1 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.4 Optional Conversion

On 17 December 2027, NAB may elect to Convert NAB Capital Notes 5 into Ordinary Shares with APRA's prior written approval. NAB may also elect to Convert NAB Capital Notes 5 into Ordinary Shares following the occurrence of certain events (related to tax, regulation and takeovers) subject to APRA's prior written approval.

As with a Mandatory Conversion, there are conditions to an optional Conversion which are designed to ensure that Holders receive approximately \$101 worth of Ordinary Shares for each NAB Capital Note 5 they hold, and that Holders receive Ordinary Shares that are capable of being sold on ASX.

The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

The conditions to an optional Conversion may never be satisfied and accordingly, NAB Capital Notes 5 may never Convert into Ordinary Shares. Holders should not expect that APRA's approval will be given for any optional Conversion.

Topic	Summary	Further information
Optional Conversion	<p>NAB may, with APRA's prior written approval, elect to Convert:</p> <ul style="list-style-type: none"> • All or some NAB Capital Notes 5 on 17 December 2027; • All or some NAB Capital Notes 5 following the occurrence of a Tax Event or a Regulatory Event; or • All or some NAB Capital Notes 5 following the occurrence of a Potential Acquisition Event. <p>An optional Conversion is subject to further conditions as set out below.</p> <p>Holders should not expect that APRA's approval will be given for a Conversion of NAB Capital Notes 5 in these circumstances.</p> <p>Holders do not have a right to request Conversion in any circumstances.</p>	Clause 6.1 of the Terms
Tax Event	<p>Broadly, a Tax Event will occur if, on or after the Issue Date, NAB receives 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 in relation to NAB Capital Notes 5, which NAB did not expect as at the Issue Date, 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 in their absolute discretion to be unacceptable) or that NAB would be exposed to an increase in taxes or other costs, which is not insignificant, in relation to NAB Capital Notes 5.</p>	Clause 24.1 of the Terms

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Topic	Summary	Further information
Regulatory Event	<p>A Regulatory Event will broadly occur if:</p> <ul style="list-style-type: none"> • NAB receives legal advice that, as a result of a change of law or regulation, judicial decision, administrative position or statement of APRA on or after the Issue Date, additional requirements (which are not insignificant) would be imposed on NAB in relation to NAB Capital Notes 5 (which were not expected by NAB at the Issue Date) which the Directors determine in their absolute discretion to be unacceptable; or • The Directors determine that, as a result of a change of law or regulation, judicial decision, administrative position or statement of APRA on or after the Issue Date, NAB is not or will not be entitled to treat some or all NAB Capital Notes 5 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 NAB may come into effect. 	Clause 24.1 of the Terms
Potential Acquisition Event	<p>A Potential Acquisition Event will broadly occur if:</p> <ul style="list-style-type: none"> • A takeover bid is made to acquire all or some 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 NAB 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. <p>A Potential Acquisition Event will not occur where NAB is acquired by an Approved NOHC. An Approved NOHC is described in Section 2.9.</p>	Clause 24.1 of the Terms
Optional Conversion Restrictions	<p>Broadly, in addition to APRA approval, there are two categories of restrictions that may prevent an optional Conversion from occurring:</p> <ul style="list-style-type: none"> • Restrictions that may prevent NAB from sending a notice to Holders advising them that NAB wishes to Convert NAB Capital Notes 5; and • Restrictions that may prevent NAB from actually Converting NAB Capital Notes 5. <p>Restrictions that may prevent NAB from sending a conversion notice</p> <p>NAB may not elect to Convert NAB Capital Notes 5 if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 5):</p> <ul style="list-style-type: none"> • 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. 	Clauses 6.4 and 6.5 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Optional Conversion Restrictions (continued)	<p>Further restrictions that may prevent NAB from Converting NAB Capital Notes 5 on a Conversion Date</p> <p>In addition, if, treating the date on which Conversion is to occur (“Optional Conversion Date”) as a Mandatory Conversion Date, either:</p> <ul style="list-style-type: none"> • 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, <p>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).</p> <p>The percentages used in the above restrictions are derived from market precedents and the cap on the number of Ordinary Shares that is permitted to be issued under applicable prudential standards.</p>	
Conversion Number	<p>If an optional Conversion proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see Section 2.3. However, for the purposes of the optional Conversion calculations, the Relevant Fraction is 0.2 rather than 0.5, as permitted by applicable prudential standards for Additional Tier 1 Capital.</p>	<p>Clause 7.1 of the Terms</p>
If Conversion does not occur on Optional Conversion Date	<p>If NAB elects to Convert but cannot Convert NAB Capital Notes 5 on the Optional Conversion Date because of an applicable Conversion restriction, NAB will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied as if that Distribution Payment Date were a possible 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), unless NAB Capital Notes 5 are otherwise Converted, Written Off, Redeemed or Resold in accordance with the Terms. For the purposes of the Conversion calculations in these circumstances, the Relevant Fraction is 0.2 rather than 0.5, as permitted by applicable prudential standards for Additional Tier 1 Capital.</p>	<p>Clause 6.5 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.5 Optional Redemption, optional Resale or purchase

On 17 December 2027, NAB may elect to Redeem, Resell or purchase NAB Capital Notes 5 with APRA's prior written approval. NAB may also elect to Redeem or Resell NAB Capital Notes 5 following the occurrence of certain events (related to tax and regulation), subject to APRA's prior written approval.

If a Redemption or Resale occurs, a Holder will receive an amount equal to the Face Value (\$100) in cash for each NAB Capital Note 5 that it holds.

There are restrictions on NAB's ability to Redeem NAB Capital Notes 5 for cash. Most importantly, NAB may only elect to Redeem NAB Capital Notes 5 if APRA is satisfied that NAB's regulatory capital position will remain adequate following the Redemption. This is intended to protect NAB's creditors (including depositors).

Holders should not expect that APRA's approval will be given for any Redemption, Resale or purchase.

Topic	Summary	Further information
Optional Redemption	<p>NAB may, with APRA's prior written approval, elect to Redeem:</p> <ul style="list-style-type: none"> All or some NAB Capital Notes 5 on 17 December 2027; or All or some NAB Capital Notes 5 following the occurrence of a Tax Event or a Regulatory Event. <p> Holders should not expect that APRA's approval will be given for any Redemption of NAB Capital Notes 5 under the Terms. Holders do not have a right to request Redemption in any circumstances.</p>	Clause 8.1 of the Terms
Restrictions on Redemption	<p>NAB may only elect to Redeem NAB Capital Notes 5 if APRA is satisfied that either:</p> <ul style="list-style-type: none"> The NAB Capital Notes 5 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 NAB's income capacity; or The capital position of the NAB Level 1 Group and NAB Level 2 Group will remain adequate after NAB elects to Redeem NAB Capital Notes 5. 	Clause 8.4 of the Terms
Optional Resale	<p>NAB may also, with APRA's prior written approval, elect to Resell:</p> <ul style="list-style-type: none"> All or some NAB Capital Notes 5 on 17 December 2027; or All or some NAB Capital Notes 5 following the occurrence of a Tax Event or a Regulatory Event. <p> Holders should not expect that APRA's approval will be given for any Resale of NAB Capital Notes 5 under the Terms. Holders do not have a right to request Resale in any circumstances.</p> <p>In the event of a Resale, each Holder is bound under the Terms to sell NAB Capital Notes 5 to one or more third party purchasers at the Resale Price (\$100 per NAB Capital Note 5).</p>	Clauses 10.1 and 11.4 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Appointment of Nominated Purchaser	<p>If NAB elects to Resell NAB Capital Notes 5, it must appoint one or more third party purchasers (each a “Nominated Purchaser”) to purchase NAB Capital Notes 5 offered for Resale (on such terms as may be agreed between NAB and the Nominated Purchaser). The terms of appointment may include terms:</p> <ul style="list-style-type: none"> • as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the notice given by NAB to the Registrar, ASX and the Holders in connection with such Resale may be amended; • as to the substitution of another entity as Nominated Purchaser (in accordance with the Terms); and • on which any NAB Capital Notes 5 acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with. <p>To the extent any of the terms on which a Nominated Purchaser is appointed may cause NAB Capital Notes 5 to cease to be Additional Tier 1 Capital, then the prior written approval of APRA is required before the Nominated Purchaser is appointed on those terms.</p> <p>If NAB appoints more than one Nominated Purchaser in respect of a Resale, all or any NAB Capital Notes 5 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.</p> <p>The Nominated Purchaser must not be NAB or any Related Entity of NAB.</p>	Clauses 11.2 and 11.3 of the Terms
Failure by Nominated Purchaser to pay Resale Price	<p>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 NAB Capital Notes 5 in accordance with the Terms until NAB Capital Notes 5 are otherwise Redeemed, Converted or Resold in accordance with the Terms.</p>	Clause 11.6 of the Terms
Purchases	<p>NAB (or any Related Entity of NAB) may at any time purchase NAB Capital Notes 5 in the open market or otherwise, at any price (subject to the prior written approval of APRA).</p>	Clause 12.3 of the Terms

2.6 Conversion following an Acquisition Event

NAB must Convert all (but not some) NAB Capital Notes 5 into Ordinary Shares where NAB is taken over by way of takeover bid or scheme of arrangement which meets certain requirements (which are described below).

As with other types of Conversion, there are conditions to Conversion in these circumstances which are designed to ensure that Holders receive no less than approximately \$101 worth of Ordinary Shares for each NAB Capital Note 5 they hold, and that Holders receive Ordinary Shares that are capable of being sold on the ASX.

There is a risk that these conditions may never be satisfied. Accordingly, NAB Capital Notes 5 may never Convert into Ordinary Shares.

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Topic	Summary	Further information
Acquisition Event	<p>In summary, an Acquisition Event means either:</p> <ul style="list-style-type: none"> • A takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional, all necessary regulatory approvals have been obtained and either: <ul style="list-style-type: none"> – The bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – A majority of Directors recommend acceptance of such offer (in the absence of a higher offer); or • A court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which when implemented would result in a person having a relevant interest in more than 50% of Ordinary Shares on issue, and: <ul style="list-style-type: none"> – All classes of members of NAB pass all resolutions required to approve the scheme by the majorities required under the Corporations Act; and – All conditions to the implementation of the scheme, including any necessary regulatory approval (other than the approval of the scheme by the court) have been satisfied or waived. <p>Not all actions involving a change of control of NAB will amount to an Acquisition Event, In particular, an Acquisition Event will not occur where NAB is acquired by an Approved NOHC (as described in Section 2.9) or if APRA intervenes as described in Section 7.1.10.</p>	Clause 24.1 of the Terms
Conversion following an Acquisition Event	<p>If an Acquisition Event occurs, NAB must (by giving an Acquisition Conversion Notice) Convert all (but not some) NAB Capital Notes 5 into a number of Ordinary Shares with a value of approximately \$101 per NAB Capital Note 5 (based on the VWAP during a period, usually 20 Business Days, before the Acquisition Conversion Date but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days) provided that certain conditions are met. The number of Ordinary Shares that Holders will receive on a Conversion will not be greater than the Maximum Conversion Number.</p> <p>Broadly, there are two categories of restrictions that may prevent a Conversion following an Acquisition Event from occurring:</p> <ul style="list-style-type: none"> • Restrictions that may prevent NAB from sending an Acquisition Conversion Notice to Holders; and • Restrictions that may prevent NAB from actually Converting NAB Capital Notes 5. <p>Restrictions that may prevent NAB from sending a conversion notice</p> <p>NAB is not required to give an Acquisition Conversion Notice to Holders and will not be required to Convert NAB Capital Notes 5 if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 5 as a result of an Acquisition Event):</p> <ul style="list-style-type: none"> • 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. 	Clauses 5 and 7 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Conversion following an Acquisition Event (continued)	<p>Further restrictions that may prevent NAB from Converting NAB Capital Notes 5 on a Conversion Date</p> <p>In addition, NAB may not proceed to Convert NAB Capital Notes 5 if, treating the date on which Conversion is to occur (“Acquisition Conversion Date”) as a Mandatory Conversion Date, either:</p> <ul style="list-style-type: none"> • 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 in respect of that date. <p>The percentages used in the above restrictions are derived from market precedents and the cap on the number of Ordinary Shares that is permitted to be issued under applicable prudential standards.</p>	
Conversion Number	<p>If Conversion proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see Section 2.3. However, for the purposes of the Conversion calculations in these circumstances the Relevant Fraction is 0.2 rather than 0.5, as permitted by applicable prudential standards for Additional Tier 1 Capital.</p>	<p>Clause 7.1 of the Terms</p>
If Conversion does not occur on Acquisition Conversion Date	<p>If NAB is not required to give an Acquisition Conversion Notice or the further restrictions prevent Conversion on the Acquisition Conversion Date, NAB 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.</p> <p>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 the further Conversion restrictions apply on that date.</p> <p>This process will be repeated until Conversion occurs.</p>	<p>Clauses 5.3 and 5.4 of the Terms</p>

2.7 Conversion following a Loss Absorption Event

NAB Capital Notes 5 have certain loss absorption features, which may be triggered where NAB encounters severe financial difficulty. These features are required to be included in the Terms of NAB Capital Notes 5 for prudential regulation purposes.

The occurrence of a “Loss Absorption Event” requires the Conversion of NAB Capital Notes 5 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. The Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event. The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

As a Conversion in these circumstances is likely to occur during a time of financial difficulty for NAB, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NAB Capital Note 5 and a Holder may lose a significant amount of the money they invested in NAB Capital Notes 5 as a consequence. The calculations set out in this Section 2.7 are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Holder would receive on a Conversion where there is a Loss Absorption Event.

Where NAB Capital Notes 5 are not Converted into Ordinary Shares for any reason, those NAB Capital Notes 5 will be Written Off. In the event of a Write Off, the rights of Holders to Distributions and returns of capital will be terminated and written off, and Holders will not have their capital repaid.

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Loss Absorption Events	<p>A Loss Absorption Event is each of:</p> <ul style="list-style-type: none"> • A Common Equity Trigger Event; and • A Non-Viability Trigger Event. 	Clause 4.1 of the Terms
Common Equity Trigger Event	<p>A Common Equity Trigger Event occurs when the ratio of NAB’s Common Equity Tier 1 Capital to RWA (the “Common Equity Tier 1 Ratio”) as determined by NAB 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.</p> <p>NAB must immediately notify APRA in writing if it makes such a determination.</p> <p>If a Common Equity Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off all Relevant Tier 1 Capital Instruments (which includes NAB Capital Notes 5) or a proportion of Relevant Tier 1 Capital Instruments with the result that 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 is at a percentage above 5.125% determined by NAB for that ratio.</p>	Clause 4.2 of the Terms
Non-Viability Trigger Event	<p>A Non-Viability Trigger Event means APRA has provided a written determination to NAB that:</p> <ul style="list-style-type: none"> • The conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments (which includes NAB Capital Notes 5) is necessary because without the conversion or write off, APRA considers that NAB would become non-viable; or • Without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable. <p>If a Non-Viability Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off:</p> <ul style="list-style-type: none"> • All Relevant Tier 1 Capital Instruments; or • A proportion of Relevant Tier 1 Capital Instruments where NAB satisfies APRA that conversion or write off of a proportion will be sufficient to ensure that NAB will not become non viable. However, NAB must convert or write off all Relevant Tier 1 Capital Instruments if a public sector injection of funds is required to ensure that NAB does not become non-viable. 	Clause 4.3 of the Terms
Conversion or Write Off of Relevant Tier 1 Capital Instruments (including NAB Capital Notes 5)	<p>If a Loss Absorption Event were to occur, depending on how much Common Equity Tier 1 Capital NAB needs, NAB may be:</p> <ul style="list-style-type: none"> • Permitted by APRA to convert or write off only a proportion of NAB Capital Notes 5 and other Relevant Tier 1 Capital Instruments; or • Required to either convert or write off all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 5). All Relevant Tier 1 Capital Instruments must be converted or written off where the Loss Absorption Event is a Non-Viability Trigger Event involving a determination by APRA that a public sector injection of capital would be required. 	Clauses 4.2, 4.3 and 4.4 of the Terms

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
<p>Conversion or Write Off of Relevant Tier 1 Capital Instruments (including NAB Capital Notes 5) (continued)</p>	<p>If NAB is permitted to convert or write off only a proportion of NAB Capital Notes 5 and other Relevant Tier 1 Capital Instruments:</p> <ul style="list-style-type: none"> • NAB must endeavour to treat Holders on an approximately proportionate basis, but may make adjustments among Holders to take account of the effect on marketable parcels of NAB Capital Notes 5 and other logistical considerations; and • Where the Relevant Tier 1 Capital Instruments are not all in the same currency, NAB may treat them as if converted into a single currency of NAB's choice at such rate of exchange as NAB considers reasonable. NAB may make adjustments among Holders and holders of other Relevant Tier 1 Capital Instruments having regard to the need to effect conversion immediately. <p>If NAB is required to convert or write off Relevant Tier 1 Capital Instruments, Holders should be aware that all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 5) will be converted or written off before any Relevant Tier 2 Capital Instruments are converted or written off. NAB has no obligation to maintain any Relevant Tier 1 Capital Instruments on issue and gives no assurance that it will do so.</p>	
<p>Conversion as a result of a Loss Absorption Event</p>	<ul style="list-style-type: none"> • On the date on which a Loss Absorption Event occurs (the “Loss Absorption Event Conversion Date”), NAB must immediately determine the number of NAB Capital Notes 5 that will Convert and the number of other Relevant Tier 1 Capital Instruments which will convert into Ordinary Shares or be written off. • On the Loss Absorption Event Conversion Date, the relevant number of NAB Capital Notes 5 will then Convert immediately and irrevocably. Holders will not receive prior notice of Conversion or have any rights to vote or right of approval in respect of any Conversion. • The Mandatory Conversion Conditions do not apply and Conversion may occur automatically without the need for any further act or step by NAB. From the Loss Absorption Event Conversion Date, NAB will treat a Holder in respect of its NAB Capital Notes 5 as having been issued the Conversion Number of Ordinary Shares. • NAB expects that any ASX trades in NAB Capital Notes 5 that have not settled on the date a Loss Absorption Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although NAB expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which NAB Capital Notes 5 have been Converted as a result of the occurrence of the Loss Absorption Event. • NAB may make such decisions with respect to the identity of Holders whose NAB Capital Notes 5 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 NAB Capital Notes 5 that have not been settled or registered at that time. 	<p>Clause 4.4 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
<p>Number of Ordinary Shares Holders will receive on Loss Absorption Event Conversion Date</p>	<p>Holders will receive the lesser of the Conversion Number and the Maximum Conversion Number.</p> <p>The Conversion Number is calculated in accordance with the same formula as for a Mandatory Conversion – see Section 2.3, except that:</p> <ul style="list-style-type: none"> • 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 is 0.2 rather than 0.5, as permitted by applicable prudential standards for Additional Tier 1 Capital. <p>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.</p> <p>In addition, since the Mandatory Conversion Conditions do not apply to a Conversion following 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 \$101 per NAB Capital Note 5 and a Holder may lose a significant amount of the money they invested in NAB Capital Notes 5 as a consequence.</p> <p>On a Conversion following a Loss Absorption Event, Holders will receive the lesser of:</p> <ul style="list-style-type: none"> • The number (N) calculated according to the following formula: $N = \frac{\$100}{99\% \times \text{VWAP}}$ <p>and</p> <ul style="list-style-type: none"> • The Maximum Conversion Number (“MCN”), calculated in accordance with the following formula: $\text{MCN} = \frac{\$100}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$	<p>Clause 7.1 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
<p>Worked examples of Conversion following Loss Absorption Event</p>	<p>Below are two worked examples of Conversion following a Loss Absorption Event using:</p> <ul style="list-style-type: none"> • A VWAP of \$1.00 (i.e. in extreme circumstances); and • A VWAP of \$10.00 (i.e. in less severe circumstances). <p>Both examples assume an Issue Date VWAP of \$18.00.</p> <p>Using a VWAP of \$1.00</p> <p>Assume a Loss Absorption Event occurs, and that the VWAP in the VWAP Period is \$1.00.</p> <p>Holders would receive the lesser of:</p> $N = \frac{\$100}{99\% \times \$1.00} = 101.0101 \text{ Ordinary Shares per NAB Capital Note 5;}$ <p>and</p> $\text{the MCN} = \frac{\$100}{\$18.00 \times 0.2} = 27.7778 \text{ Ordinary Shares per NAB Capital Note 5.}$ <p>Since the MCN is less than N, the total number of Ordinary Shares to which a holder of 100 NAB Capital Notes 5 would be entitled would be the MCN, that is 2,777 (i.e. 100 x 27.7778, rounded down to the nearest whole Ordinary Share).</p> <p>The market value of the Ordinary Shares received based on the MCN and a prevailing market price equal to the VWAP of \$1.00 is \$2,777 (i.e. 2,777 x \$1.00), which is considerably less than \$10,000 (the Face Value of 100 NAB Capital Notes 5). Consequently, Holders would lose a significant amount of the money they invested in NAB Capital Notes 5.</p> <p>Using a VWAP of \$10.00</p> <p>In this example, assume that the VWAP in the VWAP Period is \$10.00.</p> <p>“N” calculated according to the above formula would be 10.1010 and the MCN would again be 27.7778.</p> <p>Since N is less than the MCN, the total number of Ordinary Shares to which a holder of 100 NAB Capital Notes 5 would be entitled would be N, that is 1,010 (i.e. 100 x 10.1010 rounded down to the nearest whole Ordinary Share).</p> <p>The market value of the Ordinary Shares received in this case based on a prevailing market price equal to the VWAP of \$10.00 would be \$10,100 (i.e. 1,010 x \$10.00), which is slightly more than \$10,000 (the Face Value of 100 NAB Capital Notes 5).</p> <p>The above examples are for illustrative purposes only. The figures in them are not forward looking statements and do not indicate, guarantee or forecast the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p>	

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
<p>Write Off of NAB Capital Notes 5 where NAB Capital Notes 5 are not Converted on Loss Absorption Event Conversion Date</p>	<p>If Conversion is required in respect of a NAB Capital Note 5 on account of a Loss Absorption Event but has not been effected within 5 days of the Loss Absorption Event Conversion Date for any reason (including where NAB is prevented by applicable law or court order or for any other reason from Converting NAB Capital Notes 5 (broadly an “Inability Event”), those NAB Capital Notes 5 will not be Converted but instead will be Written Off.</p> <p>Broadly, Written Off means that the relevant Holders’ rights (including to payments of Distributions and Face Value) in relation to a NAB Capital Note 5 are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date and the NAB Capital Note 5 will not be Converted, Redeemed or Resold on any subsequent date.</p> <p>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.</p> <p>The Banking Act gives statutory recognition to conversion and write off provisions in regulatory capital instruments such as NAB Capital Notes 5, subject to limited exceptions.</p>	<p>Clause 4.5 of the Terms</p>
<p>Notice of Loss Absorption Event and resulting Conversion or Write Off</p>	<p>NAB must give Holders notice as soon as practicable following the occurrence of a Loss Absorption Event, stating the Loss Absorption Conversion Date, the number of NAB Capital Notes 5 Converted or Written Off and the relevant number of Relevant Tier 1 Capital Instruments converted into Ordinary Shares or written off.</p>	<p>Clause 4.6 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.8 Quotation, ranking and regulatory treatment

Topic	Summary	Further information
Quotation	NAB will apply for NAB Capital Notes 5 to be quoted on ASX within seven days after the date of this Prospectus and NAB Capital Notes 5 are expected to be quoted under code 'NABPH'.	Clause 1.4 of the Terms
Ranking	<p>NAB Capital Notes 5 are unsecured.</p> <p>NAB Capital Notes 5 do not constitute Protected Accounts and are not deposit liabilities for the purposes of the Banking Act or any other accounts with NAB 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 person.</p> <p>Ranking in a winding up</p> <p>In a winding up of NAB, NAB Capital Notes 5 rank in priority to Ordinary Shares, equally amongst themselves and Equal Ranking 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 NAB Capital Notes 5 have been Converted into Ordinary Shares prior to a winding up of NAB, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares and rank lower than they would have had they still remained NAB Capital Notes 5. If NAB Capital Notes 5 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.</p> <p>Ranking in relation to Distributions</p> <p>In respect of payment of Distributions, NAB Capital Notes 5 rank in priority to Ordinary Shares, equally amongst themselves and Equal Ranking Instruments, and junior to Senior Creditors (which includes depositors and holders of Tier 2 Capital Instruments). However, if NAB Capital Notes 5 have been Converted into Ordinary Shares, Holders will cease to be entitled to any Distributions under the Terms and any rights to any distributions will be as holders of Ordinary Shares. If NAB Capital Notes 5 are Written Off, Holders will not be entitled to any Distributions under the Terms or otherwise.</p> <p>Holders should also understand that, as at the date of this Prospectus, NAB has on issue National Income Securities (which include a preference share) and CPS II (which take the form of convertible preference shares). National Income Securities contain no provisions for conversion or write-off. Due to the requirements of the law at the time the CPS II were issued, if CPS II are written off, the rights of holders of CPS II 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 NAB Capital Notes 5 are Written Off, Holders will have lesser rights and will likely be worse off than holders of National Income Securities and CPS II, even though the preference share component of National Income Securities and CPS II rank equally with NAB Capital Notes 5.</p>	<p>Clause 16.5 of the Terms</p> <p>Clause 1.6 of the Terms</p> <p>Clause 16.2 of the Terms</p> <p>Clause 16.1 of the Terms</p>

SECTION TWO:

ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Regulatory capital of ADIs	<ul style="list-style-type: none"> • APRA classifies the regulatory capital of Authorised Deposit-taking Institutions (“ADIs”) into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. From the perspective of the ADI, Tier 1 Capital generally has better loss-absorbing qualities than Tier 2 Capital, due to features such as discretionary distributions, lower ranking in a winding up than Tier 2 Capital and being subject to conversion and write off in broader circumstances than Tier 2 Capital. • Under the Basel III Prudential Standards, Tier 1 Capital is comprised of: <ul style="list-style-type: none"> – Common Equity Tier 1 Capital; and – Additional Tier 1 Capital. • Common Equity Tier 1 Capital is recognised as the highest quality component of regulatory capital for ADIs. Common Equity Tier 1 Capital for ADIs (and their non-operating holding companies) comprises paid-up ordinary shares, retained earnings, other disclosed reserves permitted for inclusion by APRA and certain other items permitted by APRA, adjusted for regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital. • The non-common equity components of Tier 1 Capital which do not satisfy all of the criteria for inclusion in Common Equity Tier 1 Capital are referred to as Additional Tier 1 Capital. These instruments must be able to absorb losses on a going-concern basis, and can include both instruments that are classified as equity and instruments that are classified as liabilities for accounting purposes. 	
Regulatory treatment of NAB Capital Notes 5	<ul style="list-style-type: none"> • APRA has provided confirmation that NAB Capital Notes 5, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB’s regulatory capital requirements. • NAB Capital Notes 5 and NAB’s other regulatory capital help to protect NAB’s depositors and other creditors by providing a loss absorbing capital buffer which supports losses that may be incurred on NAB’s assets. • The Banking Act gives statutory recognition to conversion and write off provisions in regulatory capital instruments such as NAB Capital Notes 5, subject to limited exceptions. 	

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

2.9 Other

Topic	Summary	Further information
NAB may issue further NAB Capital Notes 5 or other instruments	<p>NAB has the right to issue additional convertible notes on the same or different terms as NAB Capital Notes 5 offered under this Prospectus.</p> <p>NAB also 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. These debt, deposits or other obligations or securities may have the same or different terms to NAB Capital Notes 5. For example, they may rank for payment of face value, interest or other amounts (including on an insolvency of NAB) equally with, ahead of or behind NAB Capital Notes 5. NAB Capital Notes 5 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.</p> <p>Holding NAB Capital Notes 5 does not confer any right to participate in further issues of securities by NAB.</p>	Clause 20 of the Terms
Voting rights	<p>A NAB Capital Note 5 does not entitle its Holder to vote at a general meeting of NAB.</p> <p>Ordinary Shares issued on Conversion would have all the usual rights conferred by Ordinary Shares.</p>	Clauses 7.9 and 17.3 of the Terms
Amendment of Terms	<p>NAB may make certain amendments to the Terms and the NAB Capital Notes 5 Deed Poll without the approval of Holders if NAB is of the opinion that the amendment is:</p> <ul style="list-style-type: none"> • of a formal, minor or technical nature; • made to cure any ambiguity or correct any manifest error; • to facilitate the listing, clearing or offering for sale of NAB Capital Notes 5; • necessary or expedient for the purposes of complying with applicable laws (including the provisions of any statute, requirements of any statutory authority or the listing or quotation requirements of securities exchanges); • necessary or appropriate to effect substitution of an Approved NOHC (as described below); • to dates or time periods stated, required or permitted in connection with any Conversion, Redemption or Resale; • to the Terms to align with the terms of any Relevant Tier 1 Capital Instruments issued after the Issue Date; or • not materially prejudicial to the interests of Holders as a whole. <p>NAB's right to make these changes is subject to NAB complying with all applicable laws, the amendment being, in NAB's opinion, not materially prejudicial to Holders as a whole, and APRA's prior written approval (where required).</p> <p>NAB may also, with APRA's prior written approval (where required), amend the Terms or the NAB Capital Notes 5 Deed Poll if the amendment has been approved by a Special Resolution. An amendment that will be materially prejudicial to Holders requires approval by Special Resolution.</p> <p>APRA's prior written approval to amend the Terms or the NAB Capital Notes 5 Deed Poll is required only where the amendment may affect the eligibility of NAB Capital Notes 5 as Additional Tier 1 Capital.</p>	<p>Clause 18.1 of the Terms</p> <p>Clause 18.2 of the Terms</p> <p>Clause 18.4 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Notices	<p>While NAB Capital Notes 5 are quoted on ASX, all notices by NAB to Holders may be given by publication to ASX. The Terms also permit notices to be given by newspaper advertisement or by post. Notices to NAB and the Registrar may be given by post.</p>	<p>Clause 21 of the Terms</p>
Approved NOHC	<p>An Approved NOHC is a non-operating holding company within the meaning of the Banking Act (“NOHC”), which acquires NAB 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:</p> <ul style="list-style-type: none"> • convert NAB Capital Notes 5 into ordinary shares in the Approved NOHC whenever NAB 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. <p>If a NOHC Event occurs, NAB may amend the Terms 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.</p> <p>The occurrence of a NOHC Event does not allow NAB to elect to Convert, Redeem or Resell NAB Capital Notes 5.</p> <p>Holders do not have any right to vote on a NOHC Event. Where a NOHC Event is accompanied by a transfer of assets from NAB to the Approved NOHC or another subsidiary of the Approved NOHC, NAB may as a result have reduced assets to meet the claims of its creditors (including Holders) and Shareholders.</p> <p>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 NAB which ranks for payment of distributions and in a winding up of NAB as described in Section 2.8 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 NAB.</p> <p>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 NAB does not pay a Distribution on a NAB Capital Note 5. If NAB does not pay a Distribution, NAB 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 Section 2.1.</p> <p>NAB expects that the rights attaching to the Approved NOHC shares would be substantially equivalent to the rights attaching to Ordinary Shares.</p>	<p>Clauses 19 and 24.1 of the Terms</p>

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

Topic	Summary	Further information
Payments to bank accounts	<p>Subject to the Terms, payments will be made to the person shown as the Holder in the Register at the Relevant Time on the Record Date. In order to receive payment, a Holder will need to notify the Registrar by close of business on the Record Date (or in any other manner NAB determines) of an Australian dollar bank account in Australia to which payment should be made.</p> <p>If the Holder does not so notify the Registrar, or the payment does not complete for any reason, NAB will send a notice to the address most recently notified by the Holder advising them of the uncompleted payment and the amount will be held as a non-interest bearing deposit until such an account is nominated, claims may no longer be made in respect of that amount or NAB is entitled or obliged to deal with the amount in accordance with the laws relating to unclaimed monies.</p>	<p>Clauses 14.1 to 14.3 of the Terms</p>
Time limit on claims	<p>Holders should be aware that a claim against NAB for a payment in respect of a NAB Capital Note 5 is void unless made within 5 years from the date on which the payment first became due.</p>	<p>Clause 14.4 of the Terms</p>
Determination and calculation final	<p>Except where there is fraud or a manifest error, any determination or calculation which NAB makes in accordance with the Terms (including with respect to the calculation of payments under a NAB Capital Note 5) is final and binds NAB, the Registrar and each Holder.</p>	<p>Clause 14.5 of the Terms</p>
No set-off	<p>A Holder does not have any right to set-off any amounts owing to it by NAB in connection with NAB Capital Notes 5 against any amount owing by it to NAB in connection with NAB Capital Notes 5 or otherwise.</p> <p>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 NAB Capital Notes 5.</p>	<p>Clause 14.8 of the Terms</p>
Power of attorney	<p>Each Holder agrees to appoint NAB, its Authorised Officers and any External Administrator of NAB (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 Terms including, but not limited to, effecting any transfers of NAB Capital Notes 5, 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.</p>	<p>Clause 23(a) of the Terms</p>

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Topic	Summary	Further information
Issues to an Eligible Nominee	<p>In certain circumstances NAB will issue the Ordinary Shares which a Holder is obliged to accept on Conversion to an Eligible Nominee.</p> <p>Ordinary Shares will be issued to an Eligible Nominee:</p> <ul style="list-style-type: none"> • where the Holder does not wish to receive Ordinary Shares as a result of a Conversion and notifies NAB 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 NAB 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. <p>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.</p> <p>Neither NAB 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. NAB will treat you as a Foreign Holder if your address in the Register is a place outside of Australia or NAB otherwise believes you may not be a resident of Australia.</p>	Clause 7.12 of the Terms
What is the NAB Capital Notes 5 Deed Poll?	<p>A trustee has not been appointed for NAB Capital Notes 5. Instead, NAB has made the NAB Capital Notes 5 Deed Poll in favour of each person who is from time to time a Holder. The NAB Capital Notes 5 Deed Poll gives legal effect to NAB’s obligations in the Terms.</p> <p>Under the NAB Capital Notes 5 Deed Poll, NAB also undertakes to appoint the Registrar and procure the Registrar to establish and maintain a principal Register.</p> <p>The NAB Capital Notes 5 Deed Poll also includes provisions for meetings of Holders.</p> <p>Holders will be bound by the terms of the NAB Capital Notes 5 Deed Poll, the Terms and this Prospectus when NAB Capital Notes 5 are issued or transferred to them or they purchase NAB Capital Notes 5.</p> <p>The Registrar will hold the original executed NAB Capital Notes 5 Deed Poll on behalf of Holders. Each Holder can enforce NAB’s obligations under the NAB Capital Notes 5 Deed Poll, including the Terms and the provisions for meetings, independently of the Registrar and each other.</p> <p>A copy of the NAB Capital Notes 5 Deed Poll can be obtained from nab.com.au/nabcapitalnotes5</p>	NAB Capital Notes 5 Deed Poll
Tax implications	<p>Information about the Australian tax consequences of investing in NAB Capital Notes 5 is set out in Section 8.</p> <p>The taxation implications of investing in NAB Capital Notes 5 will depend on an investor’s individual circumstances. Prospective investors should obtain their own taxation advice.</p>	Section 8

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Topic	Summary	Further information
Brokerage, commission and stamp duty	No brokerage or commission is, and no stamp duty should be, payable on Applications for NAB Capital Notes 5. Holders may have to pay brokerage on any subsequent transfer of NAB Capital Notes 5 on ASX after quotation.	

2.10 Comparison of NAB Capital Notes 5 to other NAB instruments

Differences between term deposits, NAB Capital Notes 5 and other NAB instruments.

There are differences between NAB Capital Notes 5 and other investments in NAB, such as NAB's term deposits, NAB Subordinated Notes 2, National Income Securities, NAB Capital Notes 2, NAB Capital Notes 3 and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to apply for NAB Capital Notes 5. The key differences are summarised in the table below. See Section 3.2 below for a comparison between NAB Capital Notes 5 and CPS II. This summary is not intended to be exhaustive.

	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5	Ordinary Shares
Protection under the Financial Claims Scheme¹	Yes	No	No	No	No
Term	Often between 1 month and 5 years	11½ years ²	Perpetual ²	Perpetual ³	Perpetual (no maturity date)
Margin	Varies from product to product	2.20%	1.25%	NAB Capital Notes 2: 4.95% NAB Capital Notes 3: 4.00% NAB Capital Notes 5: Expected to be in the range of 3.50% to 3.70%	N/A

SECTION TWO: ABOUT NAB CAPITAL NOTES 5

	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5	Ordinary Shares
Interest / distribution / dividend rate	Fixed	Floating	Floating	Floating	Variable dividends as determined by Directors
Interest / distribution / dividend payment dates	Often at the end of term or per annum	Quarterly	Quarterly	Quarterly	Typically twice yearly ⁴
Rights if interest / distributions / dividends not fully franked	N/A – interest payments are not franked	N/A – interest payments are not franked	N/A – distributions are not currently franked ⁵	Distribution adjusted to reflect applicable franking rate	None
Conditions to payment of interest / distributions / dividends	None, subject to applicable laws and any specific conditions	Subject to the “solvency condition” ⁶	Subject to conditions including the availability of distributable profits and other prudential regulatory tests Non-cumulative	Subject to the discretion of the Directors, and also only payable if a payment condition does not exist on the distribution payment date Non-cumulative	Subject to the discretion of the Directors and applicable laws and regulations
Dividend restriction if interest / dividend / distribution not paid	No	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 – see Section 2.1 for NAB Capital Notes 5 ⁷	N/A

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	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5	Ordinary Shares
Transferable	No	Yes – quoted on ASX under the code ‘NABPE’	Yes – quoted on ASX under the code ‘NABHA’	Yes – NAB Capital Notes 2 are quoted on ASX under the code ‘NABPD’ Yes – NAB Capital Notes 3 are quoted on ASX under the code ‘NABPF’ Yes – NAB Capital Notes 5 are expected to be quoted on ASX under the code ‘NABPH’	Yes – quoted on ASX under the code ‘NAB’
Mandatory Conversion into Ordinary Shares	No	No	No	Yes ³	N/A
Issuer’s early conversion option	No	No	No	Yes – with the prior approval of APRA – see Section 2.4 for NAB Capital Notes 5	N/A
Issuer’s early redemption option	No	Yes – with the prior written approval of APRA	Yes – with the prior written approval of APRA, at any time on 30 days’ notice	Yes – with the prior written approval of APRA – see Section 2.5 for NAB Capital Notes 5	No
Loss absorption event⁸	No	Yes	No	Yes – see Section 2.7 for NAB Capital Notes 5	No
Capital classification	None	Tier 2 Capital ⁹	Additional Tier 1 Capital ⁹	Additional Tier 1 Capital	Common Equity Tier 1 Capital
Voting rights	N/A	No right to vote at general meetings of holders of Ordinary Shares	No right to vote at general meetings of holders of Ordinary Shares, except in certain limited circumstances	No right to vote at general meetings of holders of Ordinary Shares	Right to vote at general meetings of holders of Ordinary Shares
Ranking	See Table 2: Illustration of ranking on winding up on page 14				

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In a winding up of NAB, NAB Capital Notes 5 rank ahead of Ordinary Shares, equally amongst themselves and Equal Ranking Instruments (which include National Income Securities, CPS II, NAB Capital Notes 2 and NAB Capital Notes 3) and junior to Senior Creditors (which include depositors and holders of Tier 2 Capital Instruments). However, if a Loss Absorption Event occurs, NAB Capital Notes 5 are liable to be Converted into Ordinary Shares or, if Conversion does not occur for any reason within the required time, Written Off, with the effect that the rights of Holders to Distributions and returns of capital will be terminated. If NAB Capital Notes 5 are Written Off, Holders will likely be worse off than holders of National Income Securities, CPS II and Ordinary Shares, as further described in Sections 2.8 and 7.1.15.

¹ This is subject to a limit, currently fixed at \$250,000 for the aggregate of the customer's accounts with an ADI that is declared under the Financial Claims Scheme.

² Subject to early redemption by NAB with the prior written approval of APRA.

³ NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5 are scheduled to convert into Ordinary Shares on 8 July 2024, 19 June 2028 and 17 December 2029 respectively, and must also convert (subject to certain conditions) on the occurrence of certain acquisition events. NAB may also be required to convert NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5 as a result of a loss absorption event. In addition, NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5 may be converted, redeemed or resold with the prior written approval of APRA. NAB Capital Notes 2, NAB Capital Notes 3 and NAB Capital Notes 5 may also be written off in certain circumstances.

⁴ There are no fixed dates for payment of ordinary dividends.

⁵ The distributions on the National Income Securities are currently not able to be franked due to a provision in the tax law which applies specifically to instruments that qualify as Tier 1 capital for prudential purposes. When the National Income Securities no longer qualify as Tier 1 capital from 31 December 2021, it is expected that any subsequent distributions will be franked to the same extent as dividends on Ordinary Shares are franked.

⁶ The "solvency condition" is set out in clause 2.2 of the terms and conditions of the NAB Subordinated Notes 2 and provides that NAB's obligations to make payments in respect of the NAB Subordinated Notes 2 (including to pay interest and to repay the face value on maturity) are conditional on (1) NAB being able to pay its debts as they become due and payable, and (2) NAB's assets exceeding its liabilities. Any amount not paid under this condition remains a debt payable by NAB to the holder of a NAB Subordinated Note 2 and will be payable on the first date on which that condition is satisfied.

⁷ No equivalent restriction applies if an Approved NOHC is substituted as issuer of ordinary shares on Conversion – see Section 2.9.

⁸ If NAB is required to convert or write off Relevant Tier 1 Capital Instruments, Holders should be aware that all Relevant Tier 1 Capital Instruments such as NAB Capital Notes 5 will be converted or written off before any Tier 2 Capital Instruments are converted or written off – see Section 2.7.

⁹ The NAB Subordinated Notes 2 have been classified as Tier 2 Capital under the Basel III Prudential Standards. The National Income Securities have been classified as Additional Tier 1 Capital under the Basel III Prudential Standards on a transitional basis until 31 December 2021.

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SECTION THREE: ABOUT THE REINVESTMENT OFFER

3.1 Overview of the Reinvestment Offer

Topic	Summary
What are CPS II?	CPS II are fully paid convertible preference shares issued by NAB in 2013. CPS II trade on the ASX under the code 'NABPB'.
What is happening to CPS II?	<p>On 5 November 2020, NAB issued a redemption notice in accordance with the CPS II Terms. That notice confirms that on 17 December 2020 NAB will redeem all CPS II for the CPS II Redemption Price.</p> <p>The CPS II form part of NAB's share capital and the CPS II Redemption will be conducted substantially by way of reduction of capital, with the balance by way of redemption upon which all CPS II will be cancelled. The redemption notice is irrevocable, except as provided by the CPS II Terms.</p> <p>The CPS II Redemption may not occur for a number of reasons, including:</p> <ul style="list-style-type: none"> • if a loss absorption event occurs under the CPS II Terms; or • if APRA revokes its approval of the CPS II Redemption. <p>If the CPS II Redemption does not occur, except where a loss absorption event occurs in respect of CPS II, CPS II Holders will continue to hold CPS II.</p> <p>A final dividend is scheduled to be paid by NAB in respect of all CPS II on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms. If those conditions are satisfied, CPS II holders on the record date for the final dividend (7.00pm on 2 December 2020) (including Eligible CPS II Holders who participate in the Reinvestment Offer) will still receive a cash payment of \$0.5829 per CPS II on 17 December 2020. If you have chosen to participate in the Reinvestment Offer, once your Application has been processed, a holding lock will be placed on the CPS II the subject of your Application and you will not be able to deal with those CPS II prior to redemption.</p>
What is the Reinvestment Offer?	<p>The Reinvestment Offer is an invitation to Eligible CPS II Holders to:</p> <ul style="list-style-type: none"> • apply to NAB to have all or some of your CPS II reinvested in NAB Capital Notes 5; and • direct NAB to pay the aggregate CPS II Redemption Price for the CPS II the subject of their Application as the Application Monies for those NAB Capital Notes 5. <p>If you have chosen to participate in the Reinvestment Offer, once your Application has been processed, a holding lock will be placed on the CPS II the subject of your Application and you will not be able to deal with those CPS II prior to redemption.</p> <p>Eligible CPS II Holders are not required to participate in the Reinvestment Offer and NAB does not guarantee to accept Applications under the Reinvestment Offer.</p> <p>Eligible CPS II Holders who do not wish to participate in the Reinvestment Offer may still apply for NAB Capital Notes 5 as part of the Securityholder Offer if they wish.</p> <p>There are important differences between CPS II and NAB Capital Notes 5 that Eligible CPS II Holders should consider before deciding whether to apply to participate in the Reinvestment Offer. See Section 3.2 for more information.</p>
Am I eligible to participate in the Reinvestment Offer?	<p>You are eligible to participate in the Reinvestment Offer if you:</p> <ul style="list-style-type: none"> • were registered as a holder of CPS II at 7.00pm on 11 November 2020; • are shown on the CPS II register as having an address in Australia; • are not an individual residing in a member state of the European Union; and • are not in the United States, are not a U.S. Person, and are not acting (including as a nominee) for the account or benefit of, a U.S. Person, and are not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 5 under the laws of any jurisdiction.

SECTION THREE: ABOUT THE REINVESTMENT OFFER

Topic	Summary
Am I eligible to participate in the Reinvestment Offer? (continued)	To participate in the Reinvestment Offer, an Eligible CPS II Holder must also remain registered as a holder of CPS II on the Closing Date (expected to be 5.00pm on 11 December 2020).
What is the purpose of the Reinvestment Offer?	<p>The purpose of the Reinvestment Offer is to give Eligible CPS II Holders the opportunity to reinvest their CPS II in NAB Capital Notes 5 and maintain an ongoing investment in securities issued by NAB.</p> <p>The funds raised through the Reinvestment Offer will be used for general corporate purposes.</p>
How do I apply to participate in the Reinvestment Offer?	See Section 3.3 and Section 4 for information on how to apply to participate in the Reinvestment Offer.
Do I need to apply for a minimum number of NAB Capital Notes 5?	<p>There is no minimum number of CPS II that you must hold to be able to participate in the Reinvestment Offer.</p> <p>However, if you are an Eligible CPS II Holder, own 50 CPS II or fewer and wish to participate in the Reinvestment Offer, you can apply to participate in the Reinvestment Offer but you must apply to reinvest ALL of your CPS II in NAB Capital Notes 5.</p> <p>If you are an Eligible CPS II Holder, own more than 50 CPS II and wish to participate in the Reinvestment Offer:</p> <ul style="list-style-type: none"> • you must apply to reinvest at least 50 of your CPS II (\$5,000) and thereafter in multiples of 10 CPS II (\$1,000); or • you can apply to reinvest ALL of your CPS II. <p>NAB does not guarantee to accept all Applications under the Reinvestment Offer.</p>
Can I sell my CPS II after I have completed and submitted my online Application Form?	<p>No – once your Application has been processed, a holding lock will be placed on the CPS II the subject of your Application and you will not be able to deal with those CPS II prior to redemption.</p> <p>If on 17 December 2020 you hold fewer CPS II than the number you have elected to reinvest because you sold some of your CPS II, you will be taken to have applied for the number of NAB Capital Notes 5 equal to the number of CPS II you hold.</p> <p>An Application to participate in the Reinvestment Offer is irrevocable once submitted but will only be effective so long as it is accepted and the Offer proceeds.</p>
Can I apply for additional NAB Capital Notes 5?	<p>Eligible CPS II Holders may apply for more NAB Capital Notes 5 than the number of CPS II registered in their name at 7.00pm on 11 November 2020.</p> <p>The minimum number of additional NAB Capital Notes 5 you can apply for is 50 NAB Capital Notes 5 (\$5,000) and thereafter your Application must be in multiples of 10 NAB Capital Notes 5 (\$1,000).</p>
Can the Offer be scaled back?	<p>If there is excess demand for the Offer, Applications from CPS II Reinvestment Applicants and Securityholder Applicants may be scaled back. If this occurs, NAB's current intention is to give preference to CPS II Reinvestment Applicants over Securityholder Applicants, while still providing for a proportion of the available NAB Capital Notes 5 to be allocated to Securityholder Applicants.</p> <p>See Section 4.4 for further information.</p>

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Topic	Summary
What are the tax implications of participating in the Reinvestment Offer and will any brokerage or stamp duty be payable?	<p>A general outline of the taxation implications for certain Australian investors participating in the Offer (including through the Reinvestment Offer) can be found in the Australian Taxation Summary in Section 8.</p> <p>No brokerage is, and no stamp duty should be, payable on the redemption of your CPS II, or your Application for NAB Capital Notes 5.</p> <p>CPS II holders who choose to sell their CPS II on market through their broker may be required to pay applicable brokerage.</p>

3.2 What are the key differences between NAB Capital Notes 5 and CPS II?

There are certain differences between NAB Capital Notes 5 and CPS II which you should be aware of before deciding whether to apply to participate in the Reinvestment Offer. The following table describes the key features of NAB Capital Notes 5 and CPS II and highlights the main differences between them. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to apply for NAB Capital Notes 5.

Topic	CPS II	NAB Capital Notes 5
Protected under the Financial Claims Scheme	No	No
Term	Perpetual ¹	Perpetual ¹
Form	Preference share	Unsecured subordinated note
Margin	3.25%	Expected to be in the range of 3.50% to 3.70%
Distribution rate	Floating ²	Floating
Distribution payment dates	Quarterly	Quarterly
Rights if distributions not fully franked	Dividend adjusted to reflect applicable franking rate	Distribution adjusted to reflect applicable franking rate
Conditions to payment of distribution	Subject to the discretion of the Directors, and also only payable if a payment condition (as defined in the CPS II Terms) does not exist on the dividend payment date. Dividends are not cumulative	Subject to the discretion of the Directors, and also only payable if a Payment Condition does not exist on the Distribution Payment Date. Distributions are not cumulative
Dividend restriction if distribution not paid	Yes – applies to Ordinary Shares only, until the next dividend payment date	Yes – applies to Ordinary Shares only, until the next Distribution Payment Date – see Section 2.1 ³
Transferable	Yes – quoted on ASX under the code 'NABPB'	Expected to be quoted on ASX under the code 'NABPH'

SECTION THREE: ABOUT THE REINVESTMENT OFFER

Topic	CPS II	NAB Capital Notes 5
Mandatory conversion into ordinary shares	Yes ¹	Yes ¹
NAB's early conversion option	Yes – with the prior approval of APRA	Yes – with the prior approval of APRA – see section 2.4
NAB's early redemption option	Yes – with the prior approval of APRA	Yes – with the prior approval of APRA – see Section 2.5
Loss absorption event	Yes	Yes – see Section 2.7 ⁴
Capital classification	Additional Tier 1 Capital	Additional Tier 1 Capital
Voting rights	No right to vote at general meetings of holders of Ordinary Shares, except in certain limited circumstances	No right to vote at general meetings of holders of Ordinary Shares

¹ CPS II are scheduled to convert into Ordinary Shares on 19 December 2022 or in certain cases where NAB is acquired. NAB may also be required to convert CPS II as a result of a Loss Absorption Event (or write off CPS II if conversion does not occur). In addition CPS II may be converted, redeemed or resold with the prior written approval of APRA. NAB Capital Notes 5 are scheduled to Convert into Ordinary Shares on 17 December 2029, or on the occurrence of certain Acquisition Events. NAB may also be required to convert NAB Capital Notes 5 as a result of a Loss Absorption Event (or Write Off NAB Capital Notes 5 if Conversion does not occur). In addition, NAB Capital Notes 5 may be Converted, Redeemed or Resold with the prior written approval of APRA.

² Distributions on CPS II are dividends. A final dividend is scheduled to be paid on CPS II on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms.

³ No equivalent restriction applies if an Approved NOHC is substituted as issuer of ordinary shares on Conversion – see Section 2.9.

⁴ If NAB Capital Notes 5 are not Converted when required following a Loss Absorption Event, those NAB Capital Notes 5 are Written Off and all obligations are terminated. Due to the requirements of the law at the time CPS II were issued, if CPS II are written off, the rights of holders of CPS II 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 NAB Capital Notes 5 are Written Off, Holders will have lesser rights and will likely be worse off than holders of CPS II.

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3.3 What are the options available for Eligible CPS II Holders?

Option	Summary
<p>Option 1 – Apply online directly to NAB</p>	<ul style="list-style-type: none"> • If you are an Eligible CPS II Holder, you may elect to apply to participate in the Reinvestment Offer by completing the online Application Form and choosing Alternative A or B below. • The online Application Form must be received online by 5.00pm on the Closing Date which is expected to be 11 December 2020. See Section 4 for further information on how to make an Application. • If you make an Application under the Reinvestment Offer, the aggregate CPS II Redemption Price (\$100 per CPS II) for the CPS II the subject of your Application will be used as the Application Monies and you will not be required to pay any additional amount in respect of your Application. • If you participate in the Reinvestment Offer, you will still receive the final dividend of \$0.5829 per CPS II that is scheduled to be paid by NAB on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms. That final dividend cannot be reinvested in NAB Capital Notes 5. <p>Alternative A. Reinvest all of your CPS II in NAB Capital Notes 5</p> <ul style="list-style-type: none"> • You may apply to reinvest ALL of the CPS II registered in your name at 7.00pm on 11 November 2020 in NAB Capital Notes 5. • To choose this alternative, you must indicate “Reinvest all my CPS II in NAB Capital Notes 5” on your online Application Form. • If you wish to participate in the Reinvestment Offer and own 50 CPS II or fewer, you must choose this alternative, and not Alternative B. <p>Alternative B. Reinvest some of your CPS II in NAB Capital Notes 5</p> <ul style="list-style-type: none"> • You may apply to have only some of the CPS II registered in your name at 7.00pm on 11 November 2020 reinvested in NAB Capital Notes 5. • To choose this alternative, you must specify the number of CPS II you wish to be reinvested on your online Application Form. • You must apply to reinvest at least 50 CPS II (\$5,000) and thereafter in multiples of 10 CPS II (\$1,000). <p>Alternative C. Apply for NAB Capital Notes 5 under the Securityholder Offer</p> <ul style="list-style-type: none"> • You may also apply for more NAB Capital Notes 5 than the number of CPS II registered in your name at 7.00pm on 11 November 2020. The application for additional NAB Capital Notes 5 will be made under the Securityholder Offer. • The minimum number of additional NAB Capital Notes 5 you can apply for is 50 NAB Capital Notes 5 (\$5,000) and thereafter in multiples of 10 NAB Capital Notes 5 (\$1,000). • To choose this alternative, you must specify the number of additional NAB Capital Notes 5 you wish to apply for under the Securityholder Offer on your online Application Form. • You are required to pay the Application Monies for any additional NAB Capital Notes 5 applied for under the Securityholder Offer. Application Monies must be paid by BPAY[®]. Payments by cash or cheque will not be accepted for this Offer – see Section 4 for further details. • Eligible CPS II Holders who do not wish to participate in the Reinvestment Offer may still apply for NAB Capital Notes 5 as part of the Securityholder Offer.

⁸ Registered to BPAY Pty Limited ABN 69 079 137 518.

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Option	Summary
Option 2 – Apply through your Syndicate Broker	<ul style="list-style-type: none"> • If you are an Eligible CPS II Holder and you are an Australian resident client of a Syndicate Broker, you may apply to participate in the Reinvestment Offer through your Syndicate Broker. • You may apply to reinvest all or some of the CPS II registered in your name at 7.00pm on 11 November 2020 in NAB Capital Notes 5. If you do this, the aggregate CPS II Redemption Price (\$100 per CPS II) for the CPS II the subject of your Application will be used as the Application Monies for your Application, and you will not be required to pay any additional amount in respect of your Application. You may also choose to apply for more NAB Capital Notes 5. • You should contact your Syndicate Broker for instructions on how to submit an Application Form and, if applicable, the Application Monies. • If you participate in the Reinvestment Offer, you will still receive the final dividend of \$0.5829 per CPS II that is scheduled to be paid by NAB on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms. That final dividend cannot be reinvested in NAB Capital Notes 5. • Eligible CPS II Holders who do not wish to participate in the Reinvestment Offer may still apply for NAB Capital Notes 5 as part of the Securityholder Offer.
Option 3 – Sell your CPS II on market through your broker	<ul style="list-style-type: none"> • You may choose to sell your CPS II on market through your broker or otherwise at the prevailing market price in the usual course. The last day of trading in CPS II is expected to be 30 November 2020. • You will not receive the final dividend in respect of any CPS II that you sell before they cease trading. • The market price of CPS II is subject to change from time to time. Up-to-date information about the market price of CPS II can be obtained from asx.com.au (ASX code ‘NABPB’). • If you sell your CPS II on market, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per CPS II.
Option 4 – Take no action – Your CPS II will be redeemed for \$100 per CPS II on 17 December 2020	<ul style="list-style-type: none"> • Eligible CPS II Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action. • On 5 November 2020, NAB issued a redemption notice in accordance with the CPS II Terms. That notice confirms that NAB will redeem all CPS II on 17 December 2020 and you will receive the aggregate CPS II Redemption Price (\$100 per CPS II) for the CPS II you hold on that date. • The CPS II form part of NAB’s share capital and the CPS II Redemption will be conducted substantially by way of reduction of capital, with the balance by way of redemption upon which all CPS II will be cancelled. • You will also receive the final dividend of \$0.5829 per CPS II that is scheduled to be paid on 17 December 2020, subject to the satisfaction of the dividend payment conditions in the CPS II Terms.

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3.4 What are the risks associated with participating in the Reinvestment Offer?

If you are an Eligible CPS II Holder and you apply under the Reinvestment Offer, you may receive an allocation of NAB Capital Notes 5. As such, you will be subject to the risks associated with an investment in NAB Capital Notes 5 and in NAB, many of which are outside the control of NAB and its Directors. These risks are outlined in Section 7 and should be considered before you apply under the Reinvestment Offer.

The Reinvestment Offer is not a simple rollover into a similar investment. NAB Capital Notes 5 and CPS II have different benefits and risks, which must be evaluated separately (see Section 3.2 for a comparison of the key features of NAB Capital Notes 5 and CPS II).

Additionally, instead of participating in the Reinvestment Offer, Eligible CPS II Holders may obtain a better financial outcome by selling their CPS II on market or receiving the aggregate CPS II Redemption Price for all of their CPS II in cash, and subsequently acquiring NAB Capital Notes 5 on market.

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APPLYING FOR NAB CAPITAL NOTES 5

SECTION FOUR: APPLYING FOR NAB CAPITAL NOTES 5

4.1 Who can apply for NAB Capital Notes 5?

Type of Offer	Who is eligible to participate?	When to apply	How to apply
Reinvestment Offer	<p>You are eligible to apply under the Reinvestment Offer if you are an Eligible CPS II Holder.</p> <p>You are an Eligible CPS II Holder if you:</p> <ul style="list-style-type: none"> were registered as a holder of CPS II at 7.00pm on 11 November 2020; are shown on the CPS II register as having an address in Australia; are not an individual residing in a member state of the European Union; and are not in the United States, are not a U.S. Person, and are not acting (including as a nominee) for the account or benefit of, a U.S. Person, and are not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 5 under the laws of any jurisdiction. <p>To participate in the Reinvestment Offer, an Eligible CPS II Holder must also remain registered as a holder of CPS II on the Closing Date (expected to be 5.00pm on 11 December 2020).</p> <p>NAB will send a NAB Capital Notes 5 brochure to each Eligible CPS II Holder to inform them of the Offer.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 24 November 2020.</p> <p>Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 11 December 2020.</p> <p>However, NAB and the JLMs may, in their absolute discretion, close the Offer early without notice, so if you wish to apply you are encouraged to do so as soon as possible.</p>	<p>Eligible CPS II Holders applying directly to NAB must apply online by following the instructions at nab.com.au/nabcapitalnotes5.</p> <p>To submit an online Application Form, you will need either:</p> <ul style="list-style-type: none"> your application number provided on the NAB Capital Notes 5 brochure that has been or will be sent to you; or your SRN or HIN. <p>Eligible CPS II Holders who are Australian resident clients of a Syndicate Broker should contact their Syndicate Broker for instructions on how to apply.</p> <p>If you are only applying under the Reinvestment Offer, the aggregate CPS II Redemption Price for the CPS II the subject of your Application will be used as the Application Monies and you will not be required to pay any additional amount in respect of your Application.</p> <p>Eligible CPS II Holders who do not wish to participate in the Reinvestment Offer may still apply for NAB Capital Notes 5 as part of the Securityholder Offer. If you apply for NAB Capital Notes 5 under the Securityholder Offer you will be required to pay Application Monies for those additional NAB Capital Notes 5. Application Monies must be paid by BPAY®.</p> <p>Once you have submitted the online Application Form, follow the instructions in Section 4.2 to complete your BPAY® payment (if applicable).</p> <p>Payments by cash or cheque will not be accepted for this Offer. If you do not make a BPAY® payment for those additional NAB Capital Notes 5, your Application will be incomplete and will not be accepted.</p> <p>Your online Application Form and Application Monies (if you are applying under the Securityholder Offer) must be received by the Registry before the Closing Date, which is expected to be 5.00pm on 11 December 2020.</p>

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Type of Offer	Who is eligible to participate?	When to apply	How to apply
Securityholder Offer	<p>You are eligible to apply under the Securityholder Offer if you are an Eligible Securityholder.</p> <p>You are an Eligible Securityholder if you are a registered holder of Ordinary Shares, National Income Securities, NAB Subordinated Notes 2, CPS II, NAB Capital Notes 2 or NAB Capital Notes 3 as at 7.00pm on 11 November 2020, with a registered address in Australia.</p> <p>NAB will send a NAB Capital Notes 5 brochure to each Eligible Securityholder to inform them of the Offer.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 24 November 2020.</p> <p>Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 11 December 2020.</p> <p>However, NAB and the JLMs may, in their absolute discretion, close the Offer early without notice, so if you wish to apply you are encouraged to do so as soon as possible.</p>	<p>Eligible Securityholders must apply online by following the instructions at nab.com.au/nabcapitalnotes5 and completing a BPAY® payment. To access the online Application Form, you will need either:</p> <ul style="list-style-type: none"> • your application number provided on the NAB Capital Notes 5 brochure that has been or will be sent to you; or • your SRN or HIN. <p>Once you have submitted the online Application Form, follow the instructions in Section 4.2 to complete your BPAY® payment.</p> <p>Payments by cash or cheque will not be accepted for this Offer. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted.</p> <p>Your online Application Form and BPAY® payment must be received by the Registry before the Closing Date, which is expected to be 5.00pm on 11 December 2020.</p>
Institutional Offer	<p>If you are an Institutional Investor, you must apply to participate by contacting the Arranger. NAB reserves the right not to accept Applications from Institutional Investors where they have not been received through the Arranger.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 24 November 2020.</p> <p>Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 11 December 2020.</p>	

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Type of Offer	Who is eligible to participate?	When to apply	How to apply
Broker Firm Offer	The Broker Firm Offer is available to clients of a Syndicate Broker, including Eligible Securityholders and Eligible CPS II Holders, who are Australian resident retail investors.	Applications will only be accepted during the Offer Period, which is expected to open on 24 November 2020. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 11 December 2020.	If you are applying under the Broker Firm Offer (including to reinvest your CPS II), you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to submit your Application. Generally, your Application will be submitted with the Syndicate Broker.

4.2 How to pay

If you are an Applicant under the Securityholder Offer, you will be given a BPAY® biller code and unique customer reference number for your Application once you have completed your online Application Form.

Using these BPAY® details, you must:

- access your participating BPAY® financial institution either through telephone or internet banking;
- select to use BPAY® and follow the prompts;
- enter the supplied biller code and unique customer reference number;
- enter the total amount to be paid which corresponds to how many NAB Capital Notes 5 you wish to apply for under each Application;
- select which account you would like your payment to come from;
- schedule your payment to occur on the same day that you complete your online Application Form.

Applications without payment will not be accepted; and

- record and retain the receipt number and date paid.

Please note that your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® and payment cut-off times may vary between different financial institutions.

You must check with your financial institution about their BPAY® closing time, to ensure that your payment will be received prior to the Closing Date.

4.3 Application Monies and Refunds

All Application Monies received before NAB Capital Notes 5 are issued will be held by NAB on trust in an account established solely for the purposes of depositing Application Monies received. Any interest that accrues in that account will be retained by NAB. After NAB Capital Notes 5 are issued to successful Applicants, the Application Monies held on trust will be payable to NAB.

Where the number of NAB Capital Notes 5 allocated is less than the number applied for, or where no allocation is made, surplus Application Monies will be refunded (without interest) as soon as practicable following finalisation of the Offer.

If the Offer does not proceed for any reason, all Applicants will have their Application Monies refunded (without interest) as soon as practicable.

4.4 Allocation policy

4.4.1 Reinvestment Offer and Securityholder Offer

Allocations to CPS II Reinvestment Applicants and Securityholder Applicants will be determined by NAB.

Applications from CPS II Reinvestment Applicants and Securityholder Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, NAB's current intention is to give preference to CPS II Reinvestment Applicants over the Securityholder Applicants while still providing for a proportion of the available NAB Capital Notes 5 to be allocated to Securityholder Applicants. How NAB scales back Applications will depend on the number of Applications from CPS II Reinvestment Applicants and Securityholder Applicants. In the event of excess demand, it is possible that the proportionate scale back applied to Securityholder Applicants will be greater than that applied to CPS II Reinvestment Applicants.

Any scale back and the basis of Allocation will be announced on 17 December 2020 on ASX.

NAB, at its discretion, reserves the right to:

- allocate to any CPS II Reinvestment Applicant or Securityholder Applicant all NAB Capital Notes 5 for which they have applied;
- reject any Application by a CPS II Reinvestment Applicant or a Securityholder Applicant; or
- allocate to any CPS II Reinvestment Applicant or Securityholder Applicant a lesser number of NAB Capital Notes 5 than that applied for,

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including less than the minimum Application of NAB Capital Notes 5 or none at all.

No assurance is given that any CPS II Reinvestment Applicant or Securityholder Applicant will receive an Allocation.

4.4.2 Broker Firm Offer and Institutional Offer

Allocations to Syndicate Brokers and Institutional Investors will reflect expected demand under the Reinvestment Offer.

Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker, and it is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. Priority is intended to be given to Broker Firm Applicants who apply to reinvest their CPS II over other Broker Firm Applicants. However, NAB takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.

4.5 ASX quotation and Holding Statements

NAB will apply for NAB Capital Notes 5 to be quoted on ASX within seven days after the date of this Prospectus. Quotation of NAB Capital Notes 5 is not guaranteed.

Trading of NAB Capital Notes 5 on a normal settlement basis is expected to commence on 18 December 2020.

NAB has applied for NAB Capital Notes 5 to participate in CHESS, and if accepted, no certificates will be issued. NAB expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants on 23 December 2020.

A Holder must determine their allocation before trading NAB Capital Notes 5 to avoid the risk of selling NAB Capital Notes 5 the Holder does not own.

4.6 Provision of bank account details for Distribution payments

Under the Terms, payments in respect of each NAB Capital Note 5 will be made on the due date for payment (or if that day is not a Business Day, then the following Business Day).

To receive payments, Holders must notify the Registrar of an Australian dollar bank account maintained in Australia. On the relevant payment date, NAB will directly credit the payment amount to the Australian financial institution account specified by the Holder.

If you have not notified an appropriate account by close of business on the Record Date, if any payments made to you are unsuccessful, then NAB will send a notice to the postal address or email address most recently notified by you advising of the unpaid amount. In that case, the unpaid amount will be held as a deposit in a non-interest bearing, special purpose account maintained by NAB or the Registry until the first to occur of the following:

- you nominate a suitable Australian dollar account maintained in Australia;
- 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
- NAB is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed monies.

No additional interest is payable in respect of any delay in payment.

SECTION FIVE:

OVERVIEW OF NAB

SECTION FIVE: OVERVIEW OF NAB

5.1 Overview

NAB is a public limited company, incorporated on 23 June 1893 in Australia, which is its main domicile. Its registered office address is Level 1, 800 Bourke Street, Docklands Victoria 3008, Australia.

The Group is a financial services organisation with more than 34,000 colleagues, operating through a network of more than 850 branches, with over 639,000 shareholders and serving approximately nine million customers.

The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the UK and the US.

In April 2020, the Group redesigned its operational structure to support the Group's refreshed strategy.

The structure reflects the Group's increased focus on digital and delivery by elevating UBank and Strategy & Innovation.

5.2 Our services

The Group operates the following divisions:

- **Business and Private Banking**, which focuses on NAB's priority small and medium customer segments. This includes the leading NAB Business franchise, specialised Agriculture, Health, Government, Education and Community services, along with Private Banking and JBWere, as well as the micro and small business segments.
- **Personal Banking**, which provides customers with products and services through proprietary networks in NAB, as well as third party and mortgage brokers. Customers are served through the Personal Banking network to secure home loans or manage personal finances through deposit, credit or personal loan facilities. The network also provides servicing support to individuals and business customers.

- **Corporate and Institutional Banking**, which provides a range of products and services including client coverage, corporate finance, markets, asset servicing, transactional banking and enterprise payments. The division services its customers in Australia and globally, including through branches in the US, UK and Asia, with specialised industry relationships and product teams. It includes Bank of New Zealand's Markets Trading operations.
- **New Zealand Banking**, which provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing consumer and SME segments; Corporate and Institutional Banking, servicing Corporate, Institutional, Agribusiness and Property customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth and Insurance franchises operating under the 'Bank of New Zealand' brand, but excludes Bank of New Zealand's Markets Trading operations.
- **Corporate Functions and Other business**, which includes UBank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Strategy and Innovation, Support Units and Eliminations.

5.3 Recent Developments

2020 Full Year Results

On 5 November 2020, NAB released its 2020 Full Year Results. A copy of that report and associated documents including the 2020 Full Year Results summary and investor presentation, as well as NAB's 2020 Annual Financial Report, can be obtained from asx.com.au and nab.com.au/shareholder

COVID-19 Pandemic

The COVID-19 pandemic continues to challenge the Group and its customers, with varied impacts across industries, communities and state borders. The COVID-19 pandemic contributed to the Group experiencing volatile markets, subdued credit demand, low interest rates, and signs of deteriorating asset quality. NAB continues to work alongside state and federal governments, regulators and the broader industry to support customers and the community. Refer to the "Report of the Directors – Operating and Financial Review" in NAB's 2020 Annual Financial Report for more information in relation to the financial impacts of the COVID-19 pandemic on the Group.

For more information regarding the risks to the Group associated with the COVID-19 pandemic, see Section 7.2.

Accelerating NAB's Strategy

In September 2020, the Group completed the three year acceleration of its strategy announced in November 2017, aimed at better positioning it for an environment of rapid and constant change. This involved an increase in investment spend, which was focused on improving customer experience with fewer, simpler products increasingly delivered via digital channels; enhancing efficiency with more streamlined and automated processes; developing a more responsive and resilient technology environment; and improving risk and compliance outcomes.

In April 2020, the Group announced a refresh of its long term strategy. The refresh builds on progress achieved over the past three years in reducing complexity, uplifting digital capability and establishing strong foundations in technology. It also recognises the need to go further to create a simpler, more streamlined business with clear accountability, which is more

SECTION FIVE: OVERVIEW OF NAB

productive, resilient and efficient. The Group exists to serve customers well and help its communities prosper. To achieve this, the Group has narrowed its focus on a smaller number of key priorities which it believes will make a real difference to its customers and colleagues, and support over time its aim to be known as:

- Safe; protecting customers and colleagues through financial and operational resilience;
- Easy; a simpler, more seamless and digitally enabled bank that gets things done faster;
- Relationship-led; building on market-leading expertise, data and insights; and
- Long term; delivering sustainable outcomes for stakeholders.

Wealth Management Update

On 31 August 2020, NAB entered into a Sale and Purchase Agreement to sell its advice, platforms, superannuation & investments and asset management businesses to IOOF Holdings Ltd (“**IOOF**”) for a purchase price of \$1,440 million (the “**MLC Wealth Transaction**”). Completion of the MLC Wealth Transaction is subject to a number of conditions, including regulatory approvals and availability of IOOF funding. For more information regarding the risks to the Group associated with the MLC Wealth Transaction, see Section 7.2.1.3.

SECTION SIX:

FINANCIAL INFORMATION

The summary financial information presented in this section has been extracted from the Group's 2020 Annual Financial Report.

The financial information presented in this section has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards. It is presented in abbreviated form and does not contain all of the disclosures usually provided in an annual financial report prepared in accordance with the Corporations Act.

Copies of NAB's Annual Financial Reports, half-yearly reports, presentations and other documents lodged with ASX can be obtained from the Shareholder Centre at nab.com.au/shareholder and from asx.com.au

SECTION SIX: FINANCIAL INFORMATION

6.1 Consolidated Income Statement

The following table sets out the Group's consolidated income statement for the years ended 30 September 2020 and 30 September 2019.

For the year ended 30 September ⁽¹⁾⁽²⁾	2020 \$m	2019 \$m
Interest income		
Effective interest income	20,921	26,500
Fair value through profit or loss	2,190	2,694
Interest expense	(9,234)	(15,639)
Net interest income	13,877	13,555
Other income	3,384	3,980
Operating expenses	(9,346)	(8,263)
Credit impairment charge	(2,752)	(927)
Profit before income tax	5,163	8,345
Income tax expense	(1,665)	(2,440)
Net profit for the year from continuing operations	3,498	5,905
Net loss after tax for the year from discontinued operations	(935)	(1,104)
Net profit for the year	2,563	4,801
Profit attributable to non-controlling interests	4	3
Net profit attributable to owners of NAB	2,559	4,798
Earnings per share	cents	cents
Basic	82.1	168.6
Diluted	80.5	164.4
Basic from continuing operations	112.7	208.2
Diluted from continuing operations	108.6	201.0

(1) Information is presented on a continuing operations basis, unless otherwise stated. 2019 has been restated for the presentation of MLC Wealth as a discontinued operation.

(2) Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to the 2020 Annual Financial Report.

6.2 Pro-forma Consolidated Balance Sheet

The following table sets out the Group's consolidated balance sheet as at 30 September 2020 (in the column headed 'Reported Group 30 September 2020'), and the pro-forma consolidated balance sheet assuming the Offer was completed at this date.

The column headed 'Group Pro-forma 30 September 2020' outlines the impact of:

- \$750 million of NAB Capital Notes 5 being issued and external issue costs of \$11 million being incurred; and
- the capital reduction and redemption of \$1,717 million CPS II by NAB under the CPS II Redemption.

The pro-forma consolidated balance sheet is unaudited and has been prepared in accordance with the basis of preparation outlined on page 70.

SECTION SIX: FINANCIAL INFORMATION

As at 30 September	Reported Group 30 September 2020	Pro-forma adjustment related to the Offer	Group Pro-forma 30 September 2020
	\$m ⁽¹⁾	\$m	\$m
Assets			
Cash and liquid assets	64,388	(978)	63,410
Due from other banks	52,351		52,351
Trading instruments	95,851		95,851
Debt instruments	40,355		40,355
Other financial assets	3,860		3,860
Hedging derivatives	3,830		3,830
Loans and advances	582,485		582,485
Due from customers on acceptances	1,477		1,477
Deferred tax assets	3,647		3,647
Property, plant and equipment	2,374		2,374
Goodwill and other intangible assets	3,809		3,809
Other assets	10,659		10,659
Assets held for sale	1,479		1,479
Total assets	866,565	(978)	865,587
Liabilities			
Due to other banks	50,556		50,556
Trading instruments	30,021		30,021
Other financial liabilities	29,971		29,971
Hedging derivatives	2,255		2,255
Deposits and other borrowings	546,176		546,176
Current tax liabilities	192		192
Provisions	3,820		3,820
Bonds, notes and subordinated debt	126,384		126,384
Other debt issues	6,191	(978)	5,213
Deferred tax liabilities	25		25
Other liabilities	9,460		9,460
Liabilities directly associated with assets held for sale	221		221
Total liabilities	805,272	(978)	804,294
Net assets	61,293		61,293
Equity			
Contributed equity	45,476		45,476
Reserves	99		99
Retained profits	15,717		15,717
Total equity (parent entity interest)	61,292		61,292
Non-controlling interest in controlled entities	1		1
Total equity	61,293		61,293

(1) Amounts reflect the adoption of AASB 16 Leases on 1 October 2019. For details on the adoption of AASB 16 refer to the 2020 Annual Financial Report.

SECTION SIX: FINANCIAL INFORMATION

6.3 Capital Management

6.3.1 Capital Adequacy Framework

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurance, friendly societies, and most members of the superannuation industry.

The Prudential Standards aim to ensure that ADIs maintain adequate capital levels commensurate with the risks associated with their activities, with appropriate buffers to absorb unexpected losses.

To ensure that ADIs are adequately capitalised on both a standalone and group basis, APRA adopts a tiered approach to the measurement of an ADI's capital adequacy by assessing the ADI's financial strength at two levels:

- Level 1 basis: the NAB Level 1 Group is NAB and a limited number of APRA approved subsidiaries; and
- Level 2 basis: the NAB Level 2 Group is the consolidated banking group (i.e. the consolidated financial group less certain subsidiaries and associates excluded under APRA's Prudential Standards, principally the superannuation and funds management entities, insurance subsidiaries and certain securitisation special purpose vehicles).

APRA advises the Group of its prudential capital requirements which represent the minimum ratios of regulatory capital to total RWA.

"Common Equity Tier 1 Capital" comprises paid-up ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of such capital to RWA is called the "Common Equity Tier 1 Capital Ratio". "Additional Tier 1 Capital" comprises certain securities (such as NAB Capital Notes 5) with required loss absorbing characteristics. Together, Common Equity Tier 1 Capital and

Additional Tier 1 Capital make up "Tier 1 Capital" and the ratio of such capital to RWA is called the "Tier 1 Capital Ratio".

Common Equity Tier 1 Capital comprises the highest quality and most loss absorbent components of capital, followed by Additional Tier 1 Capital and then followed by Tier 2 Capital. Tier 2 Capital is of a lesser quality than Tier 1 Capital and mainly comprises subordinated instruments (such as NAB Subordinated Notes 2).

The sum of Tier 1 Capital and Tier 2 Capital is called "Total Capital". The ratio of Total Capital to RWA is called the "Total Capital Ratio".

APRA has provided confirmation that NAB Capital Notes 5, once issued, will qualify as Additional Tier 1 Capital for the purposes of the regulatory capital requirements that apply to NAB.

On 1 January 2013, APRA's Basel III Prudential Standards came into effect. The Basel III Prudential Standards give effect to the capital reform package released by the Basel Committee on Banking Supervision ("BCBS") aimed at raising the quality and quantity of capital in the global banking system.

Broadly, the key features of this framework include:

- A minimum Common Equity Tier 1 Capital of at least 4.5% of RWA and Tier 1 Capital of at least 6.0% of RWA;
- A capital conservation buffer ("CCB") of 2.5% of RWA required to be made up of Common Equity Tier 1 Capital that places restrictions on capital distributions if an ADI's capital level falls within the buffer range; and
- A countercyclical capital buffer of between 0 and 2.5% of total RWA, which is calculated as the weighted average of the countercyclical capital buffers that are applied by the regulatory authorities in jurisdictions in which the ADI has private sector credit exposures. APRA determines the countercyclical capital buffer for the Australian jurisdiction at the appropriate level when excessive

credit growth and other indicators point to a system-wide build-up of risk.

In December 2013, APRA released its framework in relation to domestic systemically important banks ("**D-SIBs**") in Australia. NAB has been identified as a D-SIB and as a result is subject to a higher loss absorbency ("**HLA**") requirement of 1% of RWA.

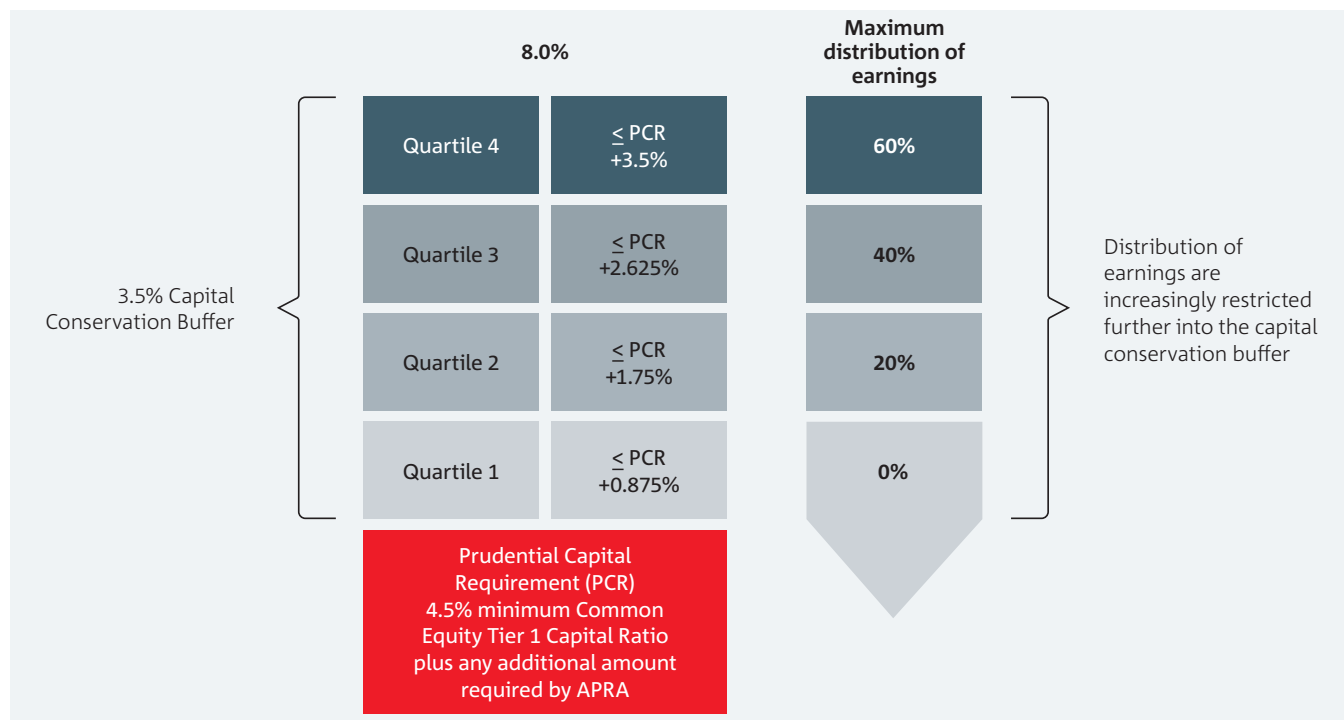
As at the date of the prospectus, APRA has set the countercyclical capital buffer for the Australian exposures of locally incorporated ADIs at 0%. However, APRA has flagged the likelihood of a non-zero countercyclical capital buffer in the future. The weighted average of the jurisdictional countercyclical capital buffers that are applied by the regulatory authorities in jurisdictions to which NAB has private sector credit exposures as at 30 September 2020 is 1 basis point, leading to an approximately 0% overall countercyclical capital buffer as at 30 September 2020.

The D-SIB HLA requirement and countercyclical capital buffer have been implemented through an extension of the capital conservation buffer, effective 1 January 2016. As at 30 September 2020, the capital conservation buffer inclusive of the D-SIB HLA requirement and countercyclical capital buffer, was approximately 3.5% of RWA, resulting in a Common Equity Tier 1 Capital requirement inclusive of buffers of at least 8% of RWA.

Restrictions on the distribution of earnings, including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions apply when capital ratios fall below at least 8% of RWA and into the capital conservation buffer as illustrated in the graph on the next page.

APRA may determine higher prudential capital requirements for an ADI and may change an ADI's prudential capital requirements at any time.

SECTION SIX: FINANCIAL INFORMATION



6.3.2 Regulatory Capital Developments

‘Unquestionably Strong’ and Basel III Revisions

In December 2017, the BCBS finalised the Basel III capital framework. APRA subsequently commenced consultation on revisions to the domestic capital framework in February 2018 and reaffirmed its intention to strengthen capital requirements for major Australian banks by around 150 basis points, such that they are considered ‘unquestionably strong’. APRA has temporarily suspended these requirements in response to the COVID-19 pandemic. In suspending these requirements, APRA has indicated that banks may need to utilise some of the current large capital buffers to facilitate ongoing lending to the economy.

APRA’s consultation on revisions to the capital framework includes consideration of ‘benchmarks for capital strength’, ‘risk sensitivity of the capital framework’ and ‘transparency, comparability and flexibility of the capital framework’. APRA has recently deferred the scheduled implementation of these prudential standards in Australia by one year to January 2023, consistent with the BCBS. The deferral supports ADIs in maintaining operations and supporting customers in response to the COVID-19 pandemic.

In October 2019, APRA proposed changes to the treatment of equity investments in subsidiaries (including Bank of New Zealand) for the purpose of calculating Level 1 regulatory capital. Implementation has been delayed until January 2022.

RBNZ revisions to capital framework

In December 2019, the Reserve Bank of New Zealand (“**RBNZ**”) announced its decision to require banks deemed systemically important in New Zealand (including BNZ) to hold Tier 1 Capital amounting to 16% of RWA. Due to significant uncertainties arising from the impacts of the COVID-19 pandemic, the RBNZ has delayed the start of the new capital requirements to 1 July 2022. It is expected that the changes will be phased in over a seven year period.

Increased Loss-absorbing Capacity for ADIs

In July 2019, APRA released its framework for the implementation of an Australian loss-absorbing capacity regime, requiring an increase in Total Capital of 3% of RWA for D-SIBs by 1 January 2024. APRA has maintained its overall target calibration of 4% to 5% of RWA, and will consult on methods for raising the additional loss-absorbing capacity equal to 1% to 2% of RWA over the next four years.

For more information regarding the risks associated with regulatory change, see Section 7.2.8.1.

SECTION SIX: FINANCIAL INFORMATION

6.3.3 The Group's Capital Management Strategy

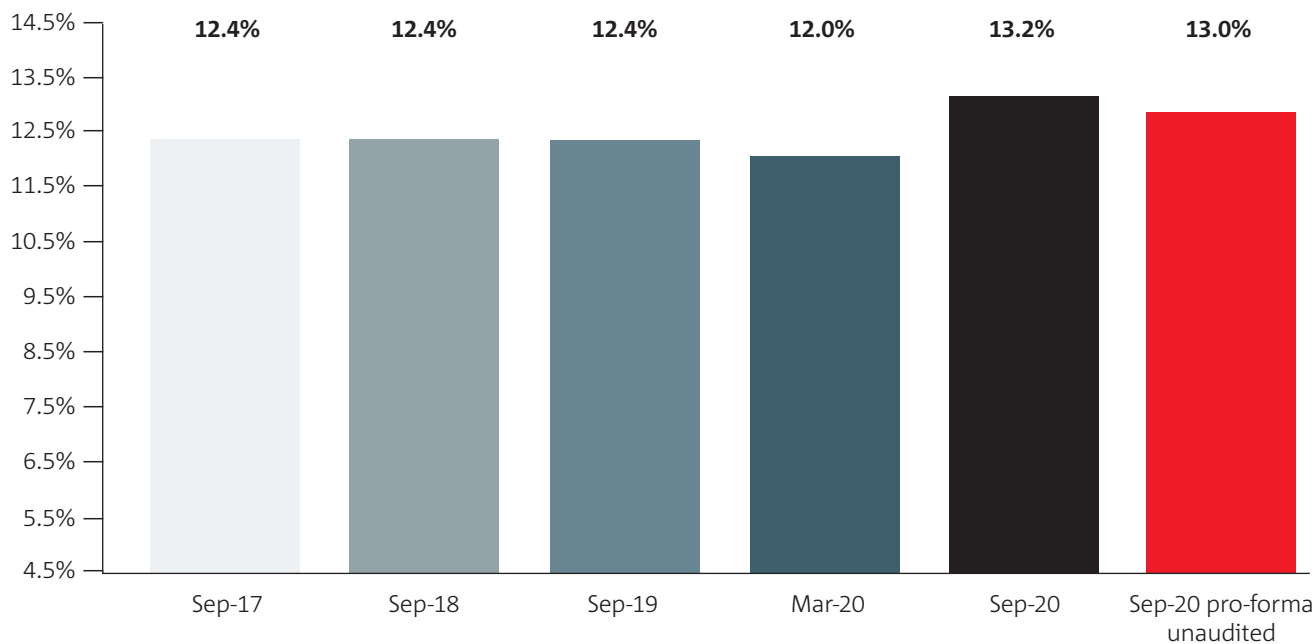
The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective seeks to ensure sufficient capital is held in excess of internal risk-based capital assessments and regulatory requirements, and is within the Group's balance sheet risk appetite. This approach is consistent across the Group's subsidiaries.

6.3.4 NAB's Tier 1 Capital position

Figure 2 illustrates NAB's historical Tier 1 Capital position under APRA's Basel III Prudential Standards. The column labelled "Sep-20- pro-forma unaudited" illustrates the impact of the Offer and the CPS II Redemption, showing NAB's pro-forma Tier 1 Capital position as at 30 September 2020 assuming:

- \$750 million of NAB Capital Notes 5 were issued and external issue costs of \$11 million were incurred; and
- the capital reduction and redemption of \$1,717 million CPS II by NAB under the CPS II Redemption.

Figure 2: NAB Level 2 Group Tier 1 Capital Ratio



SECTION SIX: FINANCIAL INFORMATION

6.3.5 NAB's Common Equity Tier 1 Ratio

The Terms contain a Common Equity Trigger Event as required under APRA's Basel III Prudential Standards for NAB Capital Notes 5 to be eligible for inclusion as Additional Tier 1 Capital.

A Common Equity Trigger Event occurs when the Common Equity Tier 1 Ratio of either or both of the NAB Level 1 Group or the NAB Level 2 Group is equal to or less than 5.125%. Upon the occurrence of a Common Equity Trigger Event, some or all NAB Capital Notes 5 will immediately Convert into a number of Ordinary Shares (or if they are not Converted within 5 days of the Common Equity Trigger Event, they will be Written Off).

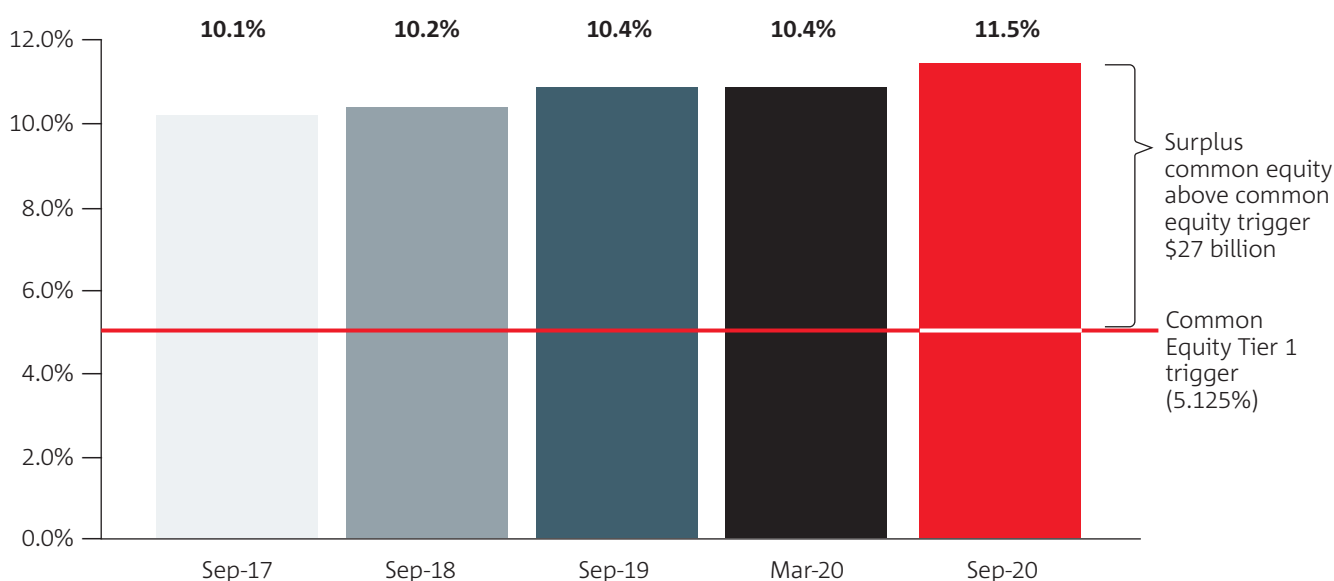
The differences between NAB's Level 1 Group and Level 2 Group Common Equity Tier 1 Capital Ratios relates principally to the level of capital held by, and RWA of, BNZ and Wealth subsidiaries (excluding superannuation and funds management entities, insurance subsidiaries and certain securitisation special purpose vehicles).

NAB gives no assurance as to what its Common Equity Tier 1 Capital Ratio on a Level 1 Group or Level 2 Group basis will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

The NAB Level 2 Group Common Equity Tier 1 Ratio was 11.47% as at 30 September 2020, and is approximately \$27 billion⁹ in excess of the Common Equity Tier 1 Ratio that would result in a Common Equity Trigger Event, being 5.125%.

Figure 3 illustrates NAB's historical Common Equity Tier 1 ratio based on APRA's Basel III Prudential Standards.

Figure 3: NAB Level 2 Group Common Equity Tier 1 Capital Ratio



⁹ This dollar amount and the dollar amounts shown in Figure 3 are unaudited and indicative only as at 30 September 2020 and will vary with movements in NAB's earnings, NAB's RWA and other movements in NAB's capital. The restrictions in the prudential standards and in the Common Equity Trigger Event are expressed in terms of ratios and not fixed amounts of capital.

6.3.6 Potential impacts on NAB Capital Notes 5

If NAB's Level 2 Group Tier 1 Capital Ratio or Level 2 Group Common Equity Tier 1 Capital Ratio are too low, it may indicate that NAB may not be able to elect to Redeem NAB Capital Notes 5 or pay Distributions.

SECTION SIX: FINANCIAL INFORMATION

6.4 Funding and liquidity

The Group maintains a strong capital, funding and liquidity position in line with its ongoing commitment to balance sheet strength.

6.4.1 Funding

The Group monitors the composition and stability of funding and liquidity through the Board approved risk appetite which includes compliance with regulatory requirements of APRA's Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"). LCR and NSFR are relevant measures in assessing balance sheet strength and if either of them is too low, it may indicate that NAB may not be able to elect to Redeem NAB Capital Notes 5 or pay Distributions. The Group continues to pursue opportunities to further enhance and diversify its liquid asset holdings and funding sources.

Compliance with the NSFR became effective on 1 January 2018 and establishes a minimum acceptable amount of stable funding based on the liquidity characteristics of an ADI's assets and activities over a one-year horizon. At 30 September 2020 the Group's NSFR was 127%, above the regulatory minimum of 100%.

6.4.2 Liquidity

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. The market value of total on balance sheet marketable securities held at 30 September 2020 was \$170 billion which excludes self-securitised assets. This represents an increase of \$40 billion from 30 September 2019.

Prudential Liquid assets averaged \$199 billion over the September 2020 quarter (consisting of High Quality Liquid Assets ("**HQLA**") and Alternative Liquid Assets ("**ALA**") being Committed Liquidity Facility ("**CLF**")

assets, undrawn Term Funding Facility ("**TFF**") assets and RBNZ repo-eligible assets). The CLF is a facility provided by the Reserve Bank of Australia ("**RBA**") to commercial banks to assist them in meeting the Basel III liquidity requirements. The TFF is a collateralised facility introduced by the RBA in March 2020 to support ADIs in providing credit into the economy. The Group holds internal Residential Mortgage Backed Securities along with external central bank repo-eligible securities as sources of contingent liquidity and to support the CLF and TFF.

The average Group LCR was 139% for the quarter ending 30 September 2020, above the regulatory minimum of 100%.

6.5 Impact of the Offer

The proceeds of the Offer will be used by NAB for general corporate purposes. The Offer will not have a material impact on NAB's cash flow.

6.6 Further Information

NAB is a disclosing entity for the purposes of the Corporations Act and so is subject to periodic reporting obligations under the Corporations Act and the ASX Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC and ASX. The Corporations Act and the ASX Listing Rules also require NAB to disclose to the market matters which could be expected to have a material effect on the price or value of NAB's securities.

Copies of:

- the 2020 Annual Financial Report; and
- all documents lodged with the ASX since the date of the 2020 Annual Financial Report,

can be obtained from the Shareholder Centre at nab.com.au/shareholder and from asx.com.au

SECTION SEVEN:

KEY RISKS OF NAB CAPITAL NOTES 5

This section describes key potential risks that you should consider in deciding whether to invest in NAB Capital Notes 5, including risks that may affect NAB's business and financial performance.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Before applying for NAB Capital Notes 5, you should consider whether NAB Capital Notes 5 are a suitable investment for you. There are risks associated with an investment in NAB Capital Notes 5 and in NAB, many of which are outside the control of NAB and its Directors. These risks include those referred to in this section and other matters referred to in this Prospectus.

SECTION SEVEN:

KEY RISKS OF NAB CAPITAL NOTES 5

7.1 Risks associated with investing in NAB Capital Notes 5

7.1.1 NAB Capital Notes 5 are not Protected Accounts under the Banking Act or any other accounts or deposit liabilities of NAB

NAB Capital Notes 5 are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not insured or guaranteed 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.

7.1.2 Distributions may not be paid

There is a risk that Distributions will not be paid. The Terms do not oblige NAB to pay Distributions.

The payment of Distributions on NAB Capital Notes 5 is subject to the discretion of the Directors, which means they may not be paid. Failure to pay a Distribution when scheduled will not constitute an event of default.

Distributions are also only payable if a Payment Condition does not exist on the Distribution Payment Date. The circumstances in which a Payment Condition will exist are described in Section 2.1. They include the cases where the payment of a Distribution will result in a breach of APRA's regulatory capital requirements as they apply to NAB, or will result in NAB becoming, or being likely to become, insolvent for the purposes of the Corporations Act, where APRA otherwise objects to the payment of a Distribution, or where NAB is not permitted to pay the Distribution under the Corporations Act.

The Terms contain no events of default and non-payment of a Distribution is not an event of default. 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; and

- has no right to set-off any amount owing to it by NAB in connection with NAB Capital Notes 5 against any amount owing by it to NAB or otherwise.

Distributions are non-cumulative, and therefore 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.

If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, NAB cannot declare, determine to pay, or pay dividends on its Ordinary Shares or return capital (unless Holders approve the payment by Ordinary Resolution) until the next Distribution Payment Date. However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.

Changes in regulations applicable to NAB may impose additional requirements which prevent NAB from paying Distributions in additional circumstances.

7.1.3 Changes in Distribution Rate

The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will go up or down over time as a result of movements in the Bank Bill Rate – see Section 2.1. As the Distribution Rate goes up or down, there is a risk that an investment in NAB Capital Notes 5 may become less attractive when compared to other investments issued by NAB or other entities. 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. Even if the Distribution Rate is

calculated to be negative, there will be no obligation on Holders to pay NAB.

NAB does not guarantee any particular rate of return on NAB Capital Notes 5. Changes in the corporate tax rate will also affect the Distribution Rate. If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

7.1.4 Market price of NAB Capital Notes 5 and Ordinary Shares

The market price of NAB Capital Notes 5 may go up or down due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, impacts of regulatory change (including intervention by ASIC in the market for NAB Capital Notes 5 or similar securities), changes in the laws relating to the availability of franking, movements in the market price of Ordinary Shares or senior or subordinated debt, the availability of better rates of return on other securities and factors that may affect NAB's financial performance and position. NAB Capital Notes 5 may trade at a market price below the Face Value.

In recent years, markets have become more volatile. The economic consequences of the COVID-19 pandemic have also given rise to increased levels of volatility in financial markets. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before deciding whether to make an investment in NAB Capital Notes 5.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the

SECTION SEVEN: KEY RISKS OF NAB CAPITAL NOTES 5

ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which NAB Capital Notes 5 are Converted. The market price of Ordinary Shares is also subject to the factors outlined above and may also be volatile.

The market price of NAB Capital Notes 5 (as well as the Ordinary Shares) may go up or down as a result of the information disclosed to the market by NAB in order to comply with its continuous disclosure requirements.

7.1.5 Liquidity

There may be no liquid market for NAB Capital Notes 5. Additionally, the market for NAB Capital Notes 5 may be less liquid than the market for Ordinary Shares or comparable securities issued by NAB or other entities.

The liquidity of the market for NAB Capital Notes 5 may be negatively impacted by a number of factors, including changes in law, including law relating to franking credits or other laws, or if pursuant to the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (“**DDO Legislation**”), ASIC exercises its product intervention powers in relation to NAB Capital Notes 5 or comparable securities issued by NAB or other entities.

The DDO Legislation imposes design and distribution obligations on the issuers, providers and distributors of financial products and provides ASIC with a product intervention power (see Section 7.1.27 for further detail). The impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like NAB Capital Notes 5. These changes may also affect the liquidity of funding instruments (including hybrids such as NAB Capital Notes 5), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

Holder who wish to sell their NAB Capital Notes 5 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for NAB Capital Notes 5. NAB Capital Notes 5 are expected to Convert into Ordinary Shares on 17 December 2029 (subject to certain conditions being satisfied) unless NAB Capital Notes 5 are otherwise Converted, Written Off, Redeemed or Resold on or before that date. Where NAB Capital Notes 5 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

In addition, there is no guarantee that NAB Capital Notes 5 will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

7.1.6 The Ordinary Share price used to calculate the Conversion Number of Ordinary Shares may be different to the market price at the time of Conversion

Upon Conversion, Holders will receive approximately \$101 worth of Ordinary Shares per NAB Capital Note 5 (based on the VWAP during a period, usually 20 Business Days, before the Mandatory Conversion Date or other date on which NAB Capital Notes 5 are Converted). The market price of Ordinary Shares may go up or down due to various factors.

For a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NAB Capital Note 5 and may lose a significant amount of the money they invested in NAB Capital Notes 5 as a consequence – see Sections 2.7 and 7.1.14.

The VWAP during the relevant period before the date of Conversion that is used to calculate the number

of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. As a result, the market value of Ordinary Shares received upon Conversion may be greater than or less than \$101 per NAB Capital Note 5 when they are issued or at any time after that, and could be less than the Face Value. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.

7.1.7 Franking of Distributions

NAB expects Distributions to be franked at the same rate as dividends paid on 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.

If a 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).

7.1.8 Use of franking credits by Holders

The value and availability of franking credits to a Holder will differ depending on the Holder’s particular tax circumstances and applicable Australian tax laws. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder and applicable Australian tax laws.

Holders should be aware that they will not receive any compensation or “gross up” if they are denied the benefit of franking credits on their Distributions for any reason, and should refer to the Australian Taxation Summary in

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Section 8 and the ATO class ruling (when published).

Investors should seek professional advice in relation to their tax position and monitor any changes on an ongoing basis.

7.1.9 NAB Capital Notes 5 are perpetual and Mandatory Conversion may not occur on the scheduled Mandatory Conversion Date or at all

NAB Capital Notes 5 are expected to Convert into Ordinary Shares on 17 December 2029 (subject to the NAB Capital Notes 5 being on issue at that date and certain conditions being satisfied).

However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. Depending on the market price of Ordinary Shares at the relevant time, Conversion may not occur. The Ordinary Share price may be affected by transactions affecting the share capital of NAB, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of a reorganisation and pro rata bonus issues of Ordinary Shares as described in clauses 7.5 and 7.6 of the Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Terms do not limit the transactions which NAB may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied (unless

NAB Capital Notes 5 are otherwise Converted, Written Off, Redeemed or Resold on or before that date). If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and NAB Capital Notes 5 are not otherwise Converted, Written Off, Redeemed or Resold, Distributions may continue to be paid on NAB Capital Notes 5 (subject to the Directors resolving to pay a Distribution and no Payment Condition existing on the relevant Distribution Payment Date(s)).

NAB Capital Notes 5 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied. If this occurs, and unless NAB Capital Notes 5 are otherwise Converted, Redeemed or Resold (see further Sections 7.1.10 to 7.1.14 below), NAB Capital Notes 5 may remain on issue indefinitely.

7.1.10 Conversion on an Acquisition Event

NAB Capital Notes 5 are issued by NAB, 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.

Where this corporate activity constitutes an Acquisition Event, as defined in the Terms, subject to certain conditions, NAB must Convert all NAB Capital Notes 5 in accordance with clauses 5 and 7 of the Terms. Conversion 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. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to NAB Capital Notes 5 (such as Distributions) is unknown.

Not all corporate activities that have the effect of a change of control of

NAB or its business operations will be an Acquisition Event. In particular, it would not be an Acquisition Event if APRA were to require the compulsory transfer of NAB's business or shareholding. Where the corporate activity is not an Acquisition Event, NAB is not obliged to Convert NAB Capital Notes 5. The outcomes for Holders arising from that action would be uncertain and Holders may suffer loss or face increased or different risks.

7.1.11 Conversion, Redemption or Resale at NAB's option

NAB may (subject to APRA's prior written approval) elect to Convert, Redeem or Resell some or all NAB Capital Notes 5 on 17 December 2027 or following the occurrence of a Tax Event or Regulatory Event. In addition, NAB may also Convert some or all NAB Capital Notes 5 on the occurrence of a Potential Acquisition Event.

Holders have no right to request or require a Conversion, Redemption or Resale of their NAB Capital Notes 5.

Any Conversion, Redemption or Resale at NAB's option 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. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to NAB Capital Notes 5 (such as Distributions) is unknown.

The method of Conversion, Redemption or Resale chosen by NAB may be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by NAB to Redeem NAB Capital Notes 5, Holders will receive cash equal to \$100 per NAB Capital Note 5 rather than Ordinary Shares. Accordingly, they will not benefit from any subsequent increases in the Ordinary Share price

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after the Redemption occurs. In addition, where Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time.

Upon any Resale, it will be a Nominated Purchaser's obligation to pay the Resale Price to the Holders. NAB does not guarantee the Nominated Purchaser will pay this amount and if it does not the Holders will continue to hold NAB Capital Notes 5.

Where Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to NAB Capital Notes 5.

7.1.12 Optional Conversion, Redemption and Resale subject to certain events occurring

If NAB elects to Convert (other than where it must Convert), Redeem or Resell NAB Capital Notes 5, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Conversion, Redemption or Resale.

Optional Conversion

The optional Conversion of NAB Capital Notes 5 by NAB is also subject to the level of the Ordinary Share price on the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 5 (or if trading in Ordinary Shares did not occur on that date, the Business Day prior to that date on which trading in Ordinary Shares occurred). If the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (see Section 2.4), NAB is not permitted to elect to Convert NAB Capital Notes 5. Also, if a Delisting Event applies, NAB is not permitted to elect to Convert NAB Capital Notes 5.

In addition, Conversion on an Optional Conversion Date is subject to both the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) and no Delisting Event applying in respect

of the Optional Conversion Date as if the Optional Conversion Date were a possible Mandatory Conversion Date.

If the requirements for Conversion on the Optional Conversion Date are not satisfied, NAB will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a possible Mandatory Conversion Date (with this condition 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).

Optional Redemption

The optional Redemption of NAB Capital Notes 5 is subject to the condition that APRA is satisfied that either NAB Capital Notes 5 the subject of the Redemption are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of NAB Capital Notes 5 is done under conditions that are sustainable for NAB's income capacity, or that the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to Redeem NAB Capital Notes 5.

NAB is not permitted to elect to Redeem or Resell NAB Capital Notes 5 on account of an Acquisition Event or a Potential Acquisition Event.

7.1.13 Other events affecting Conversion

Other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion (e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities

associated with trading or disposing of Ordinary Shares at that time).

7.1.14 Conversion on account of a Loss Absorption Event

NAB must immediately Convert NAB Capital Notes 5 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.

A Loss Absorption Event is each of:

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

See Section 2.7 for a description of Common Equity Trigger Events and Non-Viability Trigger Events and Section 6.3 for a discussion of factors that influence NAB's Common Equity Tier 1 Ratio.

If a Loss Absorption Event occurs:

- Conversion is not subject to the Mandatory Conversion Conditions being satisfied;
- Conversion may occur automatically without the need for any further act or step by NAB. In that case, NAB will treat a Holder in respect of its NAB Capital Notes 5 as having been issued the Conversion Number of Ordinary Shares. NAB expects that any ASX trades in NAB Capital Notes 5 that have not settled on the date a Loss Absorption Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although NAB expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which NAB Capital Notes 5 have been Converted as a

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result of the occurrence of the Loss Absorption Event;

- NAB may also seek a trading halt to prevent further trading in NAB Capital Notes 5 on ASX, and if ASX permits, may refuse to register transfers of NAB Capital Notes 5 that have not settled – this may result in disruption or failures in trading or dealings in NAB Capital Notes 5 (which may cause a Holder to suffer loss);
- Holders will not receive prior notice of Conversion or have any rights to vote or right of approval in respect of the Conversion; and
- the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all.

If a Loss Absorption Event were to occur, depending on how much Common Equity Tier 1 Capital NAB needs, NAB may be:

- permitted by APRA to convert or write off only a proportion of NAB Capital Notes 5 and other Relevant Tier 1 Capital Instruments; or
- required to either convert or write off all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 5).

If NAB is required to convert or write off all Relevant Tier 1 Capital Instruments (such as NAB Capital Notes 5), Holders should be aware that all Relevant Tier 1 Capital Instruments will be converted or written off before any Relevant Tier 2 Capital Instruments are converted or written off. NAB has no obligation to maintain any Relevant Tier 1 Capital Instruments on issue and gives no assurance that it will do so.

All Relevant Tier 1 Capital Instruments must be converted or written off where the Loss Absorption Event is a Non-Viability Trigger Event involving a determination by APRA that a public sector injection of capital would be required.

APRA determinations in relation to Loss Absorption Events

Where NAB is permitted to convert or write off only a proportion of NAB Capital Notes 5 and other Relevant Tier 1 Capital Instruments following a Loss Absorption Event, NAB:

- must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of NAB Capital Notes 5 and other logistical considerations, provided that nothing in the making of the selection or the adjustments is to delay or impede the Conversion taking effect; and
- where Relevant Tier 1 Capital Instruments are not all in the same currency, 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).

Accordingly, should a Loss Absorption Event occur, and NAB is permitted to Convert only some and not all NAB Capital Notes 5, not all Holders may have their NAB Capital Notes 5 Converted into Ordinary Shares.

In relation to Common Equity Trigger Events, see Section 6.3 for information on NAB's current level of Common Equity Tier 1 Capital. 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.

In relation to Non-Viability Trigger Events, APRA has not provided specific guidance as to how it would determine non-viability. However, APRA has indicated that non-viability is likely to arise prior to the insolvency of an ADI. Non-viability could be expected to include serious impairment of NAB'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. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of NAB. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of NAB.

Conversion following a Loss Absorption Event

The number of Ordinary Shares that a NAB Capital Note 5 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 cannot be more than the Maximum Conversion Number. Accordingly, this is likely to result in a Holder receiving significantly less than \$101 worth of Ordinary Shares per NAB Capital Note 5 and losing a significant amount of the money they invested in NAB Capital Notes 5 as a result.

This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares is likely to have a value of significantly less than \$101;
- the number of shares is calculated by reference to the price of Ordinary Shares on the 5 Business Days before the Loss Absorption Event Conversion Date which may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP. In particular, VWAP prices will be based wholly or partly on trading days which occurred before the Loss Absorption Event; and
- as noted in Section 2.3, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or

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reclassification of Ordinary Shares and pro rata bonus issues. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The Terms do not limit the transactions that NAB may undertake with respect to its share capital and any such action may increase the risk that the Maximum Conversion Number is triggered if NAB Capital Notes 5 are Converted.

Failure to Convert

If Conversion is required in respect of a NAB Capital Note 5 on account of a Loss Absorption Event but has not been effected within 5 days of the Loss Absorption Event Conversion Date for any reason (including an Inability Event), NAB Capital Notes 5 which would otherwise be Converted, will not be Converted and will instead be Written Off.

If a Write Off occurs in respect of a NAB Capital Note 5, the rights of the Holder to Distributions and returns of capital will be terminated, the NAB Capital Note 5 that is Written Off will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. Holders will suffer loss as a result.

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 NAB Capital Notes 5, subject to limited exceptions.

7.1.15 Restrictions on rights and ranking in a winding up of NAB

NAB Capital Notes 5 are issued by NAB under the NAB Capital Notes 5

Deed Poll. A Holder has no claim on NAB in respect of NAB Capital Notes 5 except as provided in the Terms and the NAB Capital Notes 5 Deed Poll. NAB Capital Notes 5 are unsecured and subordinated. In the event of a winding up of NAB, and assuming NAB Capital Notes 5 have not been Converted, Redeemed or Resold and are not required to be Written Off due to a Loss Absorption Event, investors will be entitled to claim for the Face Value (\$100 for each NAB Capital Note 5) after payment of all claims ranking senior to NAB Capital Notes 5.

Claims ranking senior to NAB Capital Notes 5 are claims of holders of senior ranking securities and instruments (including Tier 2 Capital Instruments) and all other creditors (including depositors and certain subordinated creditors whose claims do not rank equally with NAB Capital Notes 5). Accordingly, NAB's obligations under NAB Capital Notes 5 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to NAB Capital Notes 5. Further, where NAB Capital Notes 5 are Converted, and NAB is wound up, Holders will rank equally and have the claims of holders of Ordinary Shares. The Maximum Conversion Number is likely to be different from the maximum conversion number of other Relevant Tier 1 Capital Instruments. Accordingly, the number of Ordinary Shares received on Conversion of NAB Capital Notes 5 may be more or less than the number received by holders of other Relevant Tier 1 Capital Instruments.

Where NAB Capital Notes 5 are required to be Converted on account of a Loss Absorption Event but Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date and, accordingly, NAB Capital Notes 5 have been Written Off (as described in Section 2.7 and clause 4.5 of the Terms), the relevant Holders' rights (including to Distributions and Face Value) in relation to such NAB Capital Notes 5 will be immediately terminated and Written Off (with effect from the Loss

Absorption Event Conversion Date). The Holder's investment will lose all of its value and the Holder will not receive any Ordinary Shares or other compensation.

If, on a winding up of NAB, there are insufficient funds to pay all amounts ranking senior to and equally with NAB Capital Notes 5, Holders will not receive all or some of the Face Value.

Although NAB Capital Notes 5 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should NAB become insolvent.

Holders should also understand that, as at the date of this Prospectus, NAB has on issue National Income Securities (which include a preference share) and CPS II (which take the form of convertible preference shares). National Income Securities contain no provisions for conversion or write-off. Due to the requirements of the law at the time the CPS II were issued, if CPS II are written off, the rights of holders of CPS II 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 NAB Capital Notes 5 are written off, Holders will have lesser rights and will likely be worse off than holders of National Income Securities and CPS II even though the preference share component of National Income Securities and CPS II rank equally with NAB Capital Notes 5.

7.1.16 Future issues or redemptions of securities by NAB

NAB Capital Notes 5 do not in any way restrict NAB from issuing further securities or from incurring further indebtedness. NAB may in the future issue securities (including further Tier 1 Capital Securities) that:

- Rank for distributions or payments of capital (including on the winding up of NAB) equal with, behind or ahead of NAB Capital Notes 5;

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- Have the same or different dividend, interest or distribution rates as those for NAB Capital Notes 5;
- Have payment tests and distribution restrictions or other covenants which affect NAB Capital Notes 5 (including by restricting circumstances in which Distributions can be paid or NAB Capital Notes 5 can be Redeemed or Resold); or
- Have the same or different terms and conditions as NAB Capital Notes 5.

An investment in NAB Capital Notes 5 carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by NAB.

No prediction can be made as to the effect (if any) that the future issue of securities by NAB may have on the market price or liquidity of NAB Capital Notes 5 or as to the likelihood of NAB making payments on NAB Capital Notes 5. Similarly, NAB Capital Notes 5 do not restrict any member of the Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or which may be issued in the future). However, NAB may be restricted from declaring or paying a dividend, buying back or reducing capital on Ordinary Shares in certain circumstances (see clause 2.8 of the Terms).

An investment in NAB Capital Notes 5 carries no right to be redeemed or otherwise repaid at the same time as NAB redeems, or otherwise repays, holders of other securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

7.1.17 Exposure to the Group's financial performance and position

If the Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in NAB Capital Notes 5 may decline in value. Accordingly, when you evaluate whether to invest in NAB Capital

Notes 5 you should carefully evaluate the investment risks associated with an investment in NAB – see Section 7.2.

7.1.18 The restriction on Ordinary Share dividend payments applies in limited circumstances

The restriction on dividend payments where Distributions on NAB Capital Notes 5 are not paid only applies in respect of Ordinary Shares and not distributions in respect of any other securities, including those ranking equally with or senior to NAB Capital Notes 5.

Accordingly, a failure to make a scheduled payment on NAB Capital Notes 5 may not restrict the making of payments in respect of instruments that may in the future rank equally with NAB Capital Notes 5.

Further, the restriction in NAB Capital Notes 5 only applies until the next Distribution Payment Date and is subject to certain exceptions. The dates for distribution with respect to Ordinary Shares are determined by NAB in its discretion and do not bear a fixed relationship to the Distribution Payment Dates for NAB Capital Notes 5. Accordingly, as soon as the restriction ceases to apply (as will be the case if the next scheduled Distribution on NAB Capital Notes 5 is paid) NAB will not be restricted from paying a dividend on its Ordinary Shares.

7.1.19 Changes to credit ratings

NAB's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Such changes may adversely affect the market price, liquidity and performance of NAB Capital Notes 5 or Ordinary Shares received on Conversion.

7.1.20 Regulatory classification

APRA has provided confirmation that NAB Capital Notes 5 qualify as Additional Tier 1 Capital under the Basel III Prudential Standards. However, if NAB subsequently determines that, as a result of a Regulatory Change, some or all NAB Capital Notes 5 are not or will not qualify in that category of regulatory capital (and NAB did not expect this prior to the Issue Date), NAB may decide that a Regulatory Event has occurred. This will allow NAB to Convert, Redeem or Resell all or some NAB Capital Notes 5 (subject to certain conditions, including APRA's prior written approval) at NAB's discretion.

7.1.21 Australian tax consequences

A general outline of the tax consequences of investing in NAB Capital Notes 5 for certain potential investors who are Australian residents for tax purposes is set out in the Australian Taxation Summary in Section 8. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

Accordingly, potential investors should seek independent advice concerning their own individual tax position.

Broadly, NAB is entitled to Convert, Redeem or Resell all or some NAB Capital Notes 5 (subject to certain conditions, including APRA's prior written approval), if as a result of a change in law or administrative practice on or after the Issue Date in Australia (which NAB did not expect at the time of issue of NAB Capital Notes 5), 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 in their absolute discretion to be unacceptable) or that NAB would be exposed to an increase in taxes or other costs, which is not insignificant, in relation to NAB Capital Notes 5. See the description of a Tax Event in Section 2.4 for more information.

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In relation to laws affecting Holders' entitlement to franking benefits, please see Section 7.1.8 for more information.

7.1.22 Shareholding limits and Eligible Nominee sales

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of an Australian bank, such as NAB, to a 20% stake. A Shareholder may apply to the Australian Treasurer to extend their ownership beyond 20%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 20% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on the ASX (such as NAB) are regulated by detailed and comprehensive legislation and the rules and regulations of the ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

Holders should take care to ensure that by acquiring any NAB Capital Notes 5 (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

Holders who do not wish to receive Ordinary Shares on Conversion may notify NAB of this no less than 15 Business Days prior to the Conversion Date. In addition, if you are a Foreign Holder, you will not receive Ordinary Shares on Conversion (unless NAB is satisfied that it may issue them to you). NAB will treat you as a Foreign Holder if your address in the Register is a place outside of Australia or NAB otherwise believes

you may not be a resident of Australia. If you are not to receive Ordinary Shares, the relevant number of Ordinary Shares will be issued to an Eligible Nominee (which must not be NAB or a Related Entity to NAB), on terms that the Eligible Nominee will sell the Ordinary Shares at the first reasonable opportunity and pay the proceeds of any sale to you (less brokerage and other costs, including charges to the Eligible Nominee). No guarantee is given in relation to the timing or price at which any sale will occur. Neither NAB 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. Further, if a FATCA Withholding is required to be made in respect of Ordinary Shares to be issued on Conversion, NAB will only issue those Ordinary Shares to the Holder to the extent (if at all) that the issue of Ordinary Shares is net of FATCA Withholding. To the extent that a FATCA Withholding is required, NAB will issue the Ordinary Shares to an Eligible Nominee who will sell those Ordinary Shares on the basis outlined above and will deal with the proceeds of sale in accordance with FATCA. See Section 7.1.26 for an explanation of circumstances in which a FATCA Withholding may be required.

7.1.23 NOHC Event

As described in Section 7.1.10, certain merger and acquisition activity in relation to NAB will constitute an Acquisition Event, as defined in the Terms. In this case, subject to certain conditions, NAB is required to Convert all NAB Capital Notes 5 in accordance with clauses 5 and 7 of the Terms.

However, certain events which would otherwise constitute Acquisition Events are categorised under the Terms as NOHC Events. Where a NOHC Event occurs and certain other conditions are satisfied, the NOHC Event will not trigger a Conversion of NAB Capital

Notes 5. Instead, NAB will be permitted to make certain amendments to the Terms in order to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion (subject to APRA's prior written approval).

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 Terms, Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares 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.

At this time, NAB has made no decision to implement a NOHC structure.

In the event that a NOHC Event were to occur, NAB would continue to be regulated by APRA. However, depending on the structure of the acquirer following a NOHC Event and the capital framework which APRA determines to apply to it, the composition of NAB's capital measurement levels may be affected, which in turn may affect NAB's ability to pay Distributions on NAB Capital Notes 5.

After a NOHC Event Holders will remain note holders in NAB with the same rights to distributions and to payment in a winding up of NAB as before the NOHC Event, but on Conversion Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in NAB. NAB Capital Notes 5 should remain quoted on ASX, but Ordinary Shares will cease to be quoted.

Where a NOHC Event is accompanied by a transfer of assets from NAB or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, NAB may as a result have reduced assets which may affect its credit rating and the likelihood Holders will receive their claims in full if NAB is wound up. Holders do not have any

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claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

Where an Approved NOHC is substituted as the issuer of ordinary shares on Conversion, there is no restriction on the Approved NOHC declaring or paying a dividend on or, buying back or reducing capital on its ordinary shares if NAB does not pay a Distribution on a NAB Capital Note 5 (see Section 7.1.23).

7.1.24 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 NAB. Those circumstances are set out in the Banking Act and include (but are not limited to):

- where the ADI becomes unable to meet its obligations or suspends payment;
- where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
 - the ADI may become unable to meet its obligations;
 - the ADI may suspend payment;
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors;
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court authorises APRA to assume

control of, and to carry on, the ADI's business.

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 NAB 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 NAB Capital Notes 5 and the position of Holders.

APRA may, in certain circumstances, require NAB to transfer all or part of its business, or NAB's shareholders to transfer their shareholdings, 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 NAB is party and thus may have an adverse effect on NAB's ability to comply with its obligations under NAB Capital Notes 5 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.

7.1.25 Amendment of Terms

NAB may, with APRA's prior written approval where required, amend the Terms and the NAB Capital Notes 5 Deed Poll without the approval of Holders. The amendments include those necessary or expedient to dates

and time periods to facilitate any Conversion, Redemption or Resale or any change which NAB considers will not be materially prejudicial to the interests of Holders as a whole. See Section 2.9 and clause 18.1 of the Terms for a more detailed list of the types of amendments NAB may make to the Terms without the approval of Holders. NAB may also, with APRA's prior written approval where required, amend the Terms if the amendment has been approved by a Special Resolution of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment. APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of NAB Capital Notes 5 as Additional Tier 1 Capital. The Holders may not by any resolution take any action which affects the eligibility of NAB Capital Notes 5 as Additional Tier 1 Capital without APRA's prior written approval.

7.1.26 Holders may be subject to FATCA withholding and information reporting

It is possible that, in order to comply with FATCA, NAB (or if NAB Capital Notes 5 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 NAB Capital Notes 5, 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 NAB Capital Notes 5 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

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the requirement to enter into a FATCA agreement with the IRS). If NAB or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of NAB Capital Notes 5, Holders and beneficial owners of NAB Capital Notes 5 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 NAB Capital Notes 5.

7.1.27 Design and distribution obligations

On 5 April 2019, the DDO Legislation was enacted. The DDO Legislation imposes additional obligations on NAB regarding the design and distribution of certain financial products offered to retail investors (including hybrid securities), and grants product intervention powers to ASIC if it believes significant consumer detriment may occur. The DDO Legislation is supplemented by the Corporations Amendment (Design and Distribution Obligations) Regulations 2019 (“**DDO Regulations**”), which were enacted in December 2019.

The design and distribution obligations under the DDO Legislation are scheduled to come into force in October 2021 and therefore do not apply to the Offer. The design and distribution obligations in the DDO Legislation are also limited to issuances of securities requiring a regulated disclosure document, which means that even if the obligations become effective while NAB Capital Notes 5 are on issue, they will not apply to secondary market trading of NAB Capital Notes 5.

The DDO Legislation gives ASIC a significant, proactive power to issue a product intervention order if it believes that a financial product has resulted in or will, or is likely to, result in significant detriment to retail investors.

It is uncertain whether ASIC would perceive there to be any significant consumer detriment in relation to NAB Capital Notes 5 or similar securities. The DDO Legislation requires ASIC to undertake a consultation process before it makes a product intervention order.

In December 2019, ASIC released draft regulatory guidance in respect of the design and distribution obligations and opened consultation on its proposed guidance. The consultation process closed in March 2020 and the final form of the regulatory guidance is expected to be released in the course of 2020.

As noted at section 7.1.5, the impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like NAB Capital Notes 5. These changes may also affect the liquidity of funding instruments (including hybrids such as NAB Capital Notes 5), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

7.2 Risks specific to the Group

Set out below are the principal risks and uncertainties associated with NAB and the Group. It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each category that NAB considers most material is listed first, based on the information available at the date of this Prospectus and NAB’s best assessment of the likelihood of each risk occurring and the potential magnitude of the negative impact to the Group should such risk materialise. In the event that one or more of these risks materialise, the Group’s reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

The Group’s Risk Management Framework and internal controls may not be adequate or effective in

accurately identifying, evaluating or addressing risks faced by the Group. There may be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known or material. These may individually, or in aggregate, adversely impact the Group. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Group.

7.2.1 Strategic Risk

Strategic risk is the risk associated with the pursuit of the Group’s strategic objectives, including the risk that the Group fails to execute its chosen strategy effectively or in a timely manner.

7.2.1.1 Strategic initiatives may fail to be executed, may not deliver all anticipated benefits and may change the Group’s risk profile.

The Group’s corporate strategy sets its purpose, ambition and objectives.

The Group prioritises, and invests significant resources in, the execution of initiatives that are aligned to its chosen strategy, including transformation and change programs. These programs focus on technology, digital and data assets, infrastructure, business improvement and cultural transformation. There is a risk that these programs may not realise some or all of their anticipated benefits. These programs may also increase operational, compliance and other risks, and new or existing risks may not be appropriately controlled. Any failure by the Group to deliver in accordance with its strategy or to deliver these strategic programs effectively, may result in material losses to the Group, or a failure to achieve anticipated benefits, and ultimately, may materially and adversely impact the Group’s operations and financial performance and position.

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7.2.1.2 The Group faces intense competition.

There is substantial competition across the markets in which the Group operates. The Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower costs and new operating and business models. In addition, evolving industry trends, rapid technology changes and environmental factors (such as COVID-19) may impact customer needs and preferences and the Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to meet customer expectations and keep pace with competitors. This risk is heightened in the current context where the Group must prioritise responses to new regulation, identified weaknesses and initiatives to support customers through the COVID-19 pandemic.

The Australian Federal Government (the “**Australian Government**”) passed legislation in August 2019 to establish a ‘Consumer Data Right’ which seeks to improve consumers’ ability to compare and switch between products and services. The Consumer Data Right is being introduced in the banking sector in phases. It began to apply to credit and debit cards, deposit accounts and transaction accounts on 1 July 2020. It will expand to a wider range of products, including mortgages and personal loan data, from 1 November 2020. These reforms (referred to as ‘Open Banking’) are expected to reduce the barriers to new entrants into, and increase competition in, the banking industry in Australia. Progress is also being made towards Open Banking in New Zealand, which, similarly, is expected to increase competition in the New Zealand banking industry.

Ongoing competition for customers can lead to compression in profit margins and loss of market share, which may ultimately impact the Group’s financial performance and

position, profitability and returns to investors.

7.2.1.3 The Group’s sale of its advice, platforms, superannuation & investments and asset management businesses is conditional and there are risks in executing the sale.

As announced on 31 August 2020, the Group has agreed to sell its advice, platforms, superannuation & investments and asset management businesses to IOOF. Completion of the MLC Wealth Transaction is subject to a number of conditions, including regulatory approvals and availability of IOOF funding. If these conditions are not met, the transaction may not complete and the business will remain with the Group. Timing of completion will depend on a number of factors, including receipt of regulatory approvals and execution of business separation activities.

The Group will incur costs associated with completing the MLC Wealth Transaction. If the MLC Wealth Transaction does not complete for any reason, including a failure to satisfy conditions, the Group will still incur costs that it is unable to recover and such failure may adversely affect the Group’s reputation, operations and financial results.

NAB has provided IOOF with indemnities relating to certain pre-completion matters, including a remediation program relating to workplace superannuation, breaches of anti-money laundering laws and regulations, regulatory fines and penalties and certain litigation and regulatory investigations. NAB also provided covenants and warranties in favour of IOOF. A breach or triggering of these contractual protections may result in NAB being liable to IOOF.

NAB will retain the companies that operate the advice business, such that the Group will retain all liabilities associated with the conduct of that business pre-completion. The advice

business is proposed to be transferred by way of an asset sale, with aligned advisors being offered to transfer to IOOF from completion. There is a risk that not all advisors will transfer to IOOF, and NAB will be liable for the costs of exiting any non-transferring advisors.

From completion, NAB has agreed to provide IOOF with certain transitional services and continuing access to records, as well as support for data migration activities. There is a risk that costs associated with separation activities and the costs incurred by NAB in satisfying its obligations under these agreements may be higher than anticipated. NAB may also be liable to IOOF if it fails to perform its obligations under these agreements. If these costs are higher than expected, or if NAB fails to perform its obligations in accordance with the relevant agreements, there may be an adverse impact on the Group’s financial performance and position.

On completion, the MLC Wealth Transaction will result in the Group exiting a financial services market and accordingly will decrease the size of the Group’s operations. This will have a consequential impact on the Group’s revenues and potentially its profitability and returns to investors.

The agreed purchase price that IOOF has agreed to pay comprises A\$1,240 million in cash proceeds and A\$200 million in the form of a five-year structured subordinated note. Under the terms of the note, the Group’s ability to collect the A\$200 million due thereunder will be subject to credit risks associated with IOOF, the issuer of the note, and the related subordination terms of the note and there is no guarantee that the Group receives the consideration due thereunder.

In addition, the MLC Wealth Transaction, and the execution of its separation, may create risks and uncertainty for the Group and its customers, aligned advisers, employees, suppliers and other counterparties.

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7.2.1.4 Risks may arise from pursuing acquisitions and divestments.

The Group regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures and investments.

Pursuit of corporate opportunities inherently involves transaction risks, including the risk that the Group over-values an acquisition or investment or under-values a divestment, as well as exposure to reputational damage. The Group may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on the Group's financial performance and position.

The Group may incur unexpected financial losses following an acquisition, joint venture or investment if the business it invests in does not perform as planned or causes unanticipated changes to the Group's risk profile. Additionally, there can be no assurance that customers, employees, suppliers, counterparties and other relevant stakeholders will remain with an acquired business following the transaction and any failure to retain such stakeholders may have an adverse impact on the Group's overall financial performance and position.

The Group may also have ongoing exposures to divested businesses, including through a residual shareholding, the provision of continued services and infrastructure or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities, which may have an adverse impact on the Group's business and financial performance and position.

In particular, specific risks exist in connection with the sale of 80% of MLC Limited, NAB's life insurance business (separate to the MLC Wealth

Transaction described in Section 5), to Nippon Life Insurance Company ("Nippon Life") in 2016. NAB gave certain covenants, warranties and indemnities in favour of Nippon Life and MLC Limited, a breach or triggering of which may result in NAB being liable to Nippon Life or MLC Limited.

The parties also entered into long-term agreements for the offer and promotion of life insurance products and the continued use of the MLC brand by MLC Limited. The duration and nature of these agreements give rise to certain risks, including that changes in the regulatory or commercial environment impact the commercial attractiveness of these agreements. These agreements also limit future opportunities for NAB through non-compete arrangements.

NAB agreed to take certain actions to establish MLC Limited as a standalone entity, including the provision of transitional services, as well as support for data migration activities and the development of technology systems. As this work is yet to be completed, there is a risk that implementation costs may ultimately prove higher than anticipated. NAB may also be liable to MLC Limited or Nippon Life if it fails to perform its obligations in accordance with the agreements relating to these matters. If implementation costs are higher than expected, or if NAB fails to perform its obligations in accordance with the relevant agreements, there may be an adverse impact on the Group's financial performance and position.

7.2.2 Credit Risk

Credit risk is the risk that a customer will fail to meet its obligations to the Group in accordance with agreed terms. Credit risk arises from both the Group's lending activities and markets and trading activities.

7.2.2.1 The economic impact of COVID-19 is extremely uncertain, but it has increased credit risk across the Group's portfolio.

COVID-19 has created economic and financial disruptions that have adversely affected, and will continue to adversely affect, the Group's business, financial condition, liquidity and results of operations. The extent of these continuing negative effects will depend on future developments, which are highly uncertain and cannot be predicted. Increased credit risk can result in both an increase in losses when customers default on their loan obligations and higher capital requirements through an increase in the probability of default.

The global economy is predicted to contract in 2020, due in large part to measures implemented to address COVID-19. Various regions in several countries have been forced to reintroduce measures to control fresh outbreaks, highlighting the high degree of uncertainty to the outlook. The functioning of financial markets in many countries has also been impaired by increased volatility and negative investor sentiment, adding to the risk of a larger and longer economic downturn. This may create credit risk for the Group, both in the short and long-term.

In Australia and globally, measures to control the spread of COVID-19, including restrictions on public gatherings, business closures and travel and trade restrictions have had, and may continue to have, a substantial negative impact on economic and business activity due to a range of factors including reduced trade flows and lower commodity prices. Certain sectors, including discretionary retail, hospitality, commercial property and air travel, have experienced, or are expected to experience, significant financial stress. This includes a heightened risk of corporate and business bankruptcies, a rise in unemployment and an increase in household financial stress. This combination of factors has introduced additional credit risk for the Group.

There is a continuing risk that the economic consequences of COVID-19,

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including supply disruptions caused by global and domestic containment efforts, may become more severe and far-reaching across the economy, leading to a more widespread downturn in business and economic activity. This would likely result in a significant loss of revenue for many businesses across a wide range of industry sectors, in turn potentially leading to further increased unemployment and customer defaults. The Group's commercial property, air travel, discretionary retail, tourism and hospitality portfolios would be significantly impacted in such a scenario, as would the Group's exposure to households, given the potential for higher unemployment to coincide with lower house prices.

Some of the Group's assets and liabilities comprise financial instruments that are carried at fair value, with changes in fair value recognised in the Group's income statement. Recent market declines and increased volatility could negatively impact the value of such financial instruments and cause the Group to incur losses.

Globally, governments (including Australia and New Zealand) have introduced fiscal stimulus packages to counter the negative impacts of the current economic downturn. The unwinding of these stimulatory policies presents downside risk to economies in the near-term, with the potential to exacerbate existing negative effects on businesses and households. In the longer term, governments may take measures to address the additional debt burden generated by these policies. The extent to which these packages mitigate and/or defer the economic impact, including any credit losses the Group may incur, is uncertain.

In response to COVID-19, the Group has established a range of accommodations and measures designed to support its personal and business customers. The decision by the Group to provide customers impacted by the COVID-19 pandemic the option of suspending

or deferring certain loan repayments may lead to an increase in the level of credit risk related losses. These accommodations and measures, while supporting the Group's customers, may result in the Group assuming a greater level of risk than it would have under ordinary circumstances. This in turn may have a negative impact on the Group's business, results of operations, financial condition and prospects and may negatively impact the Group's net interest margin. As these accommodations and measures are scaled back or potentially removed, there may be a further increase in the credit risks facing the Group, as well as a negative impact on customer sentiment towards the Group and the banking sector generally. In the longer term, asset values may start to deteriorate if a large proportion of retail and business customers liquidate their investments, either during, or immediately after, the crisis or due to a decrease in demand for these assets. In both scenarios loan-to-value ratios are expected to be impacted.

The duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy remain unclear. Even after the pandemic subsides, the Australian economy, as well as most other major economies, may continue to experience a recession and unemployment may rise further. A prolonged recession in Australia and other major regions has the potential to negatively impact debt servicing levels, increase customer defaults and materially adversely impact the Group's financial performance and position, and its profitability.

7.2.2.2 A decline in property market valuations may give rise to higher losses on defaulting loans.

Lending activities account for most of the Group's credit risk. The Group's lending portfolio is largely based in Australia and New Zealand. Residential housing loans and commercial real estate loans constitute a material component of the Group's total gross

loans and acceptances. The social and economic impacts of the spread of COVID-19 and the measures in place to control it, have the potential to drive a material decline in residential property prices due to, among other things, increased unemployment in Australia and New Zealand. The full negative impact of the COVID-19 pandemic may be delayed, in part, by governmental support measures and other actions that the Group and other financial institutions have taken, for example permitting loan payment deferrals in certain cases. In addition, there are a number of other potential factors in the medium term that may drive reductions in residential property prices. These factors include regulatory changes which may impact the availability of credit, reduced immigration and overseas investment, changes to taxation policy and rising unemployment. If these factors materialise, the declining value of the residential property used as collateral (including in business lending) may give rise to greater losses to the Group resulting from customer defaults, which, in turn, may impact the Group's financial performance and position, profitability and returns to investors. The most significant impact is likely to be experienced by residential mortgage customers in high loan-to-value-ratio brackets. This risk could be further compounded by a more severe downturn.

7.2.2.3 Adverse business conditions in Australia and New Zealand, particularly in the agriculture sector, may give rise to increasing customer defaults.

The Group has a large market share among lenders to the Australian and New Zealand agricultural sectors, particularly the dairy sector in New Zealand. Volatility in commodity prices, milk prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions and supply chain constraints, extreme weather events, increasing weather

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volatility and longer-term changes in climatic conditions arising from climate change, may negatively impact these sectors. This may result in increased losses to the Group from customer defaults, and ultimately may have an adverse impact on the Group's financial performance and position.

7.2.2.4 Climate change and extreme climate patterns may lead to increasing customer defaults and may decrease the value of collateral.

Credit risk may arise as a result of climate change, including from:

- Extreme weather, increasing weather volatility and longer-term changes in climatic conditions affecting property and asset values or causing customer losses due to damage, existing land use ceasing to be viable, and/or interruptions to business operations and supply chains.
- The effect of new laws, regulations and government policies designed to mitigate climate change.
- The impact on certain customer segments as the economy transitions to renewable and low-emissions technology.

This may lead to increased levels of customer default in affected business sectors. The impact of this on the Group may be exacerbated by a decline in the value and liquidity of assets held by the Group as collateral in these sectors, which may impact the Group's ability to recover its funds when loans default.

For example, parts of Australia are prone to, and have recently experienced, physical climate events such as severe drought conditions and bushfires, notably over summer 2019/2020. The impact of these can be widespread, extending beyond primary producers to customers who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities. Extreme weather events and long-term changes in climate across Australia may have similar

impacts on other business sectors. Decreasing investor appetite and customer demand for carbon intensive products and services may give rise to transition risks and negatively impact revenue and access to capital for some businesses. These physical and transition risk impacts may increase current levels of customer defaults, thereby increasing the credit risk facing the Group and adversely impacting the Group's financial performance and position, profitability and returns to investors.

7.2.2.5 The Group's losses may differ materially from its provisions, which may impact its financial performance and position.

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

7.2.2.6 The Group may be adversely impacted by macro-economic and geopolitical risks and financial market conditions which pose a credit risk.

The majority of the Group's businesses operate in Australia and New Zealand, with branches currently located in Asia, the UK and the US. Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts most relevant for the Group in Australia and New Zealand, but also in the global locations in which the Group operates.

Domestic and international economic conditions and forecasts are influenced

by a number of macro-economic factors, such as: economic growth rates; cost and availability of capital; central bank intervention; inflation and deflation rates; level of interest rates; yield curves; market volatility; and uncertainty. Deterioration in any of these factors may lead to the following negative impacts on the Group:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions, including NAB's high-quality liquid asset portfolios.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

Economic conditions may also be negatively impacted by climate change and major shock events, such as natural disasters, epidemics and pandemics (such as the ongoing COVID-19 pandemic), war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

The following macro-economic and financial market conditions are currently of most relevance to the credit risk facing the Group, and may give rise to slower revenue growth and/or increasing customer defaults:

- Central banks, including the RBA and the RBNZ, eased monetary policy and provided liquidity to markets in response to COVID-19 related economic downturn, with advanced economies essentially exhausting their conventional policy measures (with the RBA cutting the cash rate to

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0.1% in November 2020). Any further policy easing may involve additional asset purchases (quantitative easing) or other unconventional policy tools that may adversely affect the Group's cost of funds, the value of the Group's lending and investments, and margins. Policy easing would be expected to reduce short-term downside risks to growth, but has the potential to build on existing imbalances in various asset classes and regions. Policy easing may also reduce the impetus for highly geared borrowers to deleverage thereby increasing the credit risk posed to the Group by these highly geared customers.

- As a key trading partner, China's economic growth is important to Australia and New Zealand, with export income and business investment exposed to any sharp slowdown in the rapid pace of Chinese economic growth. Following the negative economic impact of COVID-19 countermeasures in the first quarter of 2020, China's economy is expected to record its weakest growth in 2020 since 1976. China's high and growing debt burden presents a risk to its medium-term growth prospects. Political tensions between the Australian and Chinese governments have increased in recent years. Due to its export mix, Australia's economy is exposed to any sudden downturn in China's domestic investment in business, infrastructure or housing, as well as changes to trade policy (as exhibited by trade restrictions on a range of commodities including coal, barley, beef and wine). This may have a negative impact on the Group's customers who are exposed to these sectors and may give rise to increasing levels of customer defaults.
- Phase One of the 'Economic and Trade Agreement Between the United States of America and the People's Republic of China' (Phase

One Agreement) was signed in January 2020. Despite this, the bulk of the tariffs imposed by both countries remain in place and continuing trade and other tensions remain which present additional uncertainty and pose risks to global economic growth. Although China is the primary target of US trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. A number of East Asian economies are major trading partners of Australia and New Zealand, and accordingly a negative impact on their economies may increase the credit risk facing the Group.

- Geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. An increasing fragmentation of, and a rise in populism in, many major democratic economies have led to difficulties in policy implementation and an increase in anti-globalisation sentiment. Protests in Hong Kong during 2019 and 2020 highlight increased global political tensions with the Hong Kong Special Administrative Region and the People's Republic of China. As the UK and European Union have yet to agree on the terms of their relationship post the current transition period, the prospect of an economically damaging 'hard' Brexit remains a risk. In addition, there are a range of other geopolitical risks, particularly given the ongoing uncertainty around the Middle East, the Korean Peninsula and the South China Sea.
- As commodity exporting economies, Australia and New Zealand are exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax

receipts and exchange rates. Previous sharp declines in commodity prices in Australia and New Zealand were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and given the Group's sizeable exposures to commodity producing and trading businesses, this volatility poses a significant source of credit risk to the Group.

7.2.3 Market Risk

The Group may suffer losses as a result of a change in the value of the Group's positions in financial instruments or their hedges due to adverse movements in market prices. Adverse price movements impacting the Group may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices, in particular during periods of heightened market volatility or reduced liquidity. Since March 2020, global financial markets have become more volatile due to the impact of COVID-19. The full economic impact of COVID-19 remains uncertain.

7.2.3.1 The Group is exposed to market risk.

Credit spread risk is the risk of the Group's trading book being exposed to movements in the value of securities and derivatives as a result of changes in the perceived credit quality of the underlying company or issuer. Credit spread risk accumulates in the Group's trading book when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). The Group may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e. quoting buy and sell prices to customers) in fixed income securities. The Group's trading book is also exposed to credit spread risk through credit valuation

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adjustments. A widening of credit spreads could negatively impact the value of the Credit Valuation Adjustment.

Interest rate risk is the risk to the Group's financial performance and capital position caused by changes in interest rates. The Group's trading book is exposed to changes in the value of securities and derivatives as a result of changes in interest rates. The Group's trading book accumulates interest rate risk when the Group provides interest rate hedging solutions for customers, holds interest rate risk in anticipation of customer requirements or undertakes market-making activity in fixed income securities or interest rate derivatives.

The occurrence of any event giving rise to a material trading loss may have a negative impact on the Group's financial performance and financial position.

Balance sheet and off-balance sheet items can create an interest rate risk exposure within the Group. As interest rates and yield curves change over time, including negative interest rates in certain countries in which the Group operates, the Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of the Group's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced as interest rates approach zero or become negative, thereby impacting the Group's net interest margin.

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

The Group's ownership structure includes investment in overseas subsidiaries and associates which gives

rise to foreign currency exposures, including through the repatriation of capital and dividends. The Group's businesses may therefore be affected by a change in currency exchange rates, and movements in the mark-to-market valuation of derivatives and hedging contracts.

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

7.2.4. Funding, Liquidity and Capital Risk

7.2.4.1 The Group is exposed to funding and liquidity risk.

Funding risk is the risk that the Group is unable to raise short and long-term funding to support its ongoing operations, strategic plans and objectives. The Group accesses domestic and global capital markets to help fund its business, in addition to using customer deposits. Dislocation in capital markets, reduced investor interest in the Group's securities and/or reduced customer deposits, may adversely affect the Group's funding and liquidity position, increase the cost of obtaining funds or impose unfavourable terms on the Group's access to funds, constrain the volume of new lending, or adversely affect the Group's capital position.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operational expenses and taxes. The Group must also comply with prudential and regulatory liquidity obligations across the jurisdictions

in which it operates. Any significant deterioration in the Group's liquidity position may lead to an increase in the Group's funding costs, constrain the volume of new lending, result in the Group drawing upon its committed liquidity facility with the RBA or cause the Group to breach its prudential or regulatory liquidity obligations. This may adversely impact the Group's reputation and financial performance and position.

7.2.4.2 The Group's capital position may be constrained by prudential requirements.

Capital risk is the risk that the Group does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of the Group's financial strength. It supports an ADI's operations by providing a buffer to absorb unanticipated losses from its activities.

The Group must comply with prudential requirements in relation to capital across the jurisdictions in which it operates. Compliance with these requirements and any further changes to these requirements may:

- Limit the Group's ability to manage capital across the entities within the Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the Group to raise more capital (in an absolute sense) or raise more capital of higher quality.
- Restrict balance sheet growth.

In response to the impacts of COVID-19, APRA has outlined its expectations for ADIs in relation to the payment of dividends during this period of disruption. In its July 2020 guidance, APRA advised banks to maintain caution in planning capital distributions. Specifically, APRA expects that ADIs will retain at least half their earnings in 2020 and actively use other capital management initiatives.

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In addition, RBNZ has prohibited the payment of dividends on ordinary shares by New Zealand incorporated registered banks and has stated that those banks should not redeem non-Common Equity Tier 1 (“CET1”) capital instruments (other than on a stated final maturity date), until the economic outlook has sufficiently recovered, which prevents NAB’s New Zealand subsidiary, BNZ, from paying dividends, which has a negative impact on the Group’s Level 1 CET1 capital ratio. These restrictions are expected to remain in place until at least 31 March 2021. Additionally, if the information or the assumptions upon which the Group’s capital requirements are assessed prove to be inaccurate, this may adversely impact the Group’s operations, financial performance and financial position.

7.2.4.3 A significant downgrade in the Group’s credit ratings may adversely impact its cost of funds and capital market access.

Credit ratings are an assessment of a borrower’s creditworthiness and may be used by market participants in evaluating the Group and its products, services and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for the Group, or sovereign jurisdictions where the Group conducts business. Credit ratings may be affected by operational and market factors, or changes in the credit rating agency’s rating methodologies.

A downgrade in the credit ratings or outlook of the Group, the Group’s securities, or the sovereign rating of one or more of the countries in which the Group operates, may increase the Group’s cost of funds or limit access to capital markets. This may also cause a deterioration of the Group’s liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the

Group’s credit ratings relative to peers may also adversely impact the Group’s competitive position and financial performance and position.

7.2.4.4 The Group may fail to, or be unable to, sell down its underwriting risk.

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

7.2.5. Operational Risk

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

There are reputational implications inherent in the Group operations due to the range of customers, products and services the Group provides and the multiple markets and channels these products and services are delivered through.

The Group’s workforce has been and may continue to be impacted by COVID-19. The Group takes all reasonable steps to protect its colleagues and customers. However, there is no certainty that all the precautions the Group has taken to protect its colleagues and customers will be adequate or appropriate. It is difficult to predict the extent to which each colleague’s ability to provide customer support and service and maintain their own health will be affected over an extended period.

7.2.5.1 Disruption to technology may adversely impact the Group’s reputation and operations.

Most of the Group’s operations depend on technology, and therefore the reliability, resilience and security of the Group’s (and its third-party vendors’) information technology systems and infrastructure are essential to the effective operation of its business and consequently to its financial performance and position. The reliability and resilience of the Group’s technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose the Group to changing operational scenarios.

Any disruption to the Group’s technology (including disruption to the technology systems of the Group’s external providers) may be wholly or partially beyond the Group’s control and may result in operational disruption; regulatory enforcement actions; customer redress; litigation; financial losses; theft or loss of customer data; loss of market share; loss of property or information; or may adversely impact the Group’s speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect the Group’s reputation, including the view of regulators or ratings agencies, which may result in loss of customers, a reduction in share price, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for the Group and negatively impact the Group’s reputation.

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7.2.5.2 Privacy, information security and data breaches may adversely impact the Group's reputation and operations.

The Group processes, stores and transmits large amounts of personal and confidential information through its technology systems and networks. Threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated.

Although the Group invests in protecting the confidentiality and integrity of this information, the Group may not always be able to anticipate a security threat, or be able to implement effective information security policies, procedures and controls to prevent or minimise the resulting damage. The Group uses select external providers (in Australia and overseas) to process and store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure.

A breach of security at any of these external providers or within the Group may result in operational disruption, theft or loss of customer data, a breach of privacy laws, regulatory enforcement actions, customer redress, litigation, financial losses, or loss of market share, property or information. This may be wholly or partially beyond the control of the Group and may adversely impact its financial performance and position.

In addition, any such event may give rise to increased regulatory scrutiny or adversely affect the view of ratings agencies. Social media and responses to the relevant event may exacerbate the impact on the Group's reputation.

7.2.5.3 Deficient policies, processes, controls, infrastructure and models give rise to a significant risk to the Group's operations.

The Group's business involves the execution of many processes and transactions with varying degrees of

complexity. The Group is reliant on its policies, processes, controls and supporting infrastructure functioning as designed, along with third parties appropriately managing their own operational risk and delivering services to the Group as required. A failure in the design or operation of these policies, processes, controls and infrastructure, failure of the Group to manage external service providers, or the disablement of a supporting system all pose a significant risk to the Group's operations and consequently its financial performance and reputation.

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

7.2.5.4 The Group is exposed to the risk of human error.

The Group's business, including the internal processes and systems that support in business decisions, relies on inputs from its employees, agents and third-party vendors. The Group is exposed to operational risk due to process or human errors including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. The Group uses select external providers (in Australia and overseas) to provide services to the Group and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

7.2.5.5 The Group may not be able to attract and retain suitable personnel.

The Group is dependent on its ability to attract and retain key executives, colleagues and Board members with a deep understanding of banking and technology, who are qualified to execute the Group's strategy, as well as the technology transformation the Group is undertaking to meet the changing needs of its customers. Weaknesses in employment practices, including diversity, discrimination and workplace health and safety, are sources of operational risk that can impact the Group's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability.

The Group's capacity to attract and retain key personnel is dependent on its ability to design and implement effective remuneration structures. This process may be constrained by regulatory requirements (particularly in the highly regulated financial services sector), as well as investor expectations, which may be somewhat disparate.

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact the Group's ability to operate effectively and efficiently, or to meet the Group's strategic objectives.

7.2.5.6 External events may adversely impact the Group's operations.

Operational risk can arise from external events such as biological hazards, climate change, natural disasters or acts of terrorism.

External events include epidemics or pandemics, such as the outbreak of COVID-19, which has interrupted the usual operations of the Group, its customers and suppliers. This disruption has resulted in the activation of the Group's Crisis Management Team and implementation of the

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Group's continuity plan to protect the health, safety and well-being of its customers and colleagues. The steps taken include alternate work locations and arrangements being implemented for Group colleagues, a decreased reliance on property infrastructure, and an increased reliance on mobile technology and business process changes to support customers, colleagues and suppliers and ensure continuity of the Group's business operations. These operational changes could lead to direct financial loss or impact the Group's ability to operate effectively and efficiently. No assurance can be given that the steps being taken will be adequate nor can the Group predict the level of further disruption which may occur.

The Group is monitoring the situation closely as the domestic and global business environment changes and it is unclear how this will evolve or for how long the Group will continue to operate under its continuity plan. Other epidemics or pandemics may arise in future which may again activate a crisis response causing disruption to the Group's operations.

The Group has branches in regional areas in Australia that are prone to seasonal natural disasters, including fires and floods.

In addition, the Group has branches and office buildings in New Zealand, which have experienced significant earthquakes and aftershocks in recent years, and which may be exposed to the risk of future earthquakes.

Given the Group's physical presence in major cities in Australia, New Zealand and other countries where it has, or is intending to establish, offshore operations, it may also be exposed to the risk of a terrorist attack.

External events such as extreme weather, natural disasters, biological hazards and acts of terrorism may cause property damage and business disruption, which may adversely impact the Group's financial performance. In addition, if the Group is unable to manage the impacts of such external events, it may lead to reputational

damage and compromise the Group's ability to provide a safe workplace for its personnel.

The environment the Group is operating in has become more complex and more uncertain and could create operational risks that are yet to be identified.

7.2.6. Compliance Risk

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives.

7.2.6.1 The Group may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime.

Supervision, regulation and enforcement of anti-bribery and corruption, anti-money laundering, counter-terrorism financing, and international sanctions laws (collectively referred to as "AML/CTF") has increased. In June 2018, Australia's financial intelligence agency, the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), reached an agreement with another major Australian bank for a A\$700 million penalty relating to serious breaches of AML/CTF laws. In September 2020, AUSTRAC and a different major Australian bank agreed to the Australian bank paying a civil penalty of A\$1.3 billion in relation to proceedings alleging significant breaches of AML/CTF laws.

The Group has reported a number of AML/CTF compliance breaches to relevant regulators and has responded to a number of requests from regulators requiring the production of documents and information. The Group is currently investigating and remediating a number of AML/CTF compliance issues and weaknesses and should further breaches be identified, the Group would expect to report those to regulators in accordance with its normal processes.

The potential outcome and total costs associated with the investigations and remediation processes for specific issues identified to date, and for any issues identified in future, remain uncertain. A negative outcome to any investigation or remediation process may adversely impact the Group's reputation, business operations, financial position and results.

Further, given the large volume of transactions that the Group processes, the undetected failure of internal AML/CTF controls, or the ineffective implementation or remediation of compliance issues, could result in a significant number of breaches of AML/CTF obligations and significant monetary penalties for the Group.

Refer to 'Notes to the Financial Statements', Note 30 *Contingent liabilities and credit commitments* on page 170 in the 2020 Annual Financial Report under the heading '*Regulatory activity, compliance investigations and associated proceedings – Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) program uplift and compliance issues*' for more information.

7.2.6.2 Ensuring compliance with laws and regulations that apply to the Group is complex and costly.

The Group is highly regulated and subject to various regulatory regimes which differ across the jurisdictions in which it operates, trades and raises funds.

Ensuring compliance with all applicable laws is complex. There is a risk the Group will be unable to implement the processes and controls required by relevant laws and regulations in a timely manner, or that the Group's internal controls will prove to be inadequate or ineffective in ensuring compliance. There is also a potential risk of misinterpreting new or existing regulations. Any failure to comply with relevant laws and regulations may have a negative impact on the Group's reputation and financial performance and position, and may give rise to class

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actions, regulatory enforcement or litigation.

In addition, there is significant cost associated with the systems, processes, controls and personnel required to ensure compliance with applicable laws and regulations. Such costs may negatively impact the Group's financial performance and position.

7.2.6.3 Failure to comply with laws or regulatory requirements may expose the Group to class actions.

There have been a number of domestic and international firms facing high profile regulatory enforcement actions for alleged instances of non-compliance with laws or regulatory requirements. In some cases, class actions have been brought in respect of the matters that these enforcement actions relate to.

In particular, class actions have been commenced against the Group in respect of two matters that were referred to APRA by the Royal Commission, regarding the conduct of the Group's superannuation trustee, NULIS Nominees (Australia) Ltd ("**NULIS**"). In October 2019, litigation funder Omni Bridgeway (formerly IMF Bentham) and William Roberts Lawyers commenced a class action against NULIS alleging breaches of NULIS's trustee duties relating to the maintenance of grandfathered commissions following a successor fund transfer in 2016. In January 2020, Maurice Blackburn commenced a class action against NULIS and MLC Nominees Limited alleging breaches of trustee obligations in connection with the speed of the transfer of members' accrued default amounts to the MySuper product. The potential outcome and total costs associated with these matters remain uncertain.

NAB is also involved in class action proceedings in the UK with respect to the sale of tailored business loans through its former UK subsidiary, and it has been involved in class action litigation in the US in respect of

alleged conduct relating to the Bank Bill Swap Reference Rate ("**BBSW**"), alongside other major Australian and international banks. In February 2020, all claims against NAB in relation to the BBSW matter were dismissed but this decision could potentially be appealed or reconsidered. Refer to 'Notes to the Financial Statements', Note 30 *Contingent liabilities and credit commitments* on page 169 in the 2020 Annual Financial Report under the heading 'Legal proceedings' for more information.

It is possible that class actions may arise against members of the Group in relation to allegations of which the Group is currently aware or other matters of which it is not yet aware. Any class action may impact the Group's reputation, divert management time from operations and affect the Group's financial performance and position, profitability and returns to investors.

7.2.6.4 The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect.

Preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. A higher degree of judgement is required for the estimates used in the calculation of provisions (including for customer-related remediation and other regulatory matters), the determination of income tax, the valuation of financial assets and liabilities (including fair value and credit impairment of loans and advances), the valuation of goodwill and intangible assets, and the presentation of discontinued operations. Changes in the methodology or assumptions on which the assessment of goodwill and intangible balances is based, together with expected changes in future cash flows (including changes flowing

from current and potential regulatory reforms), could result in the potential write-off of a part or all of that goodwill or intangible balances.

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

7.2.6.5 The Group may be exposed to litigation and contingent liabilities.

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

Following an investigation into payments of both current and former Australian colleagues, a review has identified a range of potential payroll under and over payments issues. A remediation program has been established and provisions have been taken but the final outcome and total costs associated with this matter remain uncertain.

There are also a number of ongoing regulatory investigations and court proceedings involving the Group. These include matters relating to: the provision of financial advice; the inappropriate charging of fees for services; selling practices and advice in relation to consumer credit insurance products. Where appropriate, provisions are held for litigation matters, regulatory and internal investigations based on a number of assumptions derived from a combination of past experience, forecasts, industry comparison and the exercise of subjective judgement based on (where appropriate) external professional advice. As with other accounting judgements, risks and uncertainties remain in relation to

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these assumptions and the ultimate costs of redress to the Group. There is inherent uncertainty regarding the possible outcome of any court proceedings involving the Group. It is also possible that further class actions, regulatory investigations, civil or criminal proceedings or the imposition of new licence conditions could arise in relation to these matters or other matters of which the Group is not yet aware.

Certain of these regulatory investigations and proceedings relate to matters examined or commented on by the Royal Commission. In particular, ASIC commenced civil proceedings against members of the Group in relation to two issues that were examined by the Royal Commission. The first concerned NAB's 'Introducer Program', in respect of which ASIC alleged that NAB engaged in credit activities with unlicensed persons in contravention of the National Consumer Credit Protection Act 2009 (Cth). On 19 October 2020, the Federal Court delivered its judgment in relation to this matter, imposing a civil penalty of A\$15 million on NAB. The second relates to alleged breaches in respect of ongoing service arrangements and fee disclosure statements, with clients of NAB Financial Planning between 2013 and 2019. A Statement of Agreed Facts and Admissions was filed in October 2020, with NAB agreeing certain contraventions of the fee disclosure regime, some liability for misleading or deceptive conduct and false or misleading representations, as well as breaches of financial services laws. The potential outcome and total costs associated with this matter remains uncertain.

A negative outcome to regulatory investigations or litigation involving the Group may divert management time from operations and adversely impact the Group's reputation, and financial performance and position. Refer to 'Notes to the Financial Statements', Note 30 *Contingent liabilities and credit commitments* on pages 167-173 in the 2020 Annual Financial Report

for details in relation to certain legal proceedings and contingent liabilities which may impact the Group.

7.2.7. Conduct Risk

Conduct risk is the risk that any action of the Group, or those acting on behalf of the Group, will result in unfair outcomes for any of the Group's customers.

7.2.7.1 The Group is heavily reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way.

Organisational culture can greatly influence individual and group behaviours which can expose an organisation and lead to unfair customer outcomes. The behaviours that could expose the Group to conduct risk include:

- Selling, providing or unduly influencing customers to purchase or receive products or services that may not meet their existing needs or that place the customer at risk of future hardship.
- Being a party to fraud.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in the customers' interests.
- Delays in appropriately escalating regulatory and compliance issues.
- Failure to resolve issues and remediate customers in a timely manner.
- Failure to deliver on product and service commitments.
- Failure to remediate business processes and stop reoccurrence in a timely manner.

In addition, events such as COVID-19, can result in rapid changes to the internal and external business environment and subsequent changes to business processes to support customers. This may impact both the likelihood and the consequence of unfair outcomes to customers, including through decisions and

actions where the trade-offs or tail risks may not be immediately apparent or quantifiable. The Group is making significant efforts to support its customers in an appropriate way during the COVID-19 pandemic including through regular customer communication and redeployment of colleagues into customer-facing roles. However, no assurance can be given that the steps being taken will not have unintended consequences in the future or that they will meet the future expectations of the Group's regulators. The Group cannot predict the level of further disruption which may occur.

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

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

A failure of the Group's conduct controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact the Group's reputation, financial performance and position, profitability, operations and returns to investors.

7.2.8. Regulatory Risk

Regulatory risk is the risk of failing to identify or appropriately respond to changes to the regulatory environment or of damaging the Group's standing with its regulators as a result of

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the Group not meeting regulatory expectations.

7.2.8.1 Extensive regulatory change poses a significant risk to the Group.

Globally, the financial services and banking industries are subject to a significant and increasing level of regulatory reviews and political scrutiny, including in Australia, New Zealand and other countries where the Group has, or is intending to establish, offshore operations. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond the Group's control, and may not be harmonised across the jurisdictions in which the Group operates.

Regulatory change may result in significant capital and compliance costs, changes to the Group's corporate structure and increasing demands on management, colleagues and information technology systems. This may also impact the viability of the Group's participation in certain markets or require the divestment of a part of the Group's business.

The Royal Commission made a considerable number of recommendations. The Australian Government has committed to take action on all of the recommendations and has announced further commitments to address issues raised in the final report of the Royal Commission. Some commitments have been actioned by the Australian Government and regulators, and others are in progress or subject to consultation. The Australian Government has also committed to an accelerated timeframe for introducing the legislative changes required to give effect to the recommendations, although it has deferred the implementation of these commitments for six months as a result of the regulatory challenges created by COVID-19. These legislative and regulatory changes are likely to impact the operations of the Group as considerable resources will be required

to be redirected towards the timely implementation of such changes. The challenges may be exacerbated given the redirection of resources required to address customer needs through the COVID-19 pandemic and the possible detrimental impact on the Group's ability to embed regulatory change. The timeframe for implementation combined with the complexities created by the COVID-19 pandemic may increase the risk associated with the timely implementation of these changes.

Further inquiries and regulatory reviews impacting the financial services industry may be commissioned by the Australian and New Zealand Governments, which, depending on their scope, findings and recommendations, may adversely impact the Group.

Other reviews and regulatory reforms currently relevant to the Group which present a potential regulatory risk include:

- APRA's various reforms in relation to loss-absorbing capacity. These include the requirement, due to be implemented by 1 January 2024, that D-SIBs such as NAB, increase total capital by 3% of risk weighted assets ("RWA"). This is expected to be satisfied primarily through the issue of additional Tier 2 Capital. In addition, APRA intends to consult on a target of additional capital amounting to a further 1-2% of RWA. The Group's funding costs are expected to increase due to the higher cost of Tier 2 Capital issuance relative to senior debt.
- APRA's final revisions to the credit risk management framework for ADIs (released in December 2019) include broadening requirements for credit risk management practices; revising credit standards; and aligning asset classification and provisioning with the Basel Committee on Banking Supervision's recent accounting standard changes and guidance; although noting that APRA has deferred the commencement date

to 1 January 2022 in response to COVID-19.

- The RBNZ released its capital requirements for New Zealand banks in December 2019. The final capital requirements include: an increase to RWA for internal ratings based banks such as NAB's subsidiary, BNZ, to approximately 90% of what would be calculated under the standardised approach; an increase in the CET1 capital requirement equal to 13.5% of RWA (including a prudential capital buffer of 9% of RWA) for banks deemed systemically important (which includes BNZ); an increase in the Tier 1 capital requirement equal to 16% of RWA for banks deemed systemically important; and an increase in the Total Capital requirement equal to 18% of RWA for banks deemed systemically important. Due to significant uncertainties arising from the impacts of COVID-19, the RBNZ has delayed the start of the new capital requirements to 1 July 2022, after which it is expected that the changes will be phased in over a seven-year period. Some aspects of the framework (including the detailed regulatory requirements to be included in the capital standards) are still to be confirmed in consultations expected to take place in 2021. It also remains unclear the extent to which APRA will incorporate aspects of the RBNZ's capital requirements as part of its review of the Australian capital framework. The ultimate impact on the Group will depend on various factors, including BNZ's balance sheet size over the implementation period, and the potential mitigating actions undertaken.
- The major Australian banks (including NAB) have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020, although noting the temporary suspension of these requirements in response to COVID-19. APRA has recently confirmed its intention to restart public consultations on select

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policy reforms, including in relation to ADI capital reform, although the implementation of revised prudential standards in relation to the risk-weighting framework and other capital requirements has been suspended until at least 1 January 2023. Implementation of these requirements may require the Group to hold additional capital. In addition, regulators in a number of countries in which NAB operates are recommending limits on, or restrictions to, capital distributions as a result of COVID-19.

- In 2018 and 2019, the New Zealand Financial Markets Authority and RBNZ undertook a review of conduct and culture in the financial services industry. Alongside industry-wide recommendations released as a result of the review, further specific findings were provided to individual New Zealand banks (including BNZ) in November 2018. The review led to the New Zealand Government introducing the Financial Markets (Conduct of Institutions) Amendment Bill to the New Zealand Parliament in December 2019 to create an oversight and licensing regime for regulating conduct in the banking, non-bank deposit taking and insurance sectors. The bill was initially expected to be passed by the end of 2020, but this timeframe may be delayed as a result of COVID-19.
- The Australian Banking Executive Accountability Regime (“**BEAR**”) applies to the Group. On 22 January 2020, the Australian Government Treasury released its proposal paper on a new Financial Accountability Regime (“**FAR**”). This regime has been developed in response to a number of Royal Commission recommendations and is intended to extend and replace BEAR. The FAR legislation was initially expected to be introduced by the end of 2020 (although implementation may be phased), and is likely to include new prescribed responsibilities, additional accountability obligations,

and increased maximum civil penalties for the Group and its accountable persons. The timeframe for implementation of FAR may be delayed as a result of COVID-19.

- The Australian Government directed the Australian Competition and Consumer Commission (“**ACCC**”) to undertake an inquiry into home loan pricing. The ACCC is investigating a wide range of issues, including the rates paid by new and existing customers, impediments to customer switching, how the cost of financing for banks has affected interest rate decisions and the interaction between home loan pricing and rate-setting by the RBA. An interim report on this topic was provided to the Australian Government on 27 April 2020 and a final report on this topic is due to the Australian Government on 30 November 2020.
- Other material regulatory changes include new requirements for the design and distribution of financial products, responsible lending reforms, and the implementation of the Consumer Data Right (known as ‘Open Banking’). Open Banking’s regulatory timelines require significant changes to the Group’s operations and technology. There is a risk that the Group does not achieve compliance with the set milestones for the complete implementation of Open Banking. Open Banking may also lead to cyber and fraud risks in the Consumer Data Right ecosystem. Governance mechanisms including accountabilities, controls and frameworks are still evolving and, under the Open Banking regime, customer data will be shared with a broader range of stakeholders. The significant resources and management time required to implement Open Banking may also have a flow-on effect, impacting the Group’s timely implementation of other regulatory reforms.
- There are a number of other ongoing or proposed regulatory changes and inquiries relevant to the Group, such as changes to the

Group entities eligible for inclusion in the Level 1 group for prudential supervisory purposes; operational resilience; market abuse or conduct related regulations; changes to financial benchmarks; derivatives reform; replacement of the Reserve Bank of New Zealand Act 1989 (NZ); payments; data protection and privacy laws; data quality; competition inquiries; financial crime legislation; increasing modern slavery, climate and other sustainability risk related regulatory and reporting requirements, accounting and financial reporting requirements; and tax reform.

- Additionally, continued regulator focus on COVID-19 related impacts (such as loan deferrals) has resulted in temporary changes to a number of regulatory and associated regulatory reporting requirements.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known. The challenges raised by COVID-19 have caused a number of regulators to postpone or suspend planned policy and supervision initiatives, public consultations and the implementation dates of a number of regulatory reforms.

The impact of COVID-19 on the Group’s operations may result in delays in its ability to implement regulatory change. The extent of any delays will be dependent on how regulators choose to adjust the prioritisation, timing and deployment of their supervisory mandate or legislative change.

Depending on the specific nature of the regulatory change requirements and how and when they are implemented or enforced, they may have an adverse impact on the Group’s business, operations, structure, compliance costs or capital requirements, and ultimately its reputation, and financial performance and position.

SECTION SEVEN:

KEY RISKS OF NAB CAPITAL NOTES 5

7.2.8.2 There is a risk of the Group failing to deliver on commitments made to its regulators and to the public or otherwise damaging its relationship with regulators.

In response to the Royal Commission, the Group has made certain commitments to regulators and the public to change the way it operates. In November 2019, the Group published an update to the market on progress against actions related to self-assessment on governance, accountability and culture and recommendations arising from the Royal Commission. The Group provides periodic updates to regulators and the public on its progress in implementing these actions, recommendations from the Royal Commission or representations given to its regulators. The impact of COVID-19 may result in delays to the Group's delivery on any of these commitments.

If the Group does not deliver on the matters identified in its self-assessment, fails to deliver on its public commitments following the Royal Commission, or otherwise fails to comply with the representations or voluntary commitments it makes to the public or to its regulators, this may negatively impact the Group's reputation. Such reputational damage may adversely impact the Group's ability to attract and retain customers or colleagues in the short and long-term. It may also result in a higher risk premium being applied to the Group, and impact the cost of funding the Group's operations, or its financial performance and position.

7.2.8.3 The enforcement approach of the Group's principal regulators has changed, resulting in a greater risk of enforcement actions.

A number of measures were recommended by the Royal Commission to improve the effectiveness and oversight of ASIC and APRA in deterring, and imposing appropriate penalties for, misconduct. These included a recommendation for ASIC to change its approach to enforcement, with a focus on instigating court actions in relation to conduct matters where a breach of law is more likely than not, and the matter is in the public interest. Accordingly, the Group may be exposed to greater risk of enforcement action by its primary regulators ASIC and APRA, which may result in the imposition of civil or criminal penalties on the Group. The issuing of any such enforcement action, and any subsequent imposition of penalties, may negatively impact on the Group's reputation and financial performance and position.

SECTION EIGHT:

AUSTRALIAN TAXATION SUMMARY

Dear Directors

Australian tax consequences of investing in NAB Capital Notes 5

We have been instructed by National Australia Bank Limited (**NAB**) to prepare a tax summary for inclusion in the Prospectus dated on or about 16 November 2020 in relation to the offer of NAB Capital Notes 5, including a reinvestment offer which provides eligible holders of NAB Convertible Preference Shares II (**CPS II**) with the opportunity to reinvest the aggregate CPS II Redemption Price (\$100 per CPS II) for their CPS II in NAB Capital Notes 5.

1 Scope

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty consequences for Holders who are Australian tax residents, acquire NAB Capital Notes 5 through initial subscription under this Prospectus and who hold their NAB Capital Notes 5 on capital account for tax purposes (**Resident Holders**).

This summary does not consider the tax consequences which may arise for Holders who are in the business of trading in securities or otherwise hold NAB Capital Notes 5 as trading stock or revenue assets for tax purposes, or for any Holders who are non-residents for Australian tax purposes or Australian residents who hold NAB Capital Notes 5 through a permanent establishment outside Australia.

This summary is based on the Australian tax law and administrative practice in force as at the date of this Prospectus. It is necessarily general in nature and is not intended to be definitive or exhaustive of the issues that may arise for Holders. Accordingly, each Holder should seek their own tax advice that is specific to their particular circumstances.

The representatives of Greenwood & Herbert Smith Freehills involved in preparing this tax summary are not licensed to provide financial product advice. Accordingly, Greenwood & Herbert Smith Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of NAB Capital Notes 5. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Potential investors should also note that tax is only one of the matters that may need to be considered.

Unless otherwise defined, capitalised terms in this letter have the same meaning as in the Prospectus and the NAB Capital Notes 5 Terms.

Greenwood & Herbert Smith Freehills has given its consent to the inclusion of this letter in the Prospectus.

2 Anticipated Class Ruling – applicable to certain Holders

NAB has applied to the Australian Taxation Office (**ATO**) for a class ruling (**Class Ruling**) confirming certain tax consequences for Resident Holders. The Class Ruling will not become operative until it is published in the Government Gazette.

When issued, copies of the Class Ruling will be available for download from the ATO's website (www.ato.gov.au) and from NAB's website (www.nab.com.au).

It is expected that, when issued, the Class Ruling will:

- only be binding on the Commissioner of Taxation (**Commissioner**) if the Offer is carried out in the specific manner described in the Class Ruling;
- only apply to Holders who are Australian tax residents, acquire their NAB Capital Notes 5 by initial subscription under the Prospectus and hold them on capital account for tax purposes (i.e. Resident Holders, as defined above). Accordingly, the Class Ruling will not apply to Holders who hold their NAB Capital Notes 5 as trading stock or revenue assets or who are non-residents for Australian tax purposes;
- only rule on the tax laws as at the date the Class Ruling is issued;

- not consider the tax implications of a Redemption of NAB Capital Notes 5;
- not consider the tax treatment of Distributions received by partnerships or trustee investors;
- not consider the tax implications for Resident Holders for whom gains and losses from NAB Capital Notes 5 are subject to the taxation of financial arrangement (TOFA) rules in Division 230 of the Tax Act (see section 4.7 of this letter).
Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply; and
- not consider the tax implications of the Reinvestment Offer.

You should also be aware that the Class Ruling will not mean that the ATO guarantees or endorses the commercial viability of investing in NAB Capital Notes 5.

3 Tax consequences expected to be addressed in the Class Ruling

Subject to the exceptions noted below, it is expected that the following tax consequences for Resident Holders will be addressed in the Class Ruling.

3.1 Status of NAB Capital Notes 5 for tax purposes

Although not expected to be specifically addressed in the Class Ruling, NAB Capital Notes 5 should be characterised as non-share equity interests for Australian income tax purposes. This means that Distributions on the NAB Capital Notes 5 should be treated as “non-share dividends” that are frankable, as outlined in section 3.2 below.

The Class Ruling will confirm that NAB Capital Notes 5 are not “traditional securities” for tax purposes. The consequence of this is that gains and losses on NAB Capital Notes 5 for Resident Holders should be subject to the capital gains tax rules, as summarised further below, rather than being subject to the specific rules that apply to “traditional securities”.

3.2 Distributions and franking credits

Distributions paid on NAB Capital Notes 5 must be included in the assessable income of a Resident Holder.

Generally, provided they are a “qualified person” in relation to a Distribution (see section 4.1 below), a Resident Holder must also “gross-up” a Distribution – i.e. include the amount of any franking credits attached to the Distribution in their assessable income – and will be entitled to a tax offset for those franking credits.

To the extent that the tax offsets attributable to franking credits attached to Distributions exceed a Resident Holder’s income tax liability for an income year, the excess tax offset may be refundable to a Resident Holder that is an individual or a complying superannuation entity. A Resident Holder that is a company should not be entitled to a tax refund of any excess franking credits. Rather, although not expected to be addressed in the Class Ruling, any surplus franking credits may be converted to a tax loss which may be carried forward to future years (subject to satisfaction of certain tax loss carry forward rules).

Resident Holders who are not individuals, trustees of complying superannuation entities or companies should consider and seek advice on how they should be treated in relation to the taxation of Distributions. Such Resident Holders include exempt bodies and the trustees of trusts other than complying superannuation entities.

The Commissioner may apply anti-avoidance rules to deny the benefit of franking credits to Resident Holders in limited circumstances.

One such rule (in section 207-158 of the Tax Act) can apply when a franked distribution gives rise to a foreign income tax deduction for the issuer of certain types of equity instruments. However, following a recent retrospective legislative amendment to section 207-158, this provision should not apply to deny franking credits or tax offsets to Resident Holders in relation to Distributions on NAB Capital Notes 5.

It is anticipated that the Commissioner will not seek to apply any of the other anti-avoidance provisions in the tax law to deny the whole or any part of the imputation benefits received by Resident Holders in relation to Distributions.

3.3 CGT cost base and acquisition date for NAB Capital Notes 5

Each Resident Holder’s CGT cost base (or reduced cost base) for each NAB Capital Note 5 they acquire should include the \$100 Issue Price of the NAB Capital Note 5. Although not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) for each NAB Capital Note 5 may also include certain non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of NAB Capital Notes 5.

The cost base (or reduced cost base) will be relevant in determining a Resident Holder’s capital gain (or capital loss) on a subsequent disposal of NAB Capital Notes 5.

Each NAB Capital Note 5 will be taken to have been acquired by a Resident Holder on the date that the NAB Capital Notes 5 are issued to that Resident Holder (i.e. the Issue Date).

3.4 Conversion of NAB Capital Notes 5

Under specific capital gains tax provisions in the Tax Act dealing with convertible interests, any gain or loss that would arise for a Resident Holder on Conversion of their NAB Capital Notes 5 should be disregarded. The consequence of this is that the gain or loss on Conversion is effectively deferred, with a Resident Holder's cost base in the Ordinary Shares acquired on Conversion reflecting the pro-rata portion of the Resident Holder's cost base in their NAB Capital Notes 5.

For CGT purposes, Resident Holders will be taken to have acquired the Ordinary Shares on the date of the Conversion (and not on the Issue Date).

3.5 Conversion of NAB Capital Notes 5 into ordinary shares in a NOHC

In the event that an Approved NOHC becomes the ultimate holding company of the NAB Group, the NAB Capital Notes 5 Terms may be amended to substitute the Approved NOHC as the issuer of ordinary shares in the event of a Conversion of NAB Capital Notes 5.

Such an amendment to the NAB Capital Notes 5 Terms should not result in Resident Holders realising a capital gain or capital loss provided they do not receive any proceeds (and do not incur any incidental costs) as a result.

No capital gain or capital loss should arise for Resident Holders where, on a subsequent Conversion of NAB Capital Notes 5, they receive shares in the Approved NOHC (in substitution for Ordinary Shares in NAB), due to the specific rules in the Tax Act that deal with convertible interests. The consequence of this is that the gain or loss on Conversion is effectively deferred, with a Resident Holder's cost base in the Approved NOHC shares acquired on Conversion reflecting the Resident Holder's cost base in their NAB Capital Notes 5.

For CGT purposes, Resident Holders will be taken to have acquired the Approved NOHC shares on the date of the Conversion (and not on the Issue Date).

Resident Holders will be required to apportion their original cost base (or reduced cost base) for their NAB Capital Notes 5 across all of the Approved NOHC shares that they acquire on Conversion.

3.6 Writing Off

In certain circumstances, NAB Capital Notes 5 may be Written Off (rather than Converted) following a Loss Absorption Event.

Writing Off NAB Capital Notes 5 would involve a Resident Holder's rights under the NAB Capital Notes 5 being terminated for no consideration. A CGT event will happen for Resident Holders if NAB Capital Notes 5 are Written Off.

It is anticipated that the Class Ruling will confirm that, for the purposes of determining whether a Resident Holder makes a capital gain or capital loss from that CGT event happening on a Write Off, a Resident Holder will be taken to have nil capital proceeds, on the basis that they will receive no consideration and the NAB Capital Notes 5 will have a market value of nil at that time. Although not expected to be addressed in the Class Ruling, in that case, Resident Holders should make a capital loss equal to the reduced cost base of their Written Off NAB Capital Notes 5.

3.7 Resale

NAB may elect to Resell NAB Capital Notes 5 in certain circumstances. For each NAB Capital Note 5 subject to a Resale, a Resident Holder will be entitled to receive the Resale Price (which is equal to the Issue Price) from the Nominated Purchaser. A Resale will constitute a disposal of NAB Capital Notes 5 by the Resident Holder for CGT purposes. Accordingly, a Resident Holder may realise a capital gain or capital loss on such disposal to the extent that the Resale proceeds are greater or less than the Resident Holder's cost base or reduced cost base for the NAB Capital Notes 5.

Although not expected to be specifically addressed in the Class Ruling, if NAB Capital Notes 5 have been held for at least 12 months prior to the Resale a Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any capital gain arising on disposal, such that a percentage of the gain is not included in their assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50% for Resident Holders who are individuals and trusts and 33⅓% for Resident Holders that are complying superannuation entities.

Companies are generally not entitled to the CGT discount.

The Government has announced that “managed investment trusts” (MITs) and “attribution MITs” (AMITs) will not be entitled to the CGT discount at the trust level. This change was previously scheduled to apply from 1 July 2020, but has now been delayed and will instead apply for income years commencing on or after the date that is three months from the date of Royal Assent of the enabling legislation. While there can be no certainty at this time in relation to when this change will come into effect, the Government has indicated that it is committed to legislating this measure. Once this change comes into effect, 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. Investors should monitor any potential changes on an ongoing basis.

4 Other tax consequences for Resident Holders not expected to be addressed in the Class Ruling

The following tax consequences for Resident Holders are not expected to be addressed in the Class Ruling.

4.1 Qualification for franking credits on Distributions – “qualified person”

As noted in section 3.2 above, a Resident Holder is only required to “gross up” a Distribution for attached franking credits, and is only entitled to a tax offset, if the Resident Holder is a “qualified person” in relation to that Distribution.

A Resident Holder will be a “qualified person” if the “holding period” rule is satisfied in respect of the Distribution.

In relation to the holding period rule, where there are no “related payment” obligations, the “primary qualification period” applies with the consequence that a Resident Holder must have held NAB Capital Notes 5 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident Holder acquired the NAB Capital Notes 5 and ending on the 90th day after the date on which the NAB Capital Notes 5 became ex-Distribution.

Where a Resident Holder, or an associate, is under an obligation to make a “related payment” (essentially a payment passing on the benefit of the Distribution) in respect of a Distribution, the “secondary qualification period” applies with the consequence that a Resident Holder is required to hold NAB Capital Notes 5 “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which NAB Capital Notes 5 became ex-Distribution.

Alternatively, a Resident Holder who is an individual will automatically be taken to be a qualified person in relation to Distributions if the total amount of their franking tax offsets for an income year (from all sources) is \$5,000 or less, unless they are subject to the “related payments” rule.

In determining whether a Resident Holder has held their NAB Capital Notes 5 “at risk”, all “positions” in respect of NAB Capital Notes 5 must be taken into account in identifying the Resident Holder’s “net position”, to determine whether there has been a material diminution of risk. In this regard, the Resale facility will not represent a separate “position” in relation to NAB Capital Notes 5 and therefore will not affect a Resident Holder’s ability to satisfy the “at risk” requirement. It is anticipated that the Class Ruling will address this particular issue.

4.2 Sale of NAB Capital Notes 5

A sale of NAB Capital Notes 5 by a Resident Holder on the ASX will be a CGT event and give rise to a capital gain if the sale proceeds exceed the Resident Holder’s CGT cost base of the NAB Capital Notes 5. Conversely, a capital loss will result if the sale proceeds are less than the Resident Holder’s reduced cost base.

A Resident Holder (other than a company) may be entitled to CGT discount treatment for any capital gain, in the manner discussed in section 3.7 above.

4.3 Redemption of NAB Capital Notes 5

NAB may also elect to Redeem NAB Capital Notes 5 in certain circumstances, in which case NAB must pay a cash amount equal to the Face Value in respect of each NAB Capital Note 5.

Redemption of NAB Capital Notes 5 will be a CGT event and give rise to a capital gain if the capital proceeds exceed the Resident Holder’s CGT cost base of the NAB Capital Notes 5. Conversely, a capital loss will result if the capital proceeds are less than the Resident Holder’s reduced cost base.

The Redemption capital proceeds will be an amount equal to the Face Value of each NAB Capital Note 5, unless the market value of a NAB Capital Note 5 on the Redemption Date (as determined as if its Redemption had not occurred or been proposed) is greater or less than the Face Value. In that case, the greater or lesser market value amount will be deemed to be the capital proceeds of the Redemption, instead of the Face Value actually received.

The Redemption proceeds should not be treated as a dividend to the extent to which (as is expected to be the case) they are debited against an amount standing to the credit of NAB's non-share capital account.

A Resident Holder (other than a company) may be entitled to CGT discount treatment for any capital gain, in the manner discussed in section 3.7 above.

4.4 Pay-as-you-go withholding tax

Resident Holders may, if they choose, notify NAB of their TFN, ABN, or a relevant applicable exemption.

In the event that NAB is not so notified, NAB will, if required, withhold an amount at the highest marginal tax rate plus the Medicare levy from payments of Distributions on NAB Capital Notes 5. The rate of withholding is currently 47%.

4.5 Goods and services tax

Resident Holders should not be liable for GST in respect of acquiring NAB Capital Notes 5, or the disposal or Conversion of NAB Capital Notes 5.

Resident Holders who are registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with acquiring NAB Capital Notes 5 (e.g. advisory fees).

4.6 Stamp duty

Resident Holders should not be liable for stamp duty on the issue, sale, Redemption, Resale or Conversion of NAB Capital Notes 5 under applicable stamp duty law in each State and Territory of Australia, provided that they do not hold or acquire an interest of 50% or more in NAB, or where applicable in the Approved NOHC (in each case, aggregating interests of associated persons and interests acquired under associated transactions).

4.7 Taxation of Financial Arrangements

The TOFA rules are contained in Division 230 of the Tax Act. The TOFA regime generally applies to a taxpayer's "financial arrangements" (as defined) where the taxpayer exceeds certain asset/turnover thresholds (and unless an exception applies).

For Resident Holders that are individuals, the TOFA regime should generally not apply to their investment in NAB Capital Notes 5.

Further, for Resident Holders that are not individuals (e.g. companies or complying superannuation entities), the TOFA regime should generally not apply in respect of their investment in NAB Capital Notes 5, even if they exceed the relevant asset/turnover thresholds, unless certain specific elective regimes under TOFA have been elected into by the Resident Holder.

However, the TOFA rules are complex and Resident Holders should, if relevant, seek their own tax advice regarding how they will apply to their investment in NAB Capital Notes 5.

5 Summary of certain Australian tax consequences for Eligible CPS II Holders

The following is a summary of the Australian tax consequences for certain Australian tax resident Eligible CPS II Holders who are subject to Class Ruling CR 2013/93 (which sets out certain Australian tax consequences for Australian tax residents who invested in CPS II in the initial offering), hold their CPS II on capital account and participate in the Reinvestment Offer.

This summary is not exhaustive, the actual tax consequences may differ depending on an Eligible CPS II Holder's particular circumstances, and Eligible CPS II Holders should seek their own professional tax advice. In particular, this summary does not consider the consequences for Eligible CPS II Holders who:

- acquired their CPS II otherwise than under the initial offering;
- hold their CPS II in their business of share trading, dealing in securities or otherwise hold their CPS II on revenue account or as trading stock;
- hold their CPS II through a permanent establishment outside Australia; and/or
- are or will be subject to the TOFA provisions in Division 230 of the Tax Act in relation to their holding of CPS II or the NAB Capital Notes 5 that they will acquire under the Reinvestment Offer.

5.1 Final dividend on CPS II

All CPS II holders (including Eligible CPS II Holders who participate in the Reinvestment Offer) are expected to receive a final dividend in respect of their CPS II on 17 December 2020, subject to satisfaction of the dividend payment conditions in the CPS II Terms. This final dividend will not form part of the CPS II Redemption Price.

The tax treatment of any final dividend on the CPS II should be the same as the treatment of other dividends received on the CPS II, as outlined in Class Ruling CR 2013/93. On this basis, provided that an Eligible CPS II holder is a “qualified person” (see the general comments in section 4.1 above and Class Ruling CR 2013/93), they should generally include the amount of the final dividend as well as an amount equal to any franking credits attached to the dividend in their assessable income and should qualify for a tax offset equal to the franking credits.

5.2 Redemption of CPS II

Eligible CPS II Holders who participate in the Reinvestment Offer will receive capital proceeds of \$100 on each of their CPS II, comprised of a capital return of \$99.9999 and redemption proceeds of \$0.0001 per CPS II.

Eligible CPS II Holders may make a capital gain or capital loss on their CPS II, depending on whether the capital proceeds are more than the CGT cost base or less than the reduced cost base for their CPS II. Capital losses can generally only be offset against capital gains, but can be carried forward for use in a later year.

An Eligible CPS II Holder’s CGT cost base (or reduced cost base) for each CPS II should include the amount they paid to acquire the CPS II and may also include certain other non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of the CPS II.

If the CPS II have been owned for at least 12 months prior to the capital return and redemption, an Eligible CPS II Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any capital gain (see the general comments in section 3.7 above).

5.3 Cost base of NAB Capital Notes 5 acquired under the Reinvestment Offer

The amount of an Eligible CPS II Holder’s aggregate CPS II Redemption Price that is applied in subscribing for NAB Capital Notes 5 under the Reinvestment Offer should be included in the Eligible CPS II Holder’s cost base (and reduced cost base) for the purposes of determining any future capital gain or capital loss on the disposal of NAB Capital Notes 5, or on a Conversion, Redemption or Resale.

* * *

Yours faithfully

GREENWOODS & HERBERT SMITH FREEHILLS PTY LIMITED
per:



Julian Pinson
Partner
Greenwoods & Herbert Smith Freehills

SECTION NINE:

OTHER INFORMATION

SECTION NINE: OTHER INFORMATION

9.1 Interests and benefits

9.1.1 Directors

The Directors' relevant interests in NAB as at the date of this Prospectus are detailed in the following table:

Director	Number of Ordinary Shares	Number of other securities
Philip Chronican	42,120	982 National Income Securities (NABHA)
Ross McEwan	53,897	–
David Armstrong	12,704	–
Kathryn Fagg	8,700	–
Peeyush Gupta	9,571	–
Anne Loveridge	12,120	–
Geraldine McBride ¹⁰	7,703	–
Doug McKay	11,972	–
Simon McKeon AO	12,120	–
Ann Sherry	12,698	1,500 NAB Capital Notes 3 (NABPF)

The Directors (and their related parties) may acquire NAB Capital Notes 5 offered under this Prospectus subject to the ASX Listing Rules (including any waivers as described in Section 7).

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of NAB;
- the Offer; or
- any property acquired or proposed to be acquired by NAB in connection with the formation or promotion of NAB or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce that person to become, or qualify as, a Director; or
- for services provided by that person in connection with the formation or promotion of NAB or the Offer.

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the

Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount approved is \$4,500,000.

Each Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Group CEO is fixed by the Board. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of operating revenue.

¹⁰ On 6 October 2020, NAB announced that Geraldine McBride will not be standing for re-election at the 2020 NAB annual general meeting. Geraldine McBride will remain a Director until the annual general meeting.

SECTION NINE: OTHER INFORMATION

9.1.2 Interests of Advisers

NAB has acted as the Arranger for the Offer, and each of NAB; Commonwealth Bank of Australia; Crestone Wealth Management Limited; E&P Corporate Advisory Pty Limited; Morgans Financial Limited; Morgan Stanley Australia Securities Limited; and Shaw and Partners Limited have acted as Joint Lead Managers to the Offer, and Bell Potter Securities Limited and JBWere Limited have acted as Co-Managers to the Offer, in respect of which they will receive fees from NAB. The fees include an arranger fee payable to the Arranger, and the following fees payable to each Joint Lead Manager:

- a selling fee of 0.75% of the amount equal to the Face Value multiplied by the number of NAB Capital Notes 5 issued to that Joint Lead Manager and its affiliates under the Broker Firm Offer (“**Selling Fee**”); and
- a joint lead manager fee of 0.50% of the amount equal to the Face Value multiplied by the number of NAB Capital Notes 5 issued to that Joint Lead Manager and its affiliates under the Broker Firm Offer (“**JLM Fee**”).

Under the terms of the OMA (see also Section 9.5), the Joint Lead Managers may pay fees on behalf of NAB to financial services licensees and representatives (“**Brokers**”) for procuring subscriptions of NAB Capital Notes 5 by their clients, among other things.

Under the OMA, the amount of the fee payable to a Broker by a Joint Lead Manager may not exceed the amount of the Selling Fee, unless that Broker is an affiliate of the Joint Lead Manager or a Broker approved by NAB, in which case the amount of the fee payable to that Broker by a Joint Lead Manager may not exceed the aggregate of the amount of the Selling Fee and the JLM Fee received by the Joint Lead Manager from NAB as described above.

Brokers may in turn rebate fees to other Brokers for procuring applications for NAB Capital Notes 5 by their clients,

among other things. The amount of the fee paid to a Broker by another Broker may not exceed the amount of the Selling Fee.

Ernst & Young has provided due diligence services in relation to the Offer. In respect of this work, Ernst & Young will be paid approximately \$155,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges. King & Wood Mallesons has acted as Australian legal adviser to NAB in relation to the Offer, assisting with the due diligence and verification program and performing due diligence on required legal matters. In respect of this work, NAB estimates that it will pay approximately \$285,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its normal time-based charges.

Greenwoods & Herbert Smith Freehills has acted as Australian taxation adviser to NAB in relation to the Offer, obtaining Australian Taxation Office (“**ATO**”) rulings and has provided the Australian Taxation Summary contained in Section 8. In respect of this work, NAB estimates that it will pay approximately \$105,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of this Prospectus. Further amounts may be paid to Greenwoods & Herbert Smith Freehills in accordance with its normal time-based charges.

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of NAB or broker to the Offer:

- holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement

of this Prospectus with ASIC, an interest in:

- the formation or promotion of NAB;
 - the Offer; or
 - any property acquired or proposed to be acquired by NAB in connection with the formation or promotion of NAB or the Offer; or
- has paid or agreed to pay any amount, and no one has given or agreed to give any benefit for services provided by that person, in connection with the formation or promotion of NAB or the Offer.

9.2 Expenses of the Offer

Assuming the Offer raises \$750 million, then the net proceeds of the Offer are expected to be \$739 million and the total external expenses of the Offer are expected to be \$11 million. The total expenses of the Offer have been, or will be, borne by NAB.

9.3 Rights and liabilities attaching to NAB Capital Notes 5

Appendix A sets out the rights and liabilities attaching to NAB Capital Notes 5. Further rights and liabilities attaching to NAB Capital Notes 5 may also arise under the Corporations Act, the ASX Listing Rules and other laws.

9.4 Rights and liabilities attaching to Ordinary Shares

On Conversion, holders of NAB Capital Notes 5 will receive Ordinary Shares. The Constitution sets out the rights and liabilities that attach to Ordinary Shares. Investors who wish to inspect the Constitution may do so at the registered address of NAB, or by requesting a copy as provided under “Availability of documents” in Section 9.9.

These rights and liabilities are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

This section is a non-exhaustive summary of the main rights attaching to Ordinary Shares. They are as follows:

SECTION NINE: OTHER INFORMATION

- on a poll, the right to one vote per fully paid Ordinary Share (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;
- subject to the rights of holders carrying preferred rights, the right to participate in a surplus of assets on a winding up of NAB; and
- NAB's ability to pay a dividend may be restricted by Australian law and by the terms of prior ranking securities.

9.5 Summary of the Offer Management Agreement

NAB has entered into an Offer Management Agreement (“**OMA**”) with the Arranger and the Joint Lead Managers (together, in this section, the “**JLMs**”).

Under the OMA, NAB has agreed to conduct the Offer in accordance with this Prospectus, the OMA, the Constitution, and all applicable laws, and the JLMs have agreed to use reasonable endeavours to procure Applications for NAB Capital Notes 5.

The fees payable to the JLMs are set out in Section 9.1.2.

9.5.1 Representations, warranties and undertakings

NAB gives various warranties, representations and undertakings to the JLMs, including that the documents issued or approved by NAB in respect of the Offer comply with all applicable laws, including the Corporations Act and the ASX Listing Rules.

NAB has undertaken that it will not and will procure that members of the Group do not, without the prior written consent of each of the JLMs, allot or agree to allot, or announce an issue of, indicate in any way that it may or will allot to retail investors, any ASX listed hybrid, debt or preference securities in Australia with Tier 1 or Tier 2 Capital status before that date which is 60 days after the settlement date detailed in the OMA. This undertaking does not apply to the Offer.

9.5.2 Termination events

Each JLM may terminate the OMA after the occurrence of any one or more of certain events, including the following non-exhaustive list of events:

- ASIC issues a stop order or similar proceeding in relation to the Prospectus;
- ASX does not grant its approval for official quotation of NAB Capital Notes 5, or the approval is subsequently withdrawn, qualified or withheld (other than in respect of the customary conditions);
- a supplementary prospectus is, in the reasonable opinion of a JLM, required under section 719 of the Corporations Act (other than a supplementary prospectus to be issued with the inclusion of the Margin);
- NAB's credit rating in respect of its long term senior debt is downgraded;
- certain breaches of the OMA;
- the Ordinary Shares or any of NAB's other listed securities are delisted or suspended from quotation;
- NAB withdraws the Prospectus or the Offer;
- NAB repays any application monies or gives Applicants the right to withdraw their Applications in accordance with the Corporations Act; and
- an event of insolvency occurs with respect to certain material Group members.

Some of these events will only give rise to a right to terminate if the JLM has reasonable grounds to believe that the event or a series of events together has or is likely to have a material adverse effect on the success, marketing, promotion or settlement of the Offer or that the event is likely to give rise to a liability of that JLM. If this occurs, the JLM which terminates (or each JLM) will no longer be a lead manager and it will be relieved of its obligations under the OMA.

Under the OMA, if a JLM terminates, the JLM must give notice in writing to NAB and each of the other JLMs. If a JLM terminates, the remaining JLMs (other than the Arranger) may elect to assume the rights and obligations of the terminating JLM in agreed proportions by providing NAB with written notice.

If at any time from the date of the OMA to 2.00pm on 16 December 2020 there is a material adverse change in market conditions which, in the reasonable opinion of a majority of the JLMs makes it inadvisable to proceed with the Offer on the Issue Date on the terms and in the manner contemplated by this Prospectus (including because the change is likely to have a material adverse effect on the market price of NAB Capital Notes 5 on the ASX or the success of the Offer), NAB will enter into good faith discussions with the JLMs for the purposes of discussing the viability of completing the Offer on the terms and in the manner contemplated by this Prospectus.

NAB indemnifies the JLMs and their affiliates and representatives (each an “**Indemnified Party**”) against liabilities arising in connection with the OMA, except to the extent that those liabilities resulted from the fraud, recklessness, wilful misconduct or negligence of, or material breach of the OMA by, the Indemnified Party (except to the extent any such conduct is caused, induced or contributed to by NAB or its directors, employees or advisers, and in certain other circumstances).

SECTION NINE: OTHER INFORMATION

9.6 Reporting and disclosure obligations

NAB is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Under its obligations under the Corporations Act and the ASX Listing Rules, NAB prepares yearly and half yearly financial statements, reports on its operations during the relevant accounting period and receives an audit from its auditor. These documents as well as other documents lodged with ASIC may be obtained from ASIC.

Under the ASX Listing Rules, NAB must notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Subject to certain exceptions, NAB must ensure that ASX is continuously notified of information about specific events and matters as they arise so that ASX can make the information available to the Australian securities market.

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.

9.7 Regulatory relief

ASX has classified NAB Capital Notes 5 as “convertible debt securities” for the purposes of the ASX Listing Rules and has confirmed that:

- the Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- NAB Capital Notes 5 are not preference securities for the purposes of ASX Listing Rules 6.4, 6.5, 6.6 and 6.7;
- the “Payment Conditions”, potential exercise of limited amendment powers, and a Write Off following a Loss Absorption Event does not amount to a removal of a right to a

Distribution for the purposes of ASX Listing Rule 6.10;

- the divestment of NAB Capital Notes 5 from Holders as a result of Conversion, Redemption or Resale is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- ASX Listing Rule 10.11 has been waived to the extent necessary to permit Directors and their associates to participate in the Offer, without Shareholder approval, up to a maximum of 0.2% of the total number of NAB Capital Notes 5 issued under the Offer collectively provided that:
 - the participation of the Directors and their associates in the Offer is on the same terms and conditions as applicable to other subscribers for NAB Capital Notes 5;
 - NAB releases the terms of the waiver to the market when it announces the Offer; and
 - when NAB Capital Notes 5 are issued, NAB announces to the market the total number of NAB Capital Notes 5 issued to Directors and their associates in aggregate;
- the issue of Ordinary Shares on Conversion of NAB Capital Notes 5 would fall within ASX Listing Rule 10.12 (exception 7);
- ASX Listing Rule 3.20.2 and Appendix 3A of the ASX Listing Rules do not apply to any Conversion of NAB Capital Notes 5 following a Loss Absorption Event; and
- the timetable for the Offer is acceptable.

ASX has also provided in principle approval of the quotation of NAB Capital Notes 5.

9.8 Consents to be named

Except as set out below, each of the parties named below as consenting parties:

- has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in

the form and context in which it is named;

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting parties
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	Greenwoods & Herbert Smith Freehills
Auditor	Ernst & Young
Arranger and Joint Lead Manager	National Australia Bank Limited
Joint Lead Managers	Commonwealth Bank of Australia Crestone Wealth Management Limited E&P Corporate Advisory Pty Limited Morgans Financial Limited Morgan Stanley Australia Securities Limited Shaw and Partners Limited
Co-Managers	Bell Potter Securities Limited JBWere Limited
Registry	Computershare Investor Services Pty Limited

SECTION NINE: OTHER INFORMATION

Greenwoods & Herbert Smith Freehills has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian tax adviser and for the inclusion of statements by it, consisting of the Australian Taxation Summary in Section 8 in the form and context in which it appears in Section 8.

9.9 Availability of documents

During the Offer Period NAB will provide a copy of any of the following documents to any person upon their request:

- the 2020 Annual Financial Report lodged with ASIC by NAB (also available at asx.com.au or at nab.com.au/annualreport);
- any continuous disclosure notices given by NAB since the lodgment of the 2020 Annual Financial Report and before lodgment of this Prospectus with ASIC (also available at asx.com.au or at nab.com.au);
- the 2020 Full Year Results released to the ASX by NAB (also available at asx.com.au or at www.nab.com.au/shareholder); and
- the Constitution (also available at nab.com.au/corporategovernance)

To request a copy of any of the above documents, send your written request to:

- by email to Shareholder.Centre@nab.com.au; or
- Company Secretary
National Australia Bank Limited
Level 1, 800 Bourke Street,
Docklands, Victoria, 3008

9.10 Personal information

If you submit an Application, NAB (or the Registrar as NAB's agent) will collect your personal information for the purposes of:

- processing your Application;
- administering your NAB Capital Notes 5; and
- letting you know about products or services from across the Group

that might serve your financial, e-commerce and lifestyle needs or promotions or other opportunities in which you may be interested.

Company and tax laws require some of the information to be collected. You may choose not to provide your personal information or to limit the information you provide, in which case NAB may not be able to process your Application, administer your NAB Capital Notes 5, or make payments to you.

NAB may disclose this information for these purposes to its subsidiaries and relevant organisations involved in providing, managing or administering your product or service such as third party suppliers, other Group organisations, loyalty and affinity partners, printers, posting services, call centres, and our advisers. We run our business in Australia and overseas, so we might need to share some of your information with organisations outside Australia. You can view a list of countries the Group discloses personal information to at nab.com.au/common/privacy-policy/overseas-countries

If you used a financial adviser who recommended your investment in NAB Capital Notes 5 (as indicated on your Application Form), NAB may disclose your personal information to that adviser and their service providers.

Where personal information is disclosed NAB will ensure that the information is held, used or disclosed consistently with the Privacy Act 1988 (Cth) and any other applicable privacy laws and codes.

You can ask us to access information that we hold about you or to correct information we hold about you. In addition, if you have a complaint about a privacy issue, please tell us about it. For more information on access, corrections or complaint handling, please see our privacy policy at nab.com.au/privacy or by calling **13 22 65** and asking us for a copy.

9.11 Acknowledgements

By submitting an Application Form, you, as Applicant, will be deemed to have:

- represented and warranted that you have read and understood this Prospectus (and any supplementary or replacement prospectus) and accompanying Application Form in full;
- declared that the Application Form has been completed and submitted according to this Prospectus and subject to the declarations, statements and acknowledgements on the Application Form;
- declared that you make the warranties, representations and acknowledgements contained in this Prospectus and the Application Form;
- represented and warranted that all details and statements on your Application Form are complete and accurate;
- declared that you (if a natural person) are at least 18 years old;
- declared that you are not an individual residing in a member state of the European Union;
- declared that you are not in the United States or other place outside Australia and you are not a U.S. Person, nor are you acting (including as a nominee) for the account or benefit of any U.S. Person;
- represented and warranted that you have not distributed this Prospectus or any other materials concerning the Offer in the United States or to any U.S. Person and have not accessed this Prospectus or any other materials concerning the Offer in the United States;
- declared that you understand that NAB Capital Notes 5 have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, directly or indirectly, in the United States, or to, or for the account or benefit of, any U.S. Person, unless an exemption from such registration applies;

SECTION NINE: OTHER INFORMATION

- declared that you are an Australian resident;
- represented and warranted that the laws of any other place, including the restrictions set out on page 3 of this Prospectus, do not prohibit you from being given this Prospectus or any supplementary or replacement Prospectus or making an application on the Application Form or being issued with NAB Capital Notes 5;
- provided authorisation to be registered as the holder of NAB Capital Notes 5 issued to you and agreed to be bound by the Constitution, this Prospectus, the Terms and the NAB Capital Notes 5 Deed Poll;
- upon Conversion in accordance with the Terms, agreed to become a member of NAB and be bound by the Constitution;
- applied for the number of NAB Capital Notes 5 set out in or determined in accordance with the Application Form and agreed to be allocated that number of NAB Capital Notes 5 or a lesser number (or no NAB Capital Notes 5 at all);
- acknowledged that NAB Capital Notes 5 are not Protected Accounts or deposit liabilities for the purposes of the Banking Act or any other accounts and are not guaranteed or insured by any government or other person, give Holders no claim on NAB (or any other member of the Group) except as provided in the Terms and that the investment performance of NAB Capital Notes 5 is not guaranteed by NAB;
- authorised NAB and the Joint Lead Managers to do anything on your behalf necessary for NAB Capital Notes 5 to be allocated to you, including to act on instructions received by the Registry;
- acknowledged that the information contained in this Prospectus (or any supplement or replacement) and the Application Form is not investment advice or a recommendation that NAB Capital Notes 5 are suitable for you, given your investment

objectives, financial situation or particular needs;

- acknowledged that your application to acquire NAB Capital Notes 5 is irrevocable and may not be varied or withdrawn except as allowed by law;
- acknowledged that an application may be rejected without giving any reason, including where the Application Form is not properly completed; and
- acknowledged that if you are not issued any NAB Capital Notes 5 or issued fewer NAB Capital Notes 5 than the number that you applied and paid for as a result of the scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

In addition, by applying to participate in the Reinvestment Offer, you, as Applicant, will be deemed to have:

- represented and warranted to NAB that you are an Eligible CPS II Holder;
- represented and warranted to NAB that you have good title to the CPS II the subject of your Application;
- directed NAB to pay the aggregate CPS II Redemption Price for the CPS II the subject of your Application to NAB as the Application Monies for NAB Capital Notes 5;
- applied to NAB for a corresponding number of NAB Capital Notes 5, at \$100 per NAB Capital Note 5;
- agreed not to transfer your CPS II and authorise NAB and its related bodies corporate and their respective officers to request the application of a holding lock on those CPS II; and
- authorised NAB to take all necessary steps to give effect to the reinvestment of their CPS II the subject of your application.

9.12 Meetings

The NAB Capital Notes 5 Deed Poll includes provisions for convening meetings of the Holders to consider any matter affecting their interests, including any variation of the Terms.

Any action which may affect the eligibility of NAB Capital Notes 5 as Additional Tier 1 Capital of NAB cannot be sanctioned or approved by Holders without the prior written approval of APRA.

An Ordinary Resolution or a Special Resolution passed at a meeting of the Holders duly called and held under the meeting provisions will be binding on all the Holders whether or not present or voting at the meeting (or signing a written resolution). Each Holder will be entitled to one vote on a show of hands. On a poll, each Holder will be entitled to one vote for each NAB Capital Note 5 with respect to which it is the registered holder.

A Holder has no entitlement to attend or vote at a general meeting of NAB or to receive a copy of the NAB annual report or other financial information sent to holders of Ordinary Shares.

APPENDIX A:

TERMS OF NAB CAPITAL NOTES 5

Terms of NAB Capital Notes 5 issued
by National Australia Bank Limited
(ABN 12 004 044 937)

APPENDIX A:

TERMS OF NAB CAPITAL NOTES 5

1 Form and Issue Price

1.1 Form

NAB Capital Notes 5 are fully paid mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB (**NAB Capital Notes 5** or **Notes**). NAB Capital Notes 5 are issued in registered form by entry in the Register. They may be Redeemed, Converted or Resold by NAB according to these Terms.

1.2 Face Value and Issue Price

The **Face Value** and **Issue Price** of each Note is A\$100.

1.3 CHESS

The Notes will be registered in CHESS. While the Notes remain in CHESS:

- (a) the rights and obligations of a person holding the Notes; and
- (b) all dealings (including transfers, transmissions and payments) in relation to the Notes within CHESS,

will be subject to and governed by the rules and regulations of CHESS (but without affecting any provisions in these Terms which affect the eligibility of the Notes as Additional Tier 1 Capital).

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.

1.4 Quotation

NAB agrees to use all reasonable endeavours to procure that the Notes are quoted on ASX until all Notes have been Converted or Redeemed.

1.5 Independent obligations

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 Terms. Without prejudice to any provision requiring a Special 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.

1.6 Nature of obligations

The Notes do not constitute deposit liabilities or protected accounts for the purposes of the Banking Act. In addition, the 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.

2 Distributions

2.1 Entitlement to Distributions

Subject to clause 2.6, each Note entitles each person who is the Holder on a Record Date to receive on the Distribution Payment Date a cash distribution (**Distribution**) calculated according to the formula set out in clause 2.4.

2.2 Distribution Payment Dates

Subject to these Terms, NAB shall pay a Distribution in respect of a Note in arrears on the following dates (each a **Distribution Payment Date**):

- (a) each 17 March, 17 June, 17 September and 17 December commencing on 17 March 2021 until (but not including) the date on which the Note is Converted or Redeemed in accordance with these Terms; and
- (b) each date on which a Conversion, Redemption or Resale of that Note occurs in accordance with these Terms.

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date is the next Business Day.

2.3 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.

2.4 Calculation of Distribution on Notes

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

Distribution =

$$\frac{\text{Distribution Rate} \times \text{A}\$100 \times \text{N}}{365}$$

where **N** is the number of days in the Distribution Period.

The **Distribution Rate** (expressed as a percentage per annum) in respect of a Note for a Distribution Period is the rate calculated according to the following formula:

Distribution Rate =

$$(\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Rate means:

- (a) subject to paragraph (b):
 - (i) for a Distribution Period, the rate (expressed as a percentage per annum) designated "BBSW" in respect of prime bank eligible securities having a tenor of 3 months which 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) (the **Publication Time**):
 - (A) in the case of the first Distribution Period, on the Issue Date; and
 - (B) in the case of any other Distribution Period, on the first Business Day of that Distribution Period; or
 - (ii) if NAB determines that such rate as is described in paragraph (i) above:
 - (A) is not published by midday (or such other time that NAB considers appropriate on that day); or

APPENDIX A: TERMS OF NAB CAPITAL NOTES 5

(B) is published, but is affected by an obvious error,

such other rate that NAB determines having regard to comparable indices then available; and

- (b) if NAB determines that a Rate Disruption Event has occurred, then, subject to APRA's prior written approval, NAB:
- (i) shall use as the Bank Bill Rate such Replacement Rate as it may determine;
 - (ii) shall make such adjustments to the Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Replacement Rate; and
 - (iii) in making the determinations under paragraphs (i) and (ii) above:
 - (A) shall act in good faith and in a commercially reasonable manner;
 - (B) may consult with such sources of market practice as it considers appropriate; and
 - (C) may otherwise make such determination in its discretion;

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

Margin (expressed as a percentage per annum) means, for a Note, the margin specified in, or determined in accordance with, the Bookbuild; and

Rate Disruption Event means that, in NAB's opinion, the rate described in paragraph (a) of the definition of "Bank Bill Rate":

- (a) has been discontinued or otherwise ceased to be calculated or administered; or
- (b) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities

of a tenor and interest period comparable to that of the Notes;

Replacement Rate means a rate other than the rate described in paragraph (a) of the definition of "Bank Bill Rate" that is generally accepted in the Australian market as the successor to the Bank Bill Rate, or if NAB is not able, after making reasonable efforts, to ascertain such rate, or there is no such rate:

- (a) a reference rate that is, in NAB's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to that of the Notes; or
- (b) such other rate as NAB determines having regard to available comparable indices; and

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).

2.5 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 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 clause 2.4;

Tax Rate has the meaning given in clause 2.4; and

F means the applicable Franking Rate.

2.6 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.

2.7 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 clause 2.6 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.

2.8 Restrictions in the case of non-payment

Subject to clause 2.9, if a Distribution on a 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 clause 2.6), 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.

2.9 Exceptions to restrictions

The restrictions in clause 2.8 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;

APPENDIX A:

TERMS OF NAB CAPITAL NOTES 5

- (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.

2.10 Notification of Distribution, Distribution Rate and other items

- (a) In respect of each Distribution Period, NAB must:
 - (i) determine the Distribution Rate and the Distribution for that Distribution Period in respect of any Note; and
 - (ii) notify the Registrar and ASX 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 and ASX 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 clause 2.6.
- (c) NAB 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 without prior notice but

must notify the Registrar and ASX promptly after doing so.

3 Mandatory Conversion on Mandatory Conversion Date

3.1 Mandatory Conversion

Subject to clauses 4 and 5, on the Mandatory Conversion Date NAB must Convert all (but not some) Notes on issue at that date into Ordinary Shares in accordance with clause 7 and this clause 3.

3.2 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) 17 December 2029 (the **Scheduled Mandatory Conversion Date**); or
- (b) the first such Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

3.3 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**).

3.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date, 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, 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.

4 Mandatory Conversion on Loss Absorption Event

4.1 Loss Absorption Event

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

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

4.2 Common Equity Trigger Event

- (a) A **Common Equity Trigger Event** occurs when either or both of the Common Equity Tier 1 Ratio

APPENDIX A:

TERMS OF NAB CAPITAL NOTES 5

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 clause 4.2(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.

4.3 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 clause 4.3(a)(i), NAB must immediately convert into Ordinary Shares or write off:
 - (i) all Relevant Tier 1 Capital Instruments; or

- (ii) where NAB satisfies APRA 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 clause 4.3(a)(ii), NAB must immediately convert or write off all Relevant Tier 1 Capital Instruments then outstanding (including the 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.

4.4 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 number of Notes that will Convert and the number of other Relevant Tier 1 Capital Instruments which will convert into Ordinary Shares or be written off (in accordance with clause 4.2 or clause 4.3, as applicable); and
 - (ii) the identity of Holders whose 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 Notes that have not been settled or registered at that time.
- (b) Where NAB is required to Convert some but not all Notes on account of a Loss Absorption Event:
 - (i) NAB must endeavour to select the 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, provided always that nothing in the making of the selection or the adjustments is to delay or impede the Conversion taking effect on the Loss Absorption Event Conversion Date; 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 Terms, on the Loss Absorption Event Conversion Date the relevant number (as determined under this clause 4.4) of 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 Notes as required by this clause 4.4:
 - (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;

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- (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 clause 4.4(b); or
 - (v) any decision as to the identity of Holders whose Notes are to be Converted or Written Off.
- (f) From the Loss Absorption Event Conversion Date NAB shall treat the Holder in respect of its 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.

4.5 Write Off following failure to Convert

If Conversion required in respect of a Note on account of a Loss Absorption Event has not been effected within 5 days after the Loss Absorption Event Conversion Date for any reason (including an Inability Event), then Conversion will not occur and each such Note which, but for this clause 4.5, 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 Note and a Loss Absorption Event Conversion Date:

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

4.6 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, ASX and the Holders which states the Loss Absorption Event Conversion Date, the number of Notes Converted or Written Off and the relevant number of Relevant Tier 1 Capital Instruments converted into Ordinary Shares or written off.

4.7 Priority of Conversion obligations

- (a) Conversion on account of the occurrence of a Loss Absorption Event is not subject to the matters described in clause 3.3 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 clause 4.4, notwithstanding any other provision for Conversion, Redemption or Resale in these Terms.
- (c) In the event of any conflict between the requirements of clauses 4.3 and 4.2, clause 4.3 prevails.

5 Mandatory Conversion on Acquisition Event

5.1 Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, NAB must Convert all (but not some only) Notes on the Acquisition Conversion Date by notice (an **Acquisition Conversion Notice**) to the Registrar, ASX and the Holders in accordance with this clause 5 and clause 7.

5.2 Acquisition Conversion Notice

Subject to clause 5.3, NAB must give an Acquisition Conversion Notice to the Registrar, ASX 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 Notes on the Acquisition Conversion Date.

5.3 Where Acquisition Conversion Notice not required

Notwithstanding any provision of clause 5.1 or clause 5.2, 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, clause 5.4 will apply.

5.4 Deferred Conversion on Acquisition Event

If clause 5.3 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 clause 3.2, 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 Terms (but

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without limitation to the operation of clause 4.7):

- (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 clause 5.3 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 clause 5.2.

If this clause 5.4 applies but:

- (i) clause 5.3 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 clause 5.4; or
- (ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 5.4 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Mandatory Conversion Date for the purpose of clause 3.2, 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 clause 5.4 will be reapplied in respect of each subsequent scheduled quarterly Distribution Payment Date until a Conversion occurs.

6 Optional Conversion

6.1 Optional Conversion by NAB

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

- (a) all or some Notes on an Optional Conversion Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all or some Notes on an Optional Conversion Date following the occurrence of a Potential Acquisition Event; or
- (c) all or some Notes on 17 December 2027.

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

6.2 When an Optional Conversion Notice may be given

An Optional Conversion Notice under this clause 6 may be given:

- (a) in the case of clause 6.1(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 clause 6.1(b), on any day following the occurrence of the Potential Acquisition Event;
- (c) in the case of clause 6.1(c), no earlier than 50 Business Days and no later than 25 Business Days before 17 December 2027.

Subject to clause 4.7, an Optional Conversion Notice once given is irrevocable.

6.3 Contents of Optional Conversion Notice

An Optional Conversion Notice must specify:

- (a) in the case of clause 6.1(a) or clause 6.1(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 clause 6.1(c), is 17 December 2027.
- (c) if less than all Notes are subject to Conversion, the proportion of the Notes that are to be Converted; and
- (d) whether any Distribution will be paid in respect of the Notes to be Converted on the Optional Conversion Date.

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6.4 Restrictions on election of Conversion

NAB may not elect to Convert the Notes under this clause 6 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**).

6.5 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 clause 3.2, 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 Terms:

- (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 clause 3.2 (the **Deferred Conversion Date**);

- (b) NAB must Convert the Notes on the Deferred Conversion Date (unless the Notes are Converted, Written Off, Redeemed or Resold earlier in accordance with these Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the 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 clause 6.5 applies that Conversion did not occur on that Conversion Date.

7 Conversion mechanics

7.1 Conversion

If NAB elects to Convert Notes (with APRA's prior written approval) or must Convert Notes in accordance with these Terms, then, subject to this clause 7, the following provisions shall apply:

- (a) each Holder will be issued a number of Ordinary Shares for each Note 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:

$$\frac{\text{Face Value}}{99\% \times \text{VWAP}}$$

where:

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

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

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

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 Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value of that Note and NAB will apply the Face Value by way of payment for subscription for the Conversion Number of Ordinary Shares to be issued under clause 7.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 7.1(b) is to be applied as provided for in this clause 7.1(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 Notes 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 Note under these Terms 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

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equally with all other Ordinary Shares.

7.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Terms:

- (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 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 clause 7.2(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 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.

7.3 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 clause 7.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to the Holders.

7.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to the

VWAP will be made in accordance with clauses 7.2 and 7.3 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 clauses 7.5 to 7.7 (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.
- (c) Any adjustment made by NAB in accordance with clause 7.5(a) or 7.6(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

7.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 7.5(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_o** 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) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive

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option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

- (c) For the purpose of clause 7.5(a), an issue will be regarded as a pro rata issue notwithstanding that NAB does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing NAB is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 7.5 for any offer of Ordinary Shares not covered by clause 7.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 7.5(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.

7.6 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:

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

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Each 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.

7.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 7.5 and 7.6, 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.

7.8 Announcement of adjustments

NAB will notify the Registrar, ASX and the Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 7 within 10 Business Days of NAB determining the adjustment.

7.9 Ordinary Shares

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

7.10 Listing Ordinary Shares issued on Conversion

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

7.11 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 Note, that Note remains on issue (and will continue to entitle the Holder to Distributions in accordance with clause 2) until the Ordinary Share is issued to the Holder (which date shall be the Conversion Date in respect of

that Note) or the Note is Redeemed (which date shall be the Redemption Date in respect of that Note) or Resold (which date shall be the Resale Date in respect of that 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 clause 7.11 does not affect the obligation of NAB to issue or deliver the Ordinary Shares when required in accordance with these Terms.

7.12 Issue to an Eligible Nominee

- (a) Where Notes are required to be Converted and:
- (i) the Notes are 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 clause 7.1 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 Notes are required to be Converted and a FATCA

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Withholding is required to be made in respect of Ordinary Shares issued on Conversion of the Notes, 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 clause 7.12(a) or clause 7.12(b) above (as applicable) will satisfy all obligations of NAB in connection with the Conversion, the Notes will be deemed Converted and will be dealt with in accordance with clause 7.1 and, on and from the issue of Ordinary Shares, the rights of a Holder the subject of clause 7.12(a) or clause 7.12(b) above are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in those clauses.
- (d) Without prejudice to the express obligations of NAB and the Eligible Nominee under this clause 7.12:
- (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 clause 7.12.
- (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 clause 4.5 will apply.

8 Optional Redemption

8.1 Optional Redemption by NAB

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

- (a) all or some Notes on a Redemption Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Notes on 17 December 2027.

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

8.2 When Optional Redemption Notice may be given

An Optional Redemption Notice under this clause 8 may be given:

- (a) in the case of clause 8.1(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 clause 8.1(b), no earlier than 60 Business Days and no later than 5 Business Days before 17 December 2027.

Subject to clause 4.7, an Optional Redemption Notice once given is irrevocable.

8.3 Contents of Optional Redemption Notice

An Optional Redemption Notice must specify:

- (a) in the case of clause 8.1(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 clause 8.1(b), 17 December 2027;
- (c) if less than all Notes are subject to Redemption, the proportion of the Notes that are to be Redeemed; and
- (d) whether any Distribution will be paid in respect of the Notes to be Redeemed on the Redemption Date.

8.4 Restrictions on election by NAB of Redemption

NAB may only elect to Redeem the Notes if APRA is satisfied that either:

- (a) 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 Notes.

9 Redemption mechanics

9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 8.4, NAB elects to Redeem a Note in accordance with these Terms, the provisions of this clause 9 apply to that Redemption.

9.2 Redemption

Notes will be redeemed by payment

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on the Redemption Date of an amount equal to the Face Value to the Holder.

9.3 Effect of Redemption on Holders

On the Redemption Date the only right Holders will have in respect of Notes will be to obtain the Face Value payable in accordance with these Terms and any Distribution NAB has determined is payable on that date. Upon the Face Value being paid (or taken to be paid in accordance with clause 14), all other rights conferred, or restrictions imposed, by Notes will no longer have effect.

10 Optional Resale

10.1 Optional Resale by NAB

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

- (a) all or some Notes on a Resale Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Notes on 17 December 2027.

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

10.2 When Optional Resale Notice may be given

An Optional Resale Notice under this clause 10 may be given:

- (a) in the case of clause 10.1(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 clause 10.1(b), no earlier than 60 Business Days and no later than 5 Business Days before 17 December 2027.

Subject to clauses 4.7, 11.2 and 11.6, an Optional Resale Notice once given is irrevocable.

10.3 Contents of Optional Resale Notice

An Optional Resale Notice must specify:

- (a) in the case of clause 10.1(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 clause 10.1(b), 17 December 2027;
- (c) if less than all Notes are subject to Resale, the proportion of the 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 Notes to be Resold on the Resale Date.

11 Resale mechanics

11.1 Resale mechanics

If NAB elects to Resell Notes in accordance with these Terms, subject to clause 11.2, the provisions of this clause 11 apply to that Resale.

11.2 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 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;
 - (ii) 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 clause 11; and
 - (iii) as to the terms (if any) on which any 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 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.

11.3 Identity of Nominated Purchasers

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

11.4 Irrevocable offer to sell Notes

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

11.5 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 Notes (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

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11.6 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) Notes will not be transferred to the Defaulting Nominated Purchaser on the Resale Date; and
- (c) Holders will continue to hold the Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Terms.

12 General provisions relating to optional Conversion, Redemption and Resale

12.1 Treatment of Holders

At any time that NAB may elect for the Notes to be Converted, Redeemed or Resold, NAB may specify which of Conversion, Redemption and Resale applies to a particular Note. Without limitation to the foregoing:

- (a) NAB may select any one or more of Conversion, Redemption or Resale to apply to the Note held by a Holder; and
- (b) NAB may select a different combination of Conversion, Redemption and Resale in respect of Notes held by different Holders,

but otherwise NAB must endeavour to treat Holders in approximate proportion to their holdings of Notes (except that NAB may discriminate to take account of the effect on marketable parcels and other logistical considerations).

12.2 Holder acknowledgements relating to Conversion

Each Holder irrevocably:

- (a) upon Conversion of Notes in accordance with these Terms, 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 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 Notes;
- (c) acknowledges and agrees that:
 - (i) where clause 4.4 applies:
 - (A) there are no other conditions to a Loss Absorption Event occurring as and when provided in clauses 4.2, 4.3 and 4.4;
 - (B) Conversion must occur immediately on the Loss Absorption Event and that may result in disruption or failures in trading or dealings in the 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 clause 5 or a Conversion under clause 6 are the conditions expressly applicable to such Conversion

as provided in clauses 5 and 6 and no other conditions or events will affect Conversion;

- (iv) clause 4.5 is a fundamental term of the 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 Note or to determine whether (or in what combination) 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 Notes on the occurrence of the Conversion.

12.3 Purchases

NAB or any Related Entity of NAB may at any time purchase the 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 Notes under these Terms.

13 Title and transfer

13.1 Title

Title to a Note passes when details of the transfer are entered in the Register.

13.2 Register conclusive as to ownership

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

13.3 Non-recognition of interests

- (a) Except as required by law or directive and as provided in these Terms, NAB and the Registrar must treat the person whose name is entered in the Register as the holder of a Note as the absolute owner of that Note.

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- (b) No notice of any trust, Encumbrance or other interest in, or claim to, any Notes will be entered in the Register. Neither NAB nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any Notes, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Notes will in any way affect any provision of these Terms (including without limitation any transfer of the Notes contemplated by this clause 13).
- (c) This clause 13.3 applies whether or not a payment has been made when scheduled on a Note and despite any notice of ownership, trust or interest in the Note.

13.4 Joint Holders

Where two or more persons are entered in the Register as joint Holders of a Note, they are taken to hold the Note as joint tenants with a right of survivorship, but the Registrar is not bound to register more than three persons as joint Holders of a Note.

13.5 Dealings in whole

At all times, the Notes may be held or transferred only in whole Notes.

13.6 Transfer

Subject to the ASX Listing Rules, the Notes will be transferable only in accordance with these Terms and the rules and regulations of CHES.

13.7 Instruments of transfer

A Holder may transfer a Note:

- (a) by a proper transfer according to the rules and regulations of CHES;
- (b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act;
- (c) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which the Notes are

quoted or which is applicable to NAB; or

- (d) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

13.8 Transfer on the occurrence of certain events

The Registrar must register a transfer of a Note to or by a person who is entitled to make or receive the transfer as a consequence of:

- (a) death, bankruptcy, liquidation or winding up of a Holder; or
- (b) a vesting order by a court or other body with power to make the order,

on receipt of such evidence of entitlement that the Registrar or NAB requires.

13.9 Power to refuse to register

If permitted by the ASX Listing Rules, NAB may:

- (a) request any applicable CS Facility Operator to apply a holding lock to prevent a transfer of Notes from being registered on the CS Facility's sub-register; or
- (b) refuse to register a transfer of Notes to which paragraph (a) does not apply.

13.10 Obligation to refuse to register

NAB must:

- (a) request any applicable CS Facility Operator to apply a holding lock to prevent a transfer of Notes from being registered on the CS Facility's sub-register; or
- (b) refuse to register a transfer of Notes to which paragraph (a) does not apply;
- if:
- (c) the ASX Listing Rules require NAB to do so; or
- (d) the transfer is in breach of the ASX Listing Rules.

13.11 Written notice to Holder of holding lock or refusal

If in the exercise of its rights under clause 13.9 or 13.10, NAB requests the application of a holding lock to prevent a transfer of Notes or refuses to register a transfer of Notes, NAB must give written notice of the request or refusal to the Holder of the Notes, the transferee and the broker lodging the transfer, if any. Failure to give such notice does not invalidate NAB's decision.

14 Payments

14.1 Payments to Holders

Each payment in respect of a Note will be made to the person that is recorded in the Register as the Holder of that Note as at the Relevant Time on the Record Date for that payment.

14.2 Payments to accounts

Payments will be made by crediting on the relevant payment date the amount due to an Australian Dollar bank account maintained in Australia with a financial institution, specified by the Holder to the Registrar by close of business on the Record Date for that payment, or in any other manner NAB determines.

14.3 Uncompleted payments

If:

- (a) a Holder has not notified the Registrar by close of business on the Record Date of an Australian Dollar bank account maintained in Australia with a financial institution to which payments in respect of the Note may be credited; or
- (b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason,

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

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Registrar until the first to occur of the following:

- (i) the Holder nominates a suitable Australian Dollar account maintained in Australia 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.

When this clause 14.3 applies the amount payable in respect of the 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.

14.4 Time limit on claims

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

14.5 Determination and calculation final

Except where there is fraud or a manifest error, any determination or calculation which NAB makes in accordance with these Terms is final and binds NAB, the Registrar and each Holder.

14.6 Rounding

For the purposes of any calculations required under these Terms:

- (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 percent being rounded up to 0.00001 percent);
- (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 Notes must be rounded to the nearest cent (with halves being rounded up).

14.7 Joint Holders

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

14.8 No set-off

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

14.9 Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 15.

14.10 Payments on Business Days

If a payment:

- (a) is due on a Note on a day which is not a Business Day, then the due date for payment will be postponed to the next day that is a Business Day; 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,

and in either case, the Holder is not entitled to any additional payment in respect of that delay.

Nothing in this clause 14.10 applies to any payment referred to in clause 7.1(b) on a Loss Absorption Event Conversion Date.

15 Taxation

15.1 Withholdings and deductions

NAB must make all payments in respect of 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 clause 15.

15.2 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 Notes may be subject to FATCA, and may deal with such payment, the issue of Ordinary Shares and the Holder's 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.

15.3 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 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.

15.4 Tax file number

NAB will, if required, withhold an amount from payments of Distributions on the Notes at the highest marginal

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tax rate plus the highest Medicare levy if a Holder has not supplied an appropriate tax file number, Australian Business Number or exemption details.

16 Ranking and subordination

16.1 Ranking of Distributions

Notes rank in respect of payment of Distributions:

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

16.2 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 Notes are redeemable for their Face Value in accordance with this clause 16.2.
- (b) In a winding up of NAB in Australia, a Note confers upon the Holder, subject to clauses 4.4 and 4.5, the right to payment in cash of the Face Value on a subordinated basis in accordance with clause 16.2(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 Face Value 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 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 clause 16.2:
 - (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 Terms made in accordance with clause 18.

16.3 Agreements of Holders as to subordination

Each Holder irrevocably agrees that:

- (a) clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) 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 clause 16.2;

- (d) 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 Note in excess of its entitlement under clause 16.2; and
- (e) the debt subordination effected by clause 16.2 is not affected by any act or omission of NAB or a Senior Creditor which might otherwise affect it at law or in equity.

16.4 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 Notes; and
- (b) these Terms 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.

16.5 Unsecured

Notes are unsecured.

17 Meetings of Holders and voting rights

17.1 Meetings of Holders

Meetings of Holders may be held in accordance with the Meetings Provisions. A meeting may consider any matter affecting the interests of Holders, including any amendment to these Terms proposed by NAB in accordance with clause 18.

17.2 Requirement for APRA approval

An amendment or addition to these Terms which may affect the eligibility of the Notes as Additional Tier 1 Capital cannot be approved by Holders without the prior written approval of APRA.

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17.3 Voting rights

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

18 Amendment of these Terms

18.1 Amendments without consent

- (a) Subject to complying with all applicable laws, to clause 18.1(c) and to obtaining APRA's prior written approval where required in accordance with clause 18.4, NAB may without the authority, assent or approval of the Holders, amend these Terms and the NAB Capital Notes 5 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 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, 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 Notes;
 - (v) is necessary and appropriate to effect the substitution under clause 19;
 - (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 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 clause 18.1(c) and with APRA's prior written approval where required in accordance with clause 18.4, NAB may without the authority, assent or approval of the Holders, amend these Terms 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 Terms including without limitation amendments and additions to effect a substitution in accordance with clause 19.

- (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 a Special 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).

18.2 Amendment with consent

Without limiting clause 18.1, NAB may amend or add to these Terms or the NAB Capital Notes 5 Deed Poll if the amendment or addition has been approved by a Special Resolution of Holders. An amendment or addition to these Terms or the NAB Capital Notes 5 Deed Poll which may affect the eligibility of the Notes as Additional Tier 1 Capital cannot be approved by Holders under this clause 18 without the prior written approval of APRA.

18.3 Notification of amendment to APRA

NAB will promptly notify APRA of any amendments made in accordance with this clause 18.

18.4 Requirement for APRA approval

A requirement in this clause 18 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of Notes as Additional Tier 1 Capital.

18.5 Meaning of amend and amendment

In this clause 18, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

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19 Substitution

19.1 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 Terms (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 Terms (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 Terms which will be made in accordance with clause 19.2 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 clause 19.4, 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.

19.2 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 clauses 19.1(a) and 19.1(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 Notes are to be Converted:
 - (i) each 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 clause 7.12, 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 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 Terms, 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 clause 7;
 - (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 Notes to remain as Tier 1 Capital.

19.3 Further substitutions

After a substitution under clause 19.1, the Approved NOHC may, without the consent of the Holders, effect a further substitution in accordance with clause 19.1 (with necessary changes).

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19.4 Notice to Holders

NAB or the Approved NOHC must notify the Registrar, ASX and the Holders of the particulars of any substitution according to clause 19.1 or clause 19.3 in writing as soon as practicable after the substitution.

19.5 Acknowledgement of Holders

Each Holder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Terms 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.

20 Further issues and no other rights

20.1 Further issues permitted

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

- (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 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 clause 2.8) or any other securities issued by NAB, whether ranking behind, equally with, or in priority to, the Notes; and
- (c) the incurring or guaranteeing by NAB of any indebtedness upon such terms as NAB thinks fit in its sole discretion.

20.2 No other rights

A Holder of the 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 Terms or on any other member of the Group.

21 Notices

21.1 Notices to Holders

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

- (a) so long as the Notes are quoted on ASX, given by publication of an announcement on ASX;
- (b) given by an advertisement published in the Australian Financial Review or The Australian, or any other newspaper nationally circulated within Australia; or
- (c) 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).

21.2 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.

21.3 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.

21.4 Receipt – publication on ASX

If published by an announcement on ASX, communications are taken to be received when the announcement is made on ASX.

21.5 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.

21.6 Receipt – postal

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

21.7 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.

22 Governing law and jurisdiction

22.1 Governing law

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

22.2 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.

22.3 Serving documents

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

Attention: Company Secretary
Address: Level 1, 800 Bourke Street,
Docklands, VIC 3008

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 Notes from time to time.

23 Power of attorney

- (a) Each Holder appoints each of NAB, its Authorised Officers and any External Administrator of NAB

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(each an **Attorney**) severally to be the attorney 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 Terms including, but not limited to, effecting any transfers of 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 clause 23 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

24 Interpretation and definitions

24.1 Definitions

Acquisition Conversion Date has the meaning given in clause 5.2.

Acquisition Conversion Notice has the meaning given in clause 5.1.

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 clause 19.1(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 clause 7.8.

amend for the purposes of clause 18, has the meaning given in clause 18.5.

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 clause 19.1.

Approved NOHC Substitution Terms has the meaning given in clause 19.1.

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 clause 23(a).

Attributable Proceeds means, in respect of a Holder to whom clause 7.12 applies, an amount equal to the Net Proceeds per Ordinary Share multiplied by the number of Ordinary Shares issued and sold in accordance with clause 7.12 in respect of that Holder.

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 clause 23.

Bank Bill Rate has the meaning given in clause 2.4.

Banking Act means the Banking Act 1959 (Cth).

Bookbuild means the process conducted by NAB or its agents before the opening of the Offer whereby certain institutional investors and brokers lodge bids for Notes and, on the basis of those bids, NAB determines the Margin and announces its determination on ASX before the opening of the Offer.

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Business Day means a day which is both:

- (a) a day on which banks are open for general banking business in Melbourne and Sydney (not being a Saturday, Sunday or public holiday in that place); and
- (b) a day which is a business day for the purposes of the ASX Listing Rules.

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.

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 Notes (including in respect of the transfer or Conversion of the 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 clause 4.2.

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 Note, to convert that Note into a number of Ordinary Shares in accordance with clause 7, 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 clause 7.1.

Corporations Act means the Corporations Act 2001 (Cth).

CS Facility means ASX Settlement Pty Limited (ABN 49 008 504 532) or such other applicable clearing and settlement facility prescribed as a CS Facility under the Corporations Act from time to time.

CS Facility Operator means the operator of a CS Facility.

Cum Value has the meaning given in clause 7.2.

Defaulting Nominated Purchaser has the meaning given in clause 11.6.

Deferred Acquisition Conversion Notice has the meaning given in clause 5.4.

Deferred Conversion Date has the meaning given in clause 6.5.

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 Notes of Holders generally.

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

Distribution has the meaning given in clause 2.1.

Distribution Payment Date has the meaning given in clause 2.2.

Distribution Period means in respect of:

- (a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date after the Issue 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 has the meaning given in clause 2.4.

Eligible Nominee has the meaning given in clause 7.12.

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 2;

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- (d) NAB Capital Notes 3;
- (e) 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
- (f) 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.

Face Value has the meaning given in clause 1.2.

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) and including 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 clause 3.3.

First Optional Conversion Restriction has the meaning given in clause 6.4.

First Test Date has the meaning given in clause 3.3(a).

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 person for the time being Registered as the holder of a Note.

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 Notes.

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

Issue Date means 17 December 2020.

Issue Date VWAP means 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 Notes were issued, as adjusted in accordance with clauses 7.4 to 7.7 (inclusive).

Issue Price has the meaning given in clause 1.2.

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

Loss Absorption Event has the meaning given in clause 4.1.

Loss Absorption Event Conversion means the Conversion of Notes to

Ordinary Shares on the Loss Absorption Event Conversion Date in accordance with clause 4.4.

Loss Absorption Event Conversion Date has the meaning given in clause 4.4.

Loss Absorption Event Notice has the meaning given in clause 4.6.

Mandatory Conversion means the mandatory conversion of Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 3.

Mandatory Conversion Conditions has the meaning given in clause 3.3.

Mandatory Conversion Date has the meaning given in clause 3.2.

Margin has the meaning given in clause 2.4.

Maximum Conversion Number has the meaning given in clause 7.1.

Meetings Provisions means the provisions for the convening of meetings and passing of resolutions by Holders set out in Schedule 2 of the NAB Capital Notes 5 Deed Poll.

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

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 Capital Notes 5 has the meaning given in clause 1.1.

NAB Capital Notes 5 Deed Poll means the deed poll relating to the Notes made by NAB on or about 16 November 2020.

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

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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 clause 7.12, 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 quarterly 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 clause 11.3, 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 clause 3.4.

Non-Conversion Test Date has the meaning given in clause 6.4.

Non-Viability Trigger Event has the meaning given in clause 4.3.

Notes has the meaning given in clause 1.1.

Offer means the invitation made under the Prospectus issued by NAB for persons to subscribe for Notes.

Optional Conversion Date has the meaning given in clause 6.3.

Optional Conversion Notice has the meaning given in clause 6.1.

Optional Conversion Restrictions has the meaning given in clause 6.4.

Optional Redemption Notice has the meaning given in clause 8.1.

Optional Resale Notice has the meaning given in clause 10.1.

Ordinary Resolution means a resolution:

- (a) passed at a meeting of Holders by a simple majority of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) made in writing by Holders representing more than 50% of the outstanding Notes,

in each case in accordance with 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.

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

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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 Face Value and ranking equally in respect of return of capital in a winding up with each of the preference shares, securities or other instruments which is an Equal Ranking Instrument in respect of payment in a winding up.

Prospectus means the prospectus for the Offer including these Terms.

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.

Publication Time has the meaning given in clause 2.4.

Rate Disruption Event has the meaning given in clause 2.4.

Record Date means, in the case of:

- (a) payments of a Distribution, the date which is 8 calendar days before the date of payment (or as otherwise prescribed by the ASX Listing Rules or if not prescribed by the ASX Listing Rules, a date determined by NAB and notified to ASX); and
- (b) payments of any other amount, a date determined by NAB and notified to ASX (or such other date as may be prescribed by ASX).

Redemption means, in relation to a Note, redemption in accordance with clause 9.2 and **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

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

Register means a register of Holders of Notes established and maintained by the Registrar. The term Register includes:

- (a) any sub-register maintained by, or on behalf of NAB under the Corporations Act, the ASX Listing Rules or the rules and regulations of CHES; and
- (b) any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

Registered means recorded in the Register.

Registrar means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person who from time to time maintains the Register on behalf of NAB.

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 Notes (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 Notes as Additional Tier 1 Capital except where the reason NAB is not or will not be entitled to treat some or all Notes 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 clause 2.8.

Relevant Distribution Payment Date has the meaning given in clause 2.8.

Relevant Fraction has the meaning given in clause 7.1.

Relevant Mandatory Conversion Date has the meaning given in clause 3.2.

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

Relevant Time means, in the case of:

- (a) payment of a Distribution, 7:00 pm (or such other time as may be prescribed by ASX or, if not prescribed by ASX, a time determined by NAB and notified to ASX); and
- (b) payments of the Face Value, a time determined by NAB and notified to ASX (or such other time as may be prescribed by ASX).

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.

Replacement Rate has the meaning given in clause 2.4.

Resale means, in relation to a Note, the taking effect of the rights specified in

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clause 10 in relation to that Note, and **Resold** and **Resell** have corresponding meanings.

Resale Date has the meaning given in clause 10.3.

Resale Price means, for a Note, a cash amount equal to its Issue Price.

Scheduled Mandatory Conversion Date has the meaning given in clause 3.2.

Second Mandatory Conversion Condition has the meaning given in clause 3.3 (but in clauses 5.4 and 6.5, as adjusted in those clauses).

Second Optional Conversion Restriction has the meaning given in clause 6.4.

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.

Special Resolution means a resolution:

- (a) passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) made in writing by Holders representing at least 75% of the outstanding Notes,

in each case in accordance with the Meetings Provisions.

Subsequent Mandatory Conversion Date has the meaning given in clause 3.2.

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 the Notes; 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, 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 the Notes 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 has the meaning given in clause 2.4.

Terms means these terms of issue of Notes.

Third Mandatory Conversion Condition has the meaning given in clause 3.3.

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.

Transferee has the meaning given in clause 19.2.

VWAP means, subject to any adjustments under clause 7, 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

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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 Terms; or
 - (d) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.

Written Off has the meaning given in clause 4.5 and **Write Off** has a corresponding meaning.

24.2 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (b) Unless otherwise specified, a reference to a clause or paragraph

is a reference to a clause or paragraph of these Terms.

- (c) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
- (d) The singular includes the plural and vice versa.
- (e) 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.
- (f) Other than in relation to a Loss Absorption Event and a conversion on a Loss Absorption Event Conversion Date and other than as otherwise specified in these Terms, if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (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 Terms are binding on Holders in the absence of manifest error.
- (i) Any provisions 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 Terms 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 Terms, 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 Terms 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 Terms 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.

APPENDIX A:

TERMS OF NAB CAPITAL NOTES 5

- (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 Terms, 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 Terms, the notice must be received by NAB by that date.
- (w) A reference to time is to Melbourne time unless otherwise specified.

24.3 Inconsistency with ASX Listing Rules

So long as Notes are quoted on ASX, these Terms as they relate to those Notes are to be interpreted in a manner consistent with applicable ASX Listing Rules, except to the extent that an interpretation consistent with the ASX Listing Rules would affect the eligibility of Notes as Additional Tier 1 Capital.

APPENDIX B:

GLOSSARY

APPENDIX B: GLOSSARY

Where indicated, certain terms in this Glossary are defined by reference to the Terms provided in Appendix A.

Term	Meaning
2020 Annual Financial Report	The financial report for NAB for the year ended 30 September 2020
2020 Full Year Results	The results report for NAB for the year ended 30 September 2020
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
ABN	Australian Business Number
Acquisition Conversion Date	The date on which Conversion as a result of an Acquisition Event is to occur For the full definition – see clause 5.2 of the Terms
Acquisition Conversion Notice	Has the meaning given to it in clause 5.1 of the Terms
Acquisition Event	Broadly, when certain takeover bids or schemes of arrangement occur in relation to NAB For the full definition – see clause 24.1 of the Terms
Additional Tier 1 Capital	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
ADI	Authorised Deposit-taking Institution regulated by APRA
Allocation	The number of NAB Capital Notes 5 allocated under this Offer to a Syndicate Broker
Applicant	A person who submits an Application Form in accordance with this Prospectus
Application	A valid application for NAB Capital Notes 5 made through a completed Application Form in accordance with this Prospectus
Application Form	An application form accompanying this Prospectus under which an Application for NAB Capital Notes 5 may be made, including the online application form available at nab.com.au/nabcapitalnotes5
Application Monies	The amount payable on each Application, being the Face Value multiplied by the number of NAB Capital Notes 5 applied for
Approved NOHC	Has the meaning given to it in clause 24.1 of the Terms
APRA	Australian Prudential Regulation Authority
Arranger	National Australia Bank Limited
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it (as the context requires)
ASX Listing Rules	The listing rules of ASX, with any modification or waivers which ASX may grant to NAB from time to time
Bank Bill Rate	Has the meaning given to it in clause 2.4 of the Terms
Banking Act	Banking Act 1959 (Cth)
Basel III Prudential Standards	The APRA Prudential Standards and reporting standards which became effective on 1 January 2013 and which give effect to the capital reforms of the Basel Committee on Banking Supervision applicable to ADIs

APPENDIX B: GLOSSARY

Term	Meaning
BCBS	Basel Committee on Banking Supervision
BNZ or Bank of New Zealand	Bank of New Zealand (New Zealand company number 428849)
Bookbuild	The process through which certain investors bid for a firm Allocation of NAB Capital Notes 5 to determine the Margin
Broker Firm Applicant	A retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer
Broker Firm Offer	The offer to clients of Syndicate Brokers as described in Section 4
Business Day	Has the meaning given to it in clause 24.1 of the Terms
CHESS	Has the meaning given to it in clause 24.1 of the Terms
Closing Date	The closing date for the Offer which is expected to be 5.00 pm on 11 December 2020
Co-Managers	Bell Potter Securities Limited and JBWere Limited
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital as defined by APRA from time to time
Common Equity Tier 1 Ratio	The ratio of NAB's Common Equity Tier 1 Capital to RWA
Common Equity Trigger Event	Has the meaning given to it in clause 4.2 of the Terms
Constitution	The constitution of NAB, as amended from time to time
Controlled Entity	Has the meaning given to it in clause 24.1 of the Terms
Conversion	The conversion of NAB Capital Notes 5 into Ordinary Shares in accordance with clause 7 of the Terms Convert, Converted and Converting have corresponding meanings
Conversion Date	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 to it in clause 7.1 of the Terms
Corporations Act	Corporations Act 2001 (Cth)
CPS II Redemption	The reduction of capital and redemption of CPS II by NAB on 17 December 2020 pursuant to the redemption notice issued by NAB in accordance with the CPS II Terms on 5 November 2020
CPS II Redemption Price	\$100 per CPS II payable to a CPS II holder as a result of the CPS II Redemption
CPS II Reinvestment Applicant	An Eligible CPS II Holder who applies directly to NAB under the Reinvestment Offer
CPS II Terms	The terms of CPS II as set out in Appendix A of the Prospectus for CPS II dated 20 November 2013 (which replaced the Prospectus dated 12 November 2013)

APPENDIX B: GLOSSARY

Term	Meaning
D-SIB	Domestic systemically important bank
DDO Legislation	Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (Cth)
Delisting Event	Broadly, when NAB is delisted, its Ordinary Shares have been suspended from trading for a certain period or NAB is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting NAB Capital Notes 5 of Holders generally – see clause 24.1 of the Terms
Directors	The directors of NAB acting as a board or an authorised committee of the board, or individually (as the context requires)
Distribution	Has the meaning given to it in clause 2.1 of the Terms
Distribution Payment Date	In respect of a NAB Capital Note 5, each of 17 March, 17 June, 17 September and 17 December commencing on 17 March 2021 until the date that NAB Capital Note 5 is Converted or Redeemed For the full definition – see clause 2.2 of the Terms
Distribution Period	The period in respect of which a Distribution is scheduled. The first Distribution Period is from (and including) the Issue Date until (but not including) the first Distribution Payment Date. Each subsequent Distribution Period is from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date For the full definition – see clause 24.1 of the Terms
Distribution Rate	The distribution rate on NAB Capital Notes 5 calculated using the formula described in Section 2.1 For the full definition – see clause 2.4 of the Terms
Eligible CPS II Holder	A CPS II holder who is: <ul style="list-style-type: none"> • registered as a holder of CPS II at 7.00pm on 11 November 2020; • shown on the CPS II register as having an address in Australia; • not an individual residing in a member state of the European Union; and • not in the United States, is not a U.S. Person, and is not acting (including as a nominee) for the account or benefit of, a U.S. Person, and is not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 5 under the laws of any jurisdiction
Eligible Nominee	Has the meaning given to it in clause 7.12 of the Terms
Eligible Securityholder	Holdings of Ordinary Shares, National Income Securities, NAB Subordinated Notes 2, CPS II, NAB Capital Notes 2 or NAB Capital Notes 3 as at 7.00pm on 11 November 2020 who are shown on the relevant register as having an address in Australia
Equal Ranking Instruments	Has the meaning given to it in clause 24.1 of the Terms
Exposure Period	The seven day period commencing after the date this Prospectus was lodged with ASIC
Face Value	The face value for NAB Capital Notes 5 under this Prospectus, being \$100 per NAB Capital Note 5 For the full definition – see clause 1.2 of the Terms
FATCA	Sections 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)

APPENDIX B: GLOSSARY

Term	Meaning
FATCA Withholding	Any withholding or deduction imposed or required pursuant to FATCA
First Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Foreign Holder	Has the meaning given to it in clause 24.1 of the Terms
Greenwoods & Herbert Smith Freehills	Greenwoods & Herbert Smith Freehills Pty Limited
Group	NAB (or any NOHC that is the holding company of NAB) and the Controlled Entities of NAB (or of such NOHC)
Group CEO	The Group Chief Executive Officer and Managing Director
GST	Goods and Services Tax
Holder	A registered holder of NAB Capital Notes 5
Holding Statement	A statement issued to Holders by the Registry which sets out the number of NAB Capital Notes 5 issued to that Holder
Inability Event	If 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 by any other reason from Converting NAB Capital Notes 5 which would otherwise be Converted on a Loss Absorption Event Conversion Date For the full definition – see clause 24.1 of the Terms
Institutional Investor	An investor invited to participate in the Institutional Offer
Institutional Offer	The invitation to Institutional Investors to apply for NAB Capital Notes 5 under this Prospectus
Issue Date	Expected to be 17 December 2020
Issue Date VWAP	Has the meaning given to it in clause 24.1 of the Terms
Joint Lead Managers or JLMs	National Australia Bank Limited, Commonwealth Bank of Australia, Crestone Wealth Management Limited, E&P Corporate Advisory Pty Limited, Morgans Financial Limited, Morgan Stanley Australia Securities Limited, and Shaw and Partners Limited
Loss Absorption Event	Has the meaning given to it in clause 4.1 of the Terms
Loss Absorption Event Conversion Date	Has the meaning given to it in clause 4.4 of the Terms
Mandatory Conversion	The mandatory conversion of NAB Capital Notes 5 to Ordinary Shares on the Mandatory Conversion Date in accordance with the Terms
Mandatory Conversion Conditions	Has the meaning given to it in clause 3.3 of the Terms
Mandatory Conversion Date	Has the meaning given to it in clause 3.2 of the Terms
Margin	The margin to be determined under the Bookbuild
Maximum Conversion Number	Has the meaning given to it in clause 7.1 of the Terms
MLC	MLC Limited (ABN 90 000 000 402)

APPENDIX B: GLOSSARY

Term	Meaning
MLC Wealth Transaction	The proposed sale of the Group's advice, platforms, superannuation & investments and asset management businesses to IOOF Holdings Limited
NAB	National Australia Bank Limited (ABN 12 004 044 937)
NAB Capital Notes 2	The fully paid mandatorily convertible subordinated perpetual notes issued by NAB on 7 July 2016
NAB Capital Notes 3	The fully paid mandatorily convertible subordinated perpetual notes issued by NAB on 20 March 2019
NAB Capital Notes 5	The fully paid mandatorily convertible subordinated perpetual notes which are to be issued by NAB under this Prospectus
NAB Capital Notes 5 Deed Poll	The deed poll relating to NAB Capital Notes 5 made by NAB on or about 16 November 2020
NAB Convertible Preference Shares II or CPS II	Convertible preference shares, being fully paid preference shares issued by NAB on 17 December 2013
NAB Level 1 Group	Has the meaning given to it in clause 24.1 of the Terms
NAB Level 2 Group	Has the meaning given to it in clause 24.1 of the Terms
NAB Subordinated Notes 2	The fully paid subordinated unsecured notes issued by NAB on 20 March 2017
National Income Securities	The securities issued under a prospectus dated 10 May 1999
Nippon Life	Nippon Life Insurance Company
NOHC	A "non-operating holding company" within the meaning of the Banking Act
NOHC Event	Has the meaning given to it in clause 24.1 of the Terms
Non-Conversion Test Date	Has the meaning given to it in clause 6.4 of the Terms
Non-Viability Trigger Event	Has the meaning given to it in clause 4.3 of the Terms
NULIS	NULIS Nominees (Australia) Limited (ABN 80 008 515 633)
Offer	The offer made under this Prospectus by NAB of NAB Capital Notes 5 to raise \$750 million, with the ability to raise more or less. The offer comprises the Reinvestment Offer, the Securityholder Offer, the Broker Firm Offer and the Institutional Offer
Offer Management Agreement	The offer management agreement entered into between NAB, the Arranger, and the Joint Lead Managers as summarised in Section 9.5
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer, being 24 November 2020
Optional Conversion Date	Has the meaning given to it in clause 6.3 of the Terms
Optional Conversion Restriction	Has the meaning given to it in clause 6.4 of the Terms

APPENDIX B: GLOSSARY

Term	Meaning
Ordinary Resolution	A resolution passed at a meeting of Holders by a simple majority of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution, or made in writing by Holders representing more than 50% of the outstanding NAB Capital Notes 5 For the full definitions and provisions relating to written resolutions – see the Meetings Provisions set out in the NAB Capital Notes 5 Deed Poll
Ordinary Share	A fully paid ordinary share in the capital of NAB
Payment Condition	Has the meaning given to it in clause 24.1 of the Terms
Potential Acquisition Event	Has the meaning given to it in clause 24.1 of the Terms
Prospectus	This Prospectus which was lodged with ASIC on 16 November 2020
Protected Account	Broadly, subject to certain conditions, an account or a specified financial product: <ul style="list-style-type: none"> • where NAB is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or • otherwise prescribed by regulations under the Banking Act
Prudential Capital Requirements	Has the meaning given to it in clause 24.1 of the Terms
Prudential Standards	A prudential standard issued by APRA under its powers in the Banking Act
Record Date	Has the meaning given to that term in clause 24.1 of the Terms
Redemption	In relation to a NAB Capital Note 5, a redemption in accordance with clause 9.2 of the Terms Redeem and Redeemed have corresponding meanings
Registrar or Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that NAB appoints
Regulatory Change	Has the meaning given to it in clause 24.1 of the Terms
Regulatory Event	Has the meaning given to it in clause 24.1 of the Terms
Reinvestment Offer	The invitation to Eligible CPS II Holders under this Prospectus to reinvest all or some of their CPS II into NAB Capital Notes 5
Related Entity	Has the meaning given to it in clause 24.1 of the Terms
Relevant Fraction	Has the meaning given to it in clause 7.1 of the Terms
Relevant Tier 1 Capital Instruments	Has the meaning given to it in clause 24.1 of the Terms
Relevant Tier 2 Capital Instruments	Tier 2 Capital Instruments that, in accordance with their terms or by operation of law, are capable of being converted into Ordinary Shares or written off
Resale	Has the meaning given to it in clause 24.1 of the Terms Resold and Resell have corresponding meanings
Resale Price	Has the meaning given to it in clause 24.1 of the Terms
Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
RWA	Risk-weighted assets

APPENDIX B: GLOSSARY

Term	Meaning
Second Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Securityholder Applicant	An Applicant who applies under the Securityholder Offer
Securityholder Offer	The offer as described in Section 4
Senior Creditors	All present and future creditors of NAB, including depositors and holders of Tier 2 Capital Instruments whose claims are entitled to be admitted in the winding up of NAB and whose claims are not in respect of Equal Ranking Instruments
Shareholder	A holder of Ordinary Shares from time to time
Special Resolution	A resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution, or made in writing by Holders representing at least 75% of the outstanding NAB Capital Notes 5 For the full definitions and provisions relating to written resolutions – see the Meetings Provisions set out in the NAB Capital Notes 5 Deed Poll
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers), Co-Managers and any other participating broker in the Offer
Tax Event	Has the meaning given to it in clause 24.1 of the Terms
Tax Rate	Has the meaning given to it in clause 2.4 of the Terms
Terms	The terms of NAB Capital Notes 5 as set out in Appendix A
TFN	Tax File Number
Third Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Tier 1 Capital	Tier 1 Capital as defined by APRA from time to time
Tier 2 Capital	Tier 2 Capital as defined by APRA from time to time
Tier 2 Capital Instruments	Securities issued by NAB or a member of the Group which qualify as Tier 2 Capital
Total Capital	Has the meaning given by APRA from time to time (or as the context otherwise requires)
U.S. Person	Has the meaning given to it in Regulation S under the U.S. Securities Act
U.S. Securities Act	United States Securities Act of 1933, as amended
VWAP	Has the meaning given to it in clause 24.1 of the Terms
Written Off	Has the meaning given to it in clause 4.5 of the Terms Write Off has a corresponding meaning

CORPORATE DIRECTORY

Issuer

National Australia Bank Limited
Level 1, 800 Bourke Street
Docklands VIC 3008

Arranger & Joint Lead Manager

National Australia Bank Limited
Level 25, 255 George Street
Sydney NSW 2000

Joint Lead Managers

Commonwealth Bank of Australia
Ground Floor, Tower 1, 201 Sussex Street
Sydney NSW 2000

Crestone Wealth Management Limited
Level 32, Chifley Tower
2 Chifley Square
Sydney NSW 2000

E&P Corporate Advisory Pty Limited
Mayfair Building, 171 Collins Street
Melbourne VIC 3000

Morgans Financial Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Morgan Stanley Australia Securities Limited
Level 39, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Shaw and Partners Limited
Level 7, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

JBWere Limited
Level 16, 101 Collins Street
Melbourne VIC 3000

Australian Legal Adviser

King & Wood Mallesons
Level 27, Collins Arch
447 Collins Street
Melbourne VIC 3000

Australian Tax Adviser

Greenwoods & Herbert Smith Freehills Pty Limited
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

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