



Monday, 16 November 2020

ASX ANNOUNCEMENT

NAB launches NAB Capital Notes 5 offer

National Australia Bank Limited (NAB) today announced an offer of NAB Capital Notes 5, which are expected to be quoted on the ASX.

NAB Capital Notes 5 are convertible, subordinated notes that are scheduled to pay quarterly, floating rate non-cumulative Distributions in cash subject to the satisfaction of certain conditions.¹ Those Distributions are expected to be franked at the same rate as dividends paid on Ordinary Shares. The Distribution Rate is equal to the sum of the Bank Bill Rate plus a Margin (expected to be in the range of 3.50% to 3.70%), adjusted for NAB's Tax Rate.²

The Offer is expected to raise approximately \$750 million, with the ability to raise more or less. Once issued, the NAB Capital Notes 5 will qualify as Additional Tier 1 Capital for the Group. NAB will use the net proceeds of the Offer for general corporate purposes.

Structure of the Offer

The Offer comprises:

- a Reinvestment Offer for eligible holders of NAB Convertible Preference Shares II (CPS II) - see further details below;
- a Securityholder Offer for all registered holders 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 (Melbourne Time) on 11 November 2020, with a registered address in Australia;
- a Broker Firm Offer; and
- an Institutional Offer.

There is no general public offer.

Applications under the Securityholder, Broker Firm and Institutional Offers must be for at least 50 NAB Capital Notes 5 (\$5,000) and thereafter in multiples of 10 NAB Capital Notes 5 (\$1,000).

The Reinvestment Offer

On 5 November 2020, NAB issued a redemption notice in accordance with the terms of the CPS II, which confirmed that on 17 December 2020, NAB will redeem all CPS II for \$100 per CPS II.³

The Reinvestment Offer provides Eligible CPS II Holders⁴ with the opportunity to reinvest their CPS II into NAB Capital Notes 5 and maintain an ongoing investment in NAB.

¹ A Distribution will only be paid if the Directors resolve to pay it and a Payment Condition does not exist on the Distribution Payment Date.

² Being the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date.

³ All CPS II will be redeemed on 17 December 2020 unless the CPS II are required to be converted or written off before that date.

⁴ A registered holder of CPS II as at 7.00pm (Melbourne time) on Wednesday, 11 November 2020, with a registered address in Australia, who is not an individual residing in a member state of the European Union, is not in the United States, is not a U.S. Person, 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 CPS II Holders may also apply for additional NAB Capital Notes 5 under the Securityholder Offer.

There is no minimum number of CPS II that an Eligible CPS II Holder must hold to be able to participate in the Reinvestment Offer. 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 your CPS II in NAB Capital Notes 5. If you are an Eligible CPS II Holder, own more than 50 CPS II and wish to participate in the Reinvestment Offer, you can apply to reinvest all your CPS II, otherwise you must apply to reinvest at least 50 of your CPS II (\$5,000) and thereafter in multiples of 10 CPS II (\$1,000).

Eligible CPS II Holders are not required to participate in the Reinvestment Offer. There are important differences between CPS II and NAB Capital Notes 5 that investors should consider before deciding whether to apply to participate in the Reinvestment Offer. These differences, and the key risks of participating in the Reinvestment Offer, are set out in Sections 1.3, 3.2 and 7 of the Prospectus.

Key terms of the NAB Capital Notes 5

- NAB Capital Notes 5 are convertible, subordinated notes. They are not guaranteed or secured and are not deposit accounts or any other accounts with NAB.
- NAB Capital Notes 5 are scheduled to pay quarterly, floating rate, non-cumulative Distributions in cash subject to the satisfaction of certain conditions.⁵ Those Distributions are expected to be franked at the same rate as dividends paid on Ordinary Shares. However, franking is not guaranteed and a Holder's 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 Distribution Rate is equal to the sum of the Bank Bill Rate plus a Margin (expected to be in the range of 3.50% to 3.70%), adjusted for NAB's Tax Rate.² The Bank Bill Rate is a floating reference rate. The Margin will be determined under the Bookbuild, and will not change for the term of NAB Capital Notes 5. The Distribution Payment Dates are scheduled to be 17 March, 17 June, 17 September and 17 December, with the first Distribution expected to be paid on 17 March 2021.
- NAB Capital Notes 5 have no fixed maturity date for repayment. However, NAB Capital Notes 5 will mandatorily Convert into Ordinary Shares on 17 December 2029 if they are still on issue on that date, or if an Acquisition Event occurs, provided certain conditions are met. With the prior written approval of APRA, NAB may also elect to Convert, Redeem or Resell NAB Capital Notes 5 on 17 December 2027, or on the occurrence of particular events, provided certain conditions are met. Holders should not expect that APRA's approval will be given for any Conversion, Redemption or Resale of NAB Capital Notes 5.
- NAB must immediately Convert NAB Capital Notes 5 into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur when NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares at that time, a Conversion in those circumstances is likely to result in Holders receiving Ordinary Shares that are worth significantly less than the money they invested in NAB Capital Notes 5. If NAB Capital Notes 5 are not Converted for any reason within 5 days after the Loss Absorption Event, NAB Capital Notes 5 will be Written Off with effect from the Loss Absorption Event.
- Holders of NAB Capital Notes 5 will have no right to request that NAB Capital Notes 5 be repaid. Without a Conversion, Redemption or Resale, Holders would have to sell their NAB Capital Notes 5 on the ASX at the prevailing market price to realise their investment.
- In a winding-up of NAB, NAB Capital Notes 5 rank ahead of Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments, but behind the claims of Senior Creditors, including depositors – though the amount of any return in a winding-up will be adversely affected if a Loss Absorption Event has occurred.

⁵ A Distribution will only be paid if the Directors resolve to pay it and a Payment Condition does not exist on the Distribution Payment Date.

- NAB Capital Notes 5 are subject to risks that could affect their performance, including Distribution Rate risk and market price fluctuations. The key risks of investing in NAB Capital Notes 5 are described in Sections 1.3 and 7 of the Prospectus.

How to access a Prospectus and apply

An initial Prospectus was lodged with ASIC and made available on ASX today. The Prospectus does not contain the Margin. A replacement Prospectus containing the Margin is expected to be made available within Australia on ASX and on the Offer website at www.nab.com.au/nabcapitalnotes5 when the Offer opens (which is expected to be on 24 November 2020).

This announcement only contains a summary of the features of NAB Capital Notes 5 and the Offer. The Prospectus and Terms of NAB Capital Notes 5 should be read in full before deciding whether to invest.

Paper copies of the Prospectus will not be made available and all Applications must be completed online at www.nab.com.au/nabcapitalnotes5 once the Offer opens. Applicants in the Broker Firm Offer should contact their Syndicate Broker for instructions on how to apply.

Capitalised terms which are undefined in this announcement have the meanings given to them in the Prospectus.

Key Dates*

Record Date for determining Eligible Securityholders and Eligible CPS II Holders (7.00pm)	11 November 2020
Announcement of the Offer and lodgement of Prospectus with ASIC	16 November 2020
Bookbuild	16-23 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
Payment Date for the final CPS II dividend ⁶	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
First Distribution Payment Date ⁷	17 March 2021
Optional Conversion / Redemption / Resale Date ⁸	17 December 2027
Mandatory Conversion Date ⁹	17 December 2029

*These dates are indicative only and may change without notice (other than the key dates in connection with the CPS II Redemption, which are fixed, unless CPS II are required to be converted or written off before 17 December 2020).

⁶ Subject to the satisfaction of the payment conditions in the CPS II Terms.

⁷ Subject to the Directors resolving to pay the Distribution and no Payment Condition existing on 17 March 2021.

⁸ 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.

⁹ 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.

NAB is acting as Arranger and Joint Lead Manager to the Offer. CBA, Crestone, E&P Corporate Advisory, Morgan Stanley, Morgans and Shaw and Partners have also been appointed as Joint Lead Managers to the Offer.

Further information

For further information, contact the NAB Information Line on 1300 367 647 Monday to Friday from 8.00am to 7.30pm (Melbourne time) during the Offer Period and for a week following.

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The information provided in this announcement is not investment advice and has been prepared without taking into account individual investment objectives, financial situations or 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 professional advice from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.

The statement does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, NAB Capital Notes 5 have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "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" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act.

The release of this announcement was authorised by Gary Lennon, Group Chief Financial Officer.