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Tuesday, 12 May 2015

## **ASX Announcement**

# **Retail Entitlement Offer – Retail Offer Booklet and Entitlement and Acceptance Form**

Further to the announcement by National Australia Bank Limited (NAB) on 12 May 2015, attached is a copy of the Retail Offer Booklet and pro forma Entitlement and Acceptance Form in connection with NAB's 2 for 25 pro rata renounceable entitlement offer of NAB ordinary shares.

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## **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, or will 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.

Accordingly, the Entitlements and the New Shares may not be offered or sold to persons in the United States or persons acting for the account or benefit of a person in the United States, unless such Entitlements or New Shares have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this announcement nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed to persons in the United States.



National  
Australia  
Bank



# Retail Entitlement Offer

**2 for 25 pro rata renounceable  
entitlement offer of NAB ordinary  
shares at an offer price of \$28.50  
per New Share**

Retail Entitlement Offer closes  
at 5.00pm (Melbourne time) on  
Monday, 1 June 2015

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This Retail Offer Booklet requires your immediate attention. It is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read in their entirety. This Retail Offer Booklet is not a prospectus under the Corporations Act 2001 (Cth) (Corporations Act) and has not been lodged with the Australian Securities & Investments Commission (ASIC). Please call your financial adviser or other professional adviser or the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (International) if you have any questions.

National Australia Bank Limited ABN 12 004 044 937

# Important Notices

Defined terms used in these important notices have the meaning given in this Retail Offer Booklet.

## **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.**

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as notionally modified by ASIC Class Order 08/35 and relief obtained from ASIC), which allows entitlement offers to be made without a prospectus. As a result, this offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read carefully and understand this Retail Offer Booklet and the information about NAB and the Retail Entitlement Offer made publicly available, prior to deciding whether to take up all or part of their Entitlement, sell or transfer all or part of their Entitlement or do nothing in respect of their Entitlement. In particular, please refer to the enclosed materials and Announcements, NAB's interim and annual reports and other announcements made available at [www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder) or [www.asx.com.au](http://www.asx.com.au) (including NAB's annual report for the year ended 30 September 2014 and NAB's half year report for the six months ended 31 March 2015 and accompanying announcements) and announcements which may be made by NAB after publication of this Retail Offer Booklet.

This Retail Offer Booklet (other than the Announcements) is dated 12 May 2015.

This information is important and requires your immediate attention. You should read this Retail Offer Booklet carefully in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in the 'Risks associated with the participation in the Entitlement Offer' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet for a summary of certain general and NAB specific risk factors that may affect NAB or an investment in New Shares.

## **Future performance and forward-looking statements**

Neither NAB nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Entitlement Offer. This Retail Offer Booklet contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'expect', 'anticipate', 'likely', 'intend', 'propose', 'should', 'could', 'may', 'predict', 'plan', 'will', 'believe', 'forecast', 'estimate', 'target', and other similar expressions and include, but are not limited to, statements regarding certain plans, strategies and objectives of management and expected financial performance and the outcome and effects of the Entitlement Offer and the use of proceeds. The forward-looking statements contained in this Retail Offer Booklet are based on current views, expectations

and beliefs as at the date they are expressed. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of NAB and its officers, employees, agents or associates, including the risk factors outlined in the 'Risks associated with the participation in the Entitlement Offer' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet. They may also involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. Investors should consider the forward-looking statements contained in this Retail Offer Booklet in light of those disclosures.

The forward-looking statements are based on information available to NAB as at the date of this Retail Offer Booklet. To the maximum extent permitted by law, NAB disclaims any responsibility for the accuracy or completeness of any forward-looking statements. NAB disclaims any responsibility to update or revise any forward-looking statement to reflect any change in NAB's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

None of the Underwriters or any of their respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents have authorised or caused the issue of this Retail Offer Booklet and they do not take any responsibility for this Retail Offer Booklet or any action taken by you on the basis of the information in this Retail Offer Booklet.

## **Past performance**

Investors should note that any past performance information given in this booklet is provided for illustrative purposes only and should not be relied upon as, and is not, an indication of future NAB performance, including future Share price performance.

## **Jurisdictions**

This Retail Offer Booklet, the accompanying ASX announcements and the Entitlement and Acceptance Form, do not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither this Retail Offer Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in

the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. The Entitlements and the New Shares in the Retail Entitlement Offer will be sold only in 'offshore transactions' (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

## Withholding tax

This Retail Offer Booklet refers to the potential payment of a Retail Premium to certain investors. NAB may be required to withhold Australian tax in relation to any Retail Premium that is paid to those investors under applicable laws. References to the payment of the Retail Premium in this Retail Offer Booklet should be read as payments net of any applicable withholding taxes. If you are an Australian tax resident Shareholder, and you have not previously provided your Tax File Number (TFN) or Australian Business Number (ABN) to NAB, you may wish to do so prior to the close of the retail offer described in this Retail Offer Booklet (**Retail Entitlement Offer**) to ensure that any withholding tax is not deducted from any proceeds payable to you at the current rate of 49%. You are able to provide your TFN or ABN online with the NAB Share Registry at [www.computershare.com.au/easyupdate/nab](http://www.computershare.com.au/easyupdate/nab).

In addition, notwithstanding any other provision in this Retail Offer Booklet, any amounts to be paid on the New Shares will be paid net of any deduction or withholding imposed or required pursuant to, or made for or on account of, Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the U.S. Internal Revenue Code of 1986, as amended, and no additional amounts will be required to be paid on account of any such deduction or withholding.

## Stamping fees and other broker fees

A stamping fee of 0.75% (including GST) of the amount payable by a retail Shareholder in respect of a valid application will be paid to brokers, with the minimum amount per valid application being \$50 and the maximum amount being \$250.

The total amount of stamping fees payable by NAB is \$2.5 million (including GST) (**Stamping Fee Cap**), which amount may be increased by NAB in its absolute discretion. If NAB receives valid applications from retail Shareholders which would, in aggregate, require NAB to pay stamping fees in excess of the Stamping Fee Cap, the amount of the

stamping fee payable to brokers by NAB will be adjusted pro rata by NAB.

Broker stamping fees will only be paid by NAB where a Broker Stamping Fee Claim Form and schedule is submitted to the Registry no later than 7.00pm (Melbourne time) on 9 June 2015. The Broker Stamping Fee Claim Form and schedule can be obtained from the Registry by emailing [brokerhandlingfees@computershare.com.au](mailto:brokerhandlingfees@computershare.com.au) or by calling 1300 367 647 (within Australia) or +61 3 9415 4299 (International).

NAB must also pay to each person appointed by NAB as a broker and named in this booklet or any ASX announcement a fee of \$50,000 (including GST) as consideration for services performed.

## References to 'you', 'your Entitlement' and 'your Retail Entitlement'

In this Retail Offer Booklet, references to 'you' are references to Eligible Retail Shareholders and references to 'your Entitlement' or 'your Retail Entitlement' (or 'your Entitlement and Acceptance Form') are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders.

## Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Melbourne time. Refer to the 'Key Dates' section of this Retail Offer Booklet for more details.

## Currency

Unless otherwise stated, all dollar values in this Retail Offer Booklet are in Australian dollars (A\$).

## Trading Entitlements and New Shares

NAB and the Underwriters will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by NAB or the Registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

NAB and the Underwriters will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by NAB or the Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters, you should first consult with your financial adviser or other professional adviser.

Refer to Section 6 for more details.

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# Key Dates for the Retail Entitlement Offer

| Event                                                                                                                  | Date                    |
|------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Announcement of the Entitlement Offer                                                                                  | Thursday, 7 May 2015    |
| Retail Entitlements commence trading on ASX on a deferred settlement basis                                             | Tuesday, 12 May 2015    |
| Record Date for eligibility for the Entitlement Offer (7.00pm, Melbourne time)                                         | Tuesday, 12 May 2015    |
| Retail Entitlement Offer opens                                                                                         | Wednesday, 13 May 2015  |
| Retail Offer Booklet despatched and Retail Entitlements allotted                                                       | Monday, 18 May 2015     |
| Retail Entitlements commence trading on ASX on a normal settlement basis                                               | Tuesday, 19 May 2015    |
| Retail Entitlements trading on ASX ends                                                                                | Monday, 25 May 2015     |
| New shares under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis                   | Tuesday, 26 May 2015    |
| Retail Entitlement Offer closes <sup>1</sup> (5.00pm, Melbourne time)                                                  | Monday, 1 June 2015     |
| Retail Shortfall Bookbuild                                                                                             | Thursday, 4 June 2015   |
| Settlement of the Retail Entitlement Offer                                                                             | Wednesday, 10 June 2015 |
| Issue of New Shares under the Retail Entitlement Offer                                                                 | Thursday, 11 June 2015  |
| New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis                     | Friday, 12 June 2015    |
| Despatch of holding statements for New Shares under the Retail Entitlement Offer<br>Retail Premium (if any) despatched | Tuesday, 16 June 2015   |

<sup>1</sup> Eligible Retail Shareholders who wish to take up all or a part of their Entitlement must complete and return their personalised Entitlement and Acceptance Form with the requisite accompanying payment (**Application Monies**) OR pay their Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form in each case by no later than 5.00pm (Melbourne time) on Monday, 1 June 2015. Eligible Retail Shareholders should refer to Section 2 for options available to them to deal with their Entitlement.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment.

BPAY is registered to BPAY Pty Ltd ABN 69 079 137 518.

The timetable above is indicative only and may be subject to change. NAB, in conjunction with the Underwriters, reserves the right to amend any or all of these dates and times without notice subject to the Corporations Act 2001, the ASX Listing Rules and other applicable laws. In particular, NAB reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

The commencement of the quotation of Entitlements and New Shares is subject to confirmation from ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

## Enquiries

If you have any questions, please call the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (International), or consult your financial adviser or other professional adviser. The NAB Offer Information Line will be open from 8.00am to 7.30pm (Melbourne time), Monday to Friday. Alternatively, you can access information about the Retail Entitlement Offer online at **[www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder)**.

# Letter from the Chairman

12 May 2015

Dear Shareholder,

On behalf of the Board, I am pleased to offer you the opportunity to participate in a 2 for 25 pro-rata accelerated renounceable entitlement offer of new fully paid ordinary shares (with retail entitlements trading) in NAB (**New Shares**) at an offer price of \$28.50 (**Offer Price**) to raise gross proceeds of approximately \$5.5 billion (**Entitlement Offer**).

The purpose of the Entitlement Offer is to put NAB in a strong capital position following anticipated new imposts arising from regulatory change, including the Financial System Inquiry and the proposed separation of NAB's UK Banks.

## Financial update

On 7 May 2015 NAB announced its Half Year Results to the market, which on a statutory basis was a net profit attributable to owners of NAB of \$3.44 billion, an increase of \$584 million or 20.4%. Cash earnings<sup>1</sup> were \$3.32 billion, an increase of \$170 million or 5.4% with improved performances across all major businesses. Excluding prior period UK conduct related charges, cash earnings rose 0.3%.

The management team has been focused on delivering against the strategic priorities outlined in October 2014 – building a stronger Australian and New Zealand franchise and dealing with our low returning and legacy assets. Pleasing progress has been made on both fronts over this period with all major businesses contributing to cash earnings growth.

We have made good progress on our intention to exit a number of legacy assets over the first half of 2015. On 6 May 2015, we completed a secondary public offering of common shares of Great Western Bancorp, Inc. in the US, following the 2014 IPO of a 31.8% stake, which sees our ownership fall to 28.5%. We have further reduced our UK Commercial Real Estate (CRE) portfolio, selling £1.2 billion of higher risk loans in December 2014, reducing the portfolio size to £0.6 billion compared with the original balance of £5.6 billion in October 2012. The remaining UK CRE portfolio largely comprises performing loans, effectively bringing closure to one of our legacy positions.

In relation to exiting our UK Banking business, we have been examining a broad range of options, including those provided by public markets. It is a priority to exit this business, which is why we announced on 7 May 2015 our intention to pursue a demerger and IPO of the UK Banking business.

A strong balance sheet has always been a priority at NAB, which is why we will be raising \$5.5 billion of capital through the Entitlement Offer, as described in this Retail Offer Booklet.

A copy of NAB's Half Year Results ASX announcement is included in Section 5 of this Retail Offer Booklet, along with extracts from NAB's Investor Presentation dated 7 May 2015, which sets out details of the Entitlement Offer.

## Entitlement Offer

Under the Entitlement Offer, eligible Shareholders are entitled to acquire 2 New Shares for every 25 existing fully paid ordinary shares held on the record date, being 7.00pm (Melbourne time) on Tuesday 12 May 2015 (**Entitlements**). The Board considers that the pro rata nature of the Entitlement Offer favours existing NAB Shareholders in recognition of their continuing support.

The Offer Price of \$28.50 per New Share represents a discount of 16.7% to the dividend-adjusted closing market price of NAB shares on 6 May 2015, the day before the Entitlement Offer was announced, and a 15.6% discount to the dividend-adjusted theoretical ex-rights price (**TERP**)<sup>2</sup>.

New Shares issued under the Entitlement Offer will rank equally with existing NAB shares in all respects from allotment but will not be entitled to the 31 March 2015 dividend of 99 cents per share because they will not be issued before the record date for that dividend.

<sup>1</sup> Please refer to the note on cash earnings on the final page of NAB's Half Year Results ASX announcement, included in Section 5 of this Retail Offer Booklet.

<sup>2</sup> TERP is the theoretical price at which NAB shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which NAB shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is adjusted for NAB's 31 March 2015 dividend of 99 cents per share.

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). Pleasingly, there has been a strong uptake in the Institutional Entitlement Offer, which, together with the associated bookbuild, has raised approximately \$2.7 billion in total. The price achieved in the institutional shortfall bookbuild was \$33.80 per New Share, a \$5.30 per share premium over the Offer Price of \$28.50.

The Retail Entitlement Offer and associated retail bookbuild (described below) is expected to raise approximately \$2.8 billion. This Retail Offer Booklet relates to the Retail Entitlement Offer and entitlements allotted under it (**Retail Entitlements**).

Accompanying this Retail Offer Booklet is your personalised Entitlement and Acceptance Form, which contains details of your Entitlement. Your Entitlement may have value and it is important that you determine whether to take up, sell or do nothing in respect of your Entitlement (see Section 2).

The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday 1 June 2015. To participate, you need to ensure that you have completed your application by paying Application Monies by BPAY, or by lodging your Entitlement and Acceptance Form with your Application Monies paid by cheque, so that they are received before this time in the manner described in this Retail Offer Booklet.

If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on the ASX from Tuesday 12 May 2015 to Monday 18 May 2015 (on a deferred settlement basis) and Tuesday 19 May 2015 to Monday 25 May 2015 (on a normal settlement basis) or transfer all or part of your Entitlement directly to another person. The assignment, transfer and exercise of Retail Entitlements is restricted to persons meeting certain eligibility criteria, as described in Section 6.1. If holders of Retail Entitlements at the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Retail Entitlements and, as a result, they may receive no value for them. If you choose to do nothing in respect of all or part of your Retail Entitlement or you are ineligible to participate in the Retail Entitlement Offer, part or all (as applicable) of your Retail Entitlement will be offered for sale for your benefit through a bookbuild process on Thursday 4 June 2015 (**Retail Shortfall Bookbuild**). If the amount per New Share realised in the Retail Shortfall Bookbuild exceeds the Offer Price of \$28.50, the excess, less expenses and any applicable withholding tax, will be paid pro rata to each Ineligible Retail Shareholder and to each Eligible Retail Shareholder to the extent they did not accept their Retail Entitlement in full. However, there is no guarantee that you will receive any proceeds as a result of the Retail Shortfall Bookbuild and any proceeds you receive may be less than the proceeds received by institutional Shareholders under the institutional shortfall bookbuild.

It is the current intention of the NAB Directors who hold NAB shares to participate in the Entitlement Offer.

## Further information

Further information on the Retail Entitlement Offer and NAB's business is detailed in this Retail Offer Booklet. You should carefully read this Retail Offer Booklet in its entirety and consult your financial adviser before making your investment decision. In particular, you should read and consider Annexure B of the Investor Presentation included in Section 5 of this Retail Offer Booklet, which details some of the key risks associated with an investment in NAB.

If you have any questions in respect of the Retail Entitlement Offer, please call the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (International) at any time from 8.00am to 7.30pm (Melbourne time) Monday to Friday.

On behalf of the Board, I encourage you to consider this opportunity and thank you for your continuing support.

Yours sincerely,



Michael Chaney AO  
Chairman

## Section One

Is this booklet  
relevant to you?

# Section One

## Is this booklet relevant to you?

This Retail Offer Booklet is relevant to you if you are an Eligible Retail Shareholder.

In this Retail Offer Booklet, references to 'you' are references to Eligible Retail Shareholders and references to 'your Entitlement' or 'your Retail Entitlement' (or 'your Entitlement and Acceptance Form') are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (Melbourne time) on Tuesday, 12 May 2015;
- have a registered address on the NAB share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds NAB ordinary shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as a nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Refer to Section 6.1 for further details.

## Section Two

# Summary of options available to you

# Section Two

## Summary of options available to you

If you are an Eligible Retail Shareholder (as defined in the Glossary), you may take any one of the following actions:

- (a) Take up all or part of your Entitlement; or
- (b) Sell all or part of your Entitlement:
  - (1) on ASX; or
  - (2) by transferring it directly to another person; or
- (c) Do nothing and let all or part of your Entitlement be sold into the Retail Shortfall Bookbuild.

If you are a retail Shareholder that is not an Eligible Retail Shareholder, you are an Ineligible Retail Shareholder. Ineligible Retail Shareholders will receive the Retail Premium (if any), less any applicable withholding tax, for the sale of Entitlements for their benefit through the Retail Shortfall Bookbuild.

| Options available to you                                  | Key considerations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1 Take up all or part of your Entitlement</b>          | <ul style="list-style-type: none"> <li>You may elect to purchase New Shares at the Offer Price (see Section 3.6.1 for instructions on how to take up your Entitlement).</li> <li>The New Shares will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, except that the New Shares will not be eligible to receive any dividend for the half year ended 31 March 2015 because they will not be issued before the record date for that dividend.</li> <li>The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 1 June 2015.</li> <li>If you only take up part of your Entitlement, you may choose to sell or transfer the balance (see Option 2 below) or you may do nothing and let that part be sold in the Retail Shortfall Bookbuild for your benefit (see Option 3 below).</li> <li>Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as shown on their personalised Entitlement and Acceptance Form.</li> </ul>                                                                                                                                                                                                                                                             |
| <b>2 Sell or transfer all or part of your Entitlement</b> | <ul style="list-style-type: none"> <li>If you do not wish to take up all or part of your Entitlement, you may be able to sell all or part of your Entitlement on ASX through your broker (see Section 3.6.2) or transfer your Entitlement directly to another person (see Section 3.6.3).</li> <li>Retail Entitlements may be traded on ASX from Tuesday, 12 May 2015 (on a deferred basis) and Tuesday, 19 May 2015 (on a normal basis) to Monday, 25 May 2015 (ASX code: NABR). You may incur brokerage costs if you sell all or part of your Entitlement on ASX.</li> <li>For Eligible Retail Shareholders who hold their existing Shares on capital account, the proceeds of any sale of your Entitlements should be treated as capital gains for Australian tax purposes (see Section 4.2).</li> <li>If you sell your Entitlements during the Retail Entitlement trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements at a different time during the Retail Entitlement trading period or through the Retail Shortfall Bookbuild.</li> <li>If you only sell or transfer part of your Entitlement, you may choose to take up the remainder (see Option 1 above) or you may do nothing and let that part be sold in the Retail Shortfall Bookbuild (see Option 3 overleaf).</li> </ul> |

# Section Two

## Summary of options available to you

| Options available to you                                                                                   | Key considerations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3 Do nothing and let all or part of your Entitlement be sold through the Retail Shortfall Bookbuild</b> | <ul style="list-style-type: none"> <li>• To the extent you do not take up or do not sell all of your Entitlement on ASX (or via direct transfer), your Entitlements will be sold through the Retail Shortfall Bookbuild on Thursday, 4 June 2015 and you will receive any Retail Premium in respect of these Entitlements (see Section 3.6.4). There is no guarantee that there will be any Retail Premium and any premium received may be less than the Institutional Premium.</li> <li>• The ATO has stated in Taxation Ruling TR 2012/1 that in certain circumstances retail premiums will be taxed either as unfranked dividends (which may be subject to dividend withholding tax if you are not an Australian resident Shareholder) or as ordinary income (and not as capital gains). The ATO's ruling does not apply to the Entitlements because, amongst other things, the Entitlements are tradeable on ASX.</li> <li>• NAB's tax adviser considers that any Retail Premium should be taxable in the hands of Eligible Retail Shareholders who hold their existing Shares on capital account as a capital gain (see Section 4.3). However, it is possible the ATO could seek to apply the tax treatment specified in Taxation Ruling TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild.</li> <li>• Accordingly, Eligible Retail Shareholders who propose to allow their Entitlements to be sold into the Retail Shortfall Bookbuild should consider instead selling their Entitlements on ASX, the tax treatment for which is more certain (see Section 4.2).</li> <li>• You will not incur brokerage costs on any Retail Premium received from the Retail Shortfall Bookbuild.</li> <li>• By letting your Entitlement be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to increases or decreases in the value of New Shares (or any value for that Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in NAB will also be diluted.</li> <li>• NAB may be required to withhold tax, if you are an Australian tax resident Shareholder, and you have not previously provided your TFN or ABN to the NAB Share Registry. Accordingly, you may wish to do so prior to the close of the Retail Entitlement Offer to ensure that withholding tax is not deducted from any Retail Premium at the current rate of 49%. You are able to provide your TFN or ABN to the NAB Share Registry online at <a href="http://www.computershare.com.au/easyupdate/nab">www.computershare.com.au/easyupdate/nab</a>.</li> </ul> |

# How to apply

# Section Three

## How to apply

### 3.1 Overview of the Entitlement Offer

Eligible Shareholders are being offered the opportunity to purchase 2 New Shares for every 25 existing Shares held as at 7.00pm (Melbourne time) on Tuesday, 12 May 2015, at the Offer Price of \$28.50 per New Share.

The Entitlement Offer is comprised of four components:

**(a) Institutional Entitlement Offer** – Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement. Institutional Entitlements were renounceable and were not able to be traded on ASX.

**(b) Institutional Shortfall Bookbuild** – Institutional Entitlements not taken up and Entitlements of Ineligible Institutional Shareholders were sold through a bookbuild process on Monday, 11 May 2015. The premium paid in respect of those Entitlements was announced to ASX by NAB on 12 May 2015. Eligible Institutional Shareholders who elected not to take up all or part of their Institutional Entitlements, and Ineligible Institutional Shareholders, will receive the Institutional Premium for each Entitlement that was not taken up and that was sold into the Institutional Shortfall Bookbuild.

**(c) Retail Entitlement Offer** – Eligible Retail Shareholders will be allotted Retail Entitlements under the Retail Entitlement Offer which can be taken up in whole or in part, or traded on ASX (or transferred directly to another person) in whole or in part. This means that if you do not wish to take up all or part of your Entitlement you may sell on ASX, or transfer, all or part of your Entitlement in order to realise value from your Entitlement. You may incur brokerage costs if you sell your Entitlement on ASX.

**(d) Retail Shortfall Bookbuild** – Retail Entitlements which are not taken up by the close of the Retail Entitlement Offer and Entitlements of Ineligible Retail Shareholders will be sold through the Retail Shortfall Bookbuild. Any Retail Premium will be remitted proportionally to holders of those Retail Entitlements at the close of the Retail Entitlement Offer, and to Ineligible Retail Shareholders. The Retail Premium, if any, is expected to be paid on or about Tuesday, 16 June 2015.

You have a number of decisions to make in respect of your Entitlement. These decisions may materially affect the value (if any) that may be received in respect of your Entitlement. You should read this Retail Offer Booklet carefully before making any decisions in relation to your Entitlement.

The Entitlement Offer is fully underwritten by the Underwriters. More information on the underwriting of the Entitlement Offer is set out in Section 6.15.

Further details on the Retail Entitlement Offer and Retail Shortfall Bookbuild are set out on the following pages.

Please refer to the Announcements set out in Section 5 for information on the purpose of the Entitlement Offer, the application of the proceeds of the Entitlement Offer and the risks associated with participation in the Entitlement Offer. You should also consider other publicly available information about NAB, including information available at [www.asx.com.au](http://www.asx.com.au) and [www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder) (including NAB's annual report for the year ended 30 September 2014 and NAB's half year report for the six months ended 31 March 2015 and accompanying announcements) and announcements which may be made by NAB after publication of this Retail Offer Booklet.

### 3.2 The Institutional Entitlement Offer and Institutional Shortfall Bookbuild

On Thursday, 7 May and Friday, 8 May 2015, NAB successfully conducted the Institutional Entitlement Offer to raise approximately \$2.6 billion, at an Offer Price of \$28.50 per New Share. New Shares are expected to be issued under the Institutional Entitlement Offer on Wednesday, 20 May 2015.

Institutional Entitlements not taken up and Entitlements of Ineligible Institutional Shareholders were sold through a bookbuild process on Monday, 11 May 2015. The Institutional Premium paid in respect of those Entitlements was \$5.30 per Entitlement.

### 3.3 The Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to apply for 2 New Shares for every 25 existing Shares held as at the Record Date at the Offer Price of \$28.50 per New Share.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer.

The Retail Entitlement Offer opens at 9.00am (Melbourne time) Wednesday, 13 May 2015 and will close at 5.00pm (Melbourne time) on Monday, 1 June 2015.

### 3.4 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 2 New Shares for every 25 existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

Please note that your Entitlement and Acceptance Form will be available online from Monday, 18 May 2015:

1. Access at **www.investorcentre.com**
2. If you have not logged into Investor Centre previously, select the 'Access a Single Holding button', enter your HIN/SRN, postcode and follow the prompts.
3. Click on **Statements and Documents** then choose 'Entitlement Acceptances' to view your personalised form. The online form includes your BPAY reference number for immediate payment. You may also print out your form and send with your cheque, bank draft or money order to the address noted on the form.

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, except that the New Shares will not be eligible to receive any dividend for the half year ended 31 March 2015 because they will not be issued before the record date for that dividend.

See Sections 6.1 and 6.14 for information on restrictions on participation.

### **3.5 Consider the Retail Entitlement Offer carefully in light of your particular investment objectives and circumstances**

The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This Retail Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Retail Entitlement Offer. As a result, it is important for you to read carefully and understand this Retail Offer Booklet and the information on NAB and the Retail Entitlement Offer made publicly available, prior to deciding whether to take up all or part of your Entitlement, sell or transfer all or part of your Entitlement or do nothing in respect of your Entitlement. In particular, please refer to the enclosed materials and announcements and other announcements made available at **www.nab.com.au** or **www.asx.com.au** (including NAB's annual report for the year ended 30 September 2014 and the half year report for the six months ended 31 March 2015 and accompanying announcements) and announcements which may be made by NAB after publication of this Retail Offer Booklet).

Please consult with your financial adviser or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer. You should also refer to the 'Risks associated with the participation in the Entitlement Offer' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet.

### **3.6 Options available to you**

If you are an Eligible Retail Shareholder, you may take any of the following actions. Each of these options may have

a materially different outcome on any value you receive in respect of your Entitlement.

- Take up all or part of your Entitlement (see Section 3.6.1);
- Sell all or part of your Entitlement to persons meeting certain eligibility criteria either:
  - on ASX (see Section 3.6.2); or
  - by transferring it directly to another person (see Section 3.6.3); or
- Do nothing and let your Entitlement be sold through the Retail Shortfall Bookbuild (see Section 3.6.4).

#### **3.6.1 If you wish to take up all or part of your Entitlement**

If you wish to take up all or part of your Entitlement, please either:

- (1) complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies; or
- (2) pay your Application Monies via BPAY by following the instructions set out on the personalised Entitlement and Acceptance Form,

in each case, by no later than 5.00pm (Melbourne time) on Monday, 1 June 2015. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment.

If you take up and pay for all or part of your Entitlement before the close of the Retail Entitlement Offer, it is expected that you will be issued New Shares on Thursday, 11 June 2015. NAB's decision on the number of New Shares to be issued to you will be final.

NAB also reserves the right (in its absolute discretion) to reduce the number of New Shares issued (or any Retail Premium paid to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders), if NAB believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to NAB's satisfaction (see Section 6.5).

Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as set out in their personalised Entitlement and Acceptance Form.

#### **3.6.2 If you wish to sell all or part of your Entitlement on ASX**

If you wish to sell all or part of your Entitlement on ASX, you should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form.

Please note that your Entitlement and Acceptance Form will be available online from Monday, 18 May 2015:

# Section Three

## How to apply

1. Access at **www.investorcentre.com**
2. If you have not logged into Investor Centre previously, select the 'Access a Single Holding button', enter your HIN/SRN, postcode and follow the prompts.
3. Click on **Statements and Documents** then choose 'Entitlement Acceptances' to view your personalised form. The online form includes your BPAY reference number for immediate payment. You may also print out your form and send with your cheque, bank draft or money order to the address noted on the form.

Allow sufficient time for your instructions to be carried out by your stockbroker. Please note that you may incur brokerage costs if you choose to sell your Entitlement on ASX.

Entitlement trading on ASX starts on a deferred settlement basis at 10.00am (Melbourne time) on Tuesday, 12 May 2015 (ASX code: NABR) and on a normal settlement basis at 10.00am (Melbourne time) on Tuesday, 19 May 2015 and ceases at 4.00pm (Melbourne time) on Monday, 25 May 2015. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

This Retail Offer Booklet, along with your personalised Entitlement and Acceptance Form, will be despatched on Monday, 18 May 2015.

**NAB and the Underwriters will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before the Retail Entitlements are allotted, or before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by NAB or the NAB Share Registry or failure to maintain your updated details on the NAB share registry or otherwise.**

If you wish to sell part of your Entitlement on ASX and let the balance be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

Prices obtainable for Retail Entitlements may rise and fall over the Retail Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of NAB existing Shares relative to the Offer Price. If you sell your Entitlements during the Retail Entitlement trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements at a different time during the Retail Entitlement trading period or through the Retail Shortfall Bookbuild. The amount received may also differ from the Institutional Premium.

If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in NAB will also be diluted.

### **3.6.3 If you wish to transfer all or part of your Entitlement other than on ASX**

For Issuer Sponsored Shareholders only, if you wish to transfer all or part of your Entitlement other than on ASX, you must forward a completed Renunciation and Acceptance Form to the Registry in relation to the part of your Entitlement that you wish to transfer. If the transferee wishes to take up all or part of the Entitlement transferred to them, they must send their Application Monies together with the Entitlement and Acceptance Form related to the Entitlement transferred to them to the Registry.

You can obtain a Renunciation and Acceptance Form through the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (International) or from your stockbroker. The Renunciation and Acceptance Form as well as the transferee's Application Monies and the Entitlement and Acceptance Form related to the Entitlement transferred to them must be received by the NAB Share Registry at the mail delivery address set out in Section 3.10 no later than 5.00pm (Melbourne time) on Monday, 1 June 2015.

If the NAB Share Registry receives both a completed Renunciation and Acceptance Form and an application for New Shares in respect of the same Entitlement, the transfer will take priority over the application.

If you wish to transfer part of your Entitlement and allow the balance to be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to transfer, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

If you transfer your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in NAB will also be diluted.

You may only transfer your Entitlement in this way to a purchaser whose address is in Australia or New Zealand, who is not in the United States and who is not acting for the account or benefit of a person in the United States. Persons that are in the United States or that are acting for the account or benefit of a person in the United States will not be eligible to purchase, trade, take up or exercise Entitlements. You should inform any transferee of these restrictions.

See Sections 6.1 and 6.14 for more information on restrictions on participation.

### 3.6.4 If you wish to let your Entitlement be sold through the Retail Shortfall Bookbuild

Any of your Entitlements which you do not take up, sell or transfer will be sold through the Retail Shortfall Bookbuild on Thursday, 4 June 2015 to Eligible Institutional Investors. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild (see Section 3.8).

By allowing your Entitlement to be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in NAB will also be diluted.

### 3.7 Ineligible Retail Shareholders

Ineligible Retail Shareholders will receive the Retail Premium (if any) for Entitlements that have been sold on their behalf into the Retail Shortfall Bookbuild.

### 3.8 Retail Shortfall Bookbuild

Retail Entitlements which are not taken up by the close of the Retail Entitlement Offer, and Retail Entitlements of Ineligible Retail Shareholders, will be sold through the Retail Shortfall Bookbuild. Any Retail Premium (being any amount paid in respect of those Entitlements sold into the Retail Shortfall Bookbuild) will be remitted proportionally to such Shareholders on or about Tuesday, 16 June 2015, net of any applicable withholding tax.

Retail Premium amounts, if any, will be paid by direct credit to Shareholders with registered addresses in Australia, New Zealand, the United Kingdom and the United States. The conversion rate for direct credit in each of the respective currencies will be set at the prevailing market rate on 10 June 2015 at 4.00pm (Melbourne time). For those Shareholders who do not have a registered address in Australia, New Zealand, the United Kingdom or the United States, Retail Premium amounts will be received by cheque in Australian dollars.

The Retail Premium may be zero, in which case no payment will be made to holders of those Entitlements sold into the Retail Shortfall Bookbuild. The outcome of the Institutional Shortfall Bookbuild (including the Institutional Premium) is not an indication as to whether there will be a Retail Premium or what any Retail Premium may be.

The ability to sell Entitlements under the Retail Shortfall Bookbuild and the ability to obtain any Retail Premium will depend on various factors, including market conditions. If there is a Retail Premium, it may be less than, more than, or equal to the Institutional Premium or less than, more than or equal to any price or prices for which Entitlements may be able to be sold on ASX or otherwise transferred. To the maximum extent permitted

by law, NAB, the Underwriters and each of their respective related bodies corporate and affiliates, and each of their respective directors, officers, partners, employees, representatives and agents, disclaim all liability, including for negligence, for any failure to procure a Retail Premium under the Retail Shortfall Bookbuild and for any difference between the Retail Premium and the Institutional Premium and for any failure to obtain any particular exchange rate, or for any movements in exchange rates, if exchanging the Retail Premium into foreign currency funds. NAB reserves the right to issue Entitlements under the Retail Shortfall Bookbuild at its discretion.

You should note that if you sell or transfer all or part of your Entitlement or allow all or part of your Entitlement to be sold into the Retail Shortfall Bookbuild, then you will forgo any exposure to increases or decreases in the value of New Shares (or any value for that Entitlement which may have been achieved through its sale on ASX or otherwise) and your percentage shareholding in NAB will be diluted by your non-participation in the Retail Entitlement Offer.

### 3.9 Payment

You can pay in the following ways:

- by BPAY; or
- by cheque, bank draft or money order

Cash payments will not be accepted. Receipts for payment will not be issued.

NAB will treat you as applying for as many New Shares as your payment will pay for in full, up to your Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

#### 3.9.1 Payment by BPAY

For payment by BPAY, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

If you are paying by BPAY, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form.

Please note that your Entitlement and Acceptance Form will be available online from Monday, 18 May 2015:

1. Access at **www.investorcentre.com**
2. If you have not logged into Investor Centre previously, select the 'Access a Single Holding button', enter your HIN/SRN, postcode and follow the prompts.

# Section Three

## How to apply

- Click on **Statements and Documents** then choose 'Entitlement Acceptances' to view your personalised form. The online form includes your BPAY reference number for immediate payment. You may also print out your form and send with your cheque, bank draft or money order to the address noted on the form.

If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

Please note that should you choose to pay by BPAY:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 3.11; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the NAB Share Registry by no later than 5.00pm (Melbourne time) on Monday, 1 June 2015. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making your payment.

### 3.9.2 Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to 'NAB Retail Offer' and marked 'Not Negotiable'.

Your cheque, bank draft or money order must be:

- for an amount equal to \$28.50 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident Shareholders must arrange for payment to be made in Australian dollars.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of your cheque, bank draft or money order for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your

personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

### 3.10 Mail delivery

To participate in the Retail Entitlement Offer, your payment must be received no later than the close of the Retail Entitlement Offer, being 5.00pm (Melbourne time) on Monday, 1 June 2015. If you make payment via cheque, you should mail your completed personalised Entitlement and Acceptance Form together with Application Monies to:

#### NAB

C/- Computershare Investor Services Pty Limited  
GPO Box 2333  
Melbourne VIC 3001

Personalised Entitlement and Acceptance Forms and Application Monies will not be accepted at NAB's registered or corporate offices, or at other offices of the NAB Share Registry.

### 3.11 Representations by acceptance

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY, you will be deemed to have represented to NAB that you are an Eligible Retail Shareholder and:

- acknowledge that you have read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet (including Section 6.4), and NAB's constitution;
- authorise NAB to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once NAB receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY, you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY, at the Offer Price per New Share;

- authorise NAB, the Underwriters, the NAB Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the NAB Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in NAB and is given in the context of NAB's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the 'Risks associated with the participation in the Entitlement Offer' section of the NAB Investor Presentation contained in Section 5 of this Retail Offer Booklet, and that investments in NAB are subject to risk;
- acknowledge that none of NAB, the Underwriters, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers guarantees the performance of NAB, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise NAB to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of NAB, the Underwriters and their respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- you understand and acknowledge that neither the Entitlements nor New Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold, either directly or indirectly, to persons in the United States or to persons acting for the account or benefit of a person in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction in the United States;
- you are subscribing for or purchasing Entitlements or New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act;
- you have not and will not send this Retail Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or to any person acting for the account or benefit of a person in the United States or any other country outside Australia and New Zealand; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Retail Offer Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person; and
- you agree that if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or who is acting for the account or benefit of a person in the United States.

### 3.12 Representations by acquirers of Retail Entitlements

Investors who acquire Retail Entitlements on ASX or otherwise will, by acquiring those Retail Entitlements, and by applying to take up all or part of those Retail Entitlements, be deemed to agree to make and be subject to the representations, declarations, warranties and agreements in Section 3.11 above (with references to the personalised Entitlement and Acceptance Form to be read as including any other form provided or required to be provided to NAB, the NAB Share Registry or the person's stockbroker).

# Section Three

## How to apply

The Retail Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

Investors should note that if you purchase Retail Entitlements in a transaction on ASX or otherwise, in order to take up or exercise those Entitlements and subscribe for New Shares you:

- must be an Eligible Retail Shareholder (as defined in the Glossary), a resident in Australia or New Zealand, or otherwise qualify as an 'Eligible Person'<sup>2</sup>; and
- must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Retail Entitlements or subscribe for New Shares.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will be sold into the Retail Shortfall Bookbuild and holders may receive no value for them.

### 3.13 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia). The NAB Offer Information Line will be open from 8.00am to 7.30pm (Melbourne time), Monday to Friday. Alternatively, you can access information about the Retail Entitlement Offer online at **[www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder)**. Please also see Section 3.6 in relation to accessing your Entitlement and Acceptance Form at **[www.investorcentre.com](http://www.investorcentre.com)**. If you have any further questions, you should contact your financial adviser or other professional adviser.

<sup>2</sup> Certain investors in a limited number of foreign jurisdictions (other than the United States) may be Eligible Persons if they satisfy the requirements of that expression as set out in the 'Entitlement and Acceptance Form' in respect of the Entitlement Offer which is to be released by NAB to ASX on **[www.asx.com.au](http://www.asx.com.au)**.

# Australian Taxation Considerations

# Section Four

## Australian Taxation Considerations

This section is a general summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders.

The taxation implications of the Retail Entitlement Offer will vary depending upon your particular circumstances. Accordingly, you should seek and rely upon the professional advice of your own taxation or financial advisor before determining the particular taxation treatment that will apply to you.

Neither NAB nor any of its officers or employees, nor its taxation and other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

The comments in this section deal only with the Australian taxation implications of the Retail Entitlement Offer if you:

- are a resident for Australian income tax purposes; and
- hold your Shares on capital account.

The comments do not apply to you if you:

- are not a resident for Australian income tax purposes; or
- hold your Shares as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading); or
- acquired the Shares in respect of which the Retail Entitlements are issued under any employee share scheme or where the New Shares are acquired pursuant to any employee share scheme; or
- acquired Retail Entitlements otherwise than because you are an Eligible Retail Shareholder (e.g. where the Retail Entitlements are acquired on ASX).

This taxation summary is necessarily general in nature and is based on the Australian tax legislation and administrative practice in force as at the date of this Retail Offer Booklet. It does not take into account any financial objectives, tax positions, or investment needs of Eligible Retail Shareholders. It is strongly recommended that each Eligible Retail Shareholder seek their own independent professional tax advice applicable to their particular circumstances.

### 4.1 Issue of Entitlements

The issue of the Entitlements should not, of itself, result in any amount being included in your assessable income.

### 4.2 Sale of Entitlements

If you sell your Entitlement on ASX or otherwise, you should derive a capital gain for capital gains tax (**CGT**) purposes equal to the sale proceeds less certain non-deductible costs of disposal.

Individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months prior to the date of sale should be entitled to discount the amount of a capital gain resulting from the sale of the Entitlements (after the application of any current year or carry forward capital losses). The amount of this discount is 50% for individuals and trustees and 33⅓% for complying superannuation entities. This is referred to as the 'CGT discount'. The CGT discount is not available for companies that are not trustees. Trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries because of discount capital gains.

### 4.3 Entitlements sold into the Retail Shortfall Bookbuild

Any Entitlements not taken up by you will be sold into the Retail Shortfall Bookbuild and any Retail Premium you receive in respect of the Entitlements will be remitted as a cash payment to you.

The Commissioner of Taxation has released Taxation Ruling TR 2012/1 'Retail Premiums paid to Shareholders where share entitlements are not taken up or are not available' where the Commissioner ruled that certain retail premiums are assessable as either an unfranked dividend or as ordinary income, and not as capital gains. However, TR 2012/1 states that it does not apply to the share entitlements which are assignable by, tradeable by, or given to a nominee for disposal on behalf of, Shareholders entitled to them.

As previously noted, the Entitlements issued by NAB are tradeable by Eligible Retail Shareholders on ASX. In addition, Entitlements which are not taken up by Eligible Retail Shareholders will be sold on their behalf via the Retail Shortfall Bookbuild.

Having regard to the manner in which the Retail Shortfall Bookbuild is to be conducted, NAB's taxation adviser considers that any Retail Premium received by Eligible Retail Shareholders should be treated as capital proceeds for the Entitlements sold on their behalf via the Retail Shortfall Bookbuild. Accordingly, in the view of NAB's taxation adviser:

- Eligible Retail Shareholders whose Entitlements are sold into the Retail Shortfall Bookbuild should derive a capital gain for CGT purposes equal to the amount of the Retail Premium received; and

- Australian resident Eligible Retail Shareholders who are individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months prior to the date of sale, should be entitled to the CGT discount (see Section 4.2 above) in respect of any capital gain resulting from the sale of the Entitlements into the Retail Shortfall Bookbuild (after the application of any current year or carry forward capital losses).

However, the Commissioner has not issued any public ruling or other guidance specific to the tax treatment of Retail Premiums received in the particular circumstances of the Retail Shortfall Bookbuild. Eligible Retail Shareholders need to be aware that the Commissioner may seek to apply the tax treatment specified in TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild and treat the Retail Premium as assessable either as an unfranked dividend or as ordinary income and not as a capital gain. Eligible Retail Shareholders who are considering allowing their Entitlements to be sold into the Retail Shortfall Bookbuild should consider instead selling their Entitlements on ASX, the tax treatment for which is more certain (refer to Section 4.2 above).

Given the uncertainty surrounding the tax treatment of Retail Premiums, NAB recommends that you seek your own tax advice if you propose to allow your Entitlements to be sold into the Retail Shortfall Bookbuild.

If you are an Australian tax resident Shareholder, and you have not previously provided your TFN or ABN to NAB, you may wish to do so prior to the close of the Retail Entitlement Offer to ensure that withholding tax is not deducted from any Retail Premium payable to you at the rate of 49%. You are able to provide your TFN or ABN online with the NAB Share Registry at [www.computershare.com.au/easyupdate/nab](http://www.computershare.com.au/easyupdate/nab). When providing your details online, you will be required to enter your Security Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on your Issuer Sponsored/CHESS statements and other personal details such as your postcode.

#### 4.4 Exercise of Entitlements

Neither income tax nor a capital gains tax liability will arise for you on the exercise (i.e. taking up) of your Entitlements.

If you take up all or part of your Entitlement, you will acquire New Shares with a cost base for CGT purposes equal to the Offer Price payable by you for those New Shares plus certain non-deductible incidental costs you incur in acquiring them.

New Shares will be taken to have been acquired on the day you exercise the Entitlements.

#### 4.5 Dividends on New Shares as a result of Entitlements taken up

Any future dividends or other distributions made in respect of New Shares will be subject to the same income taxation treatment as dividends or other distributions made on existing Shares held in the same circumstances.

#### 4.6 Disposal of New Shares

The disposal of a New Share will constitute a disposal for CGT purposes.

On disposal of a New Share, you will make a capital gain if the capital proceeds on disposal exceed the total cost base of the New Share. You will make a capital loss if the capital proceeds are less than the total reduced cost base of the New Share. The cost base of New Shares is described in Section 4.4.

Individuals, trustees or complying superannuation entities that have held New Shares for 12 months or more at the time of disposal should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

New Shares will be treated for the purposes of the capital gains tax discount as having been acquired when you exercise your Entitlement. Accordingly, in order to be eligible for the CGT discount, the New Shares must be held for at least 12 months after the date that you exercised your Entitlement.

If you make a capital loss, you can only use that loss to offset other capital gains from other sources; i.e. the capital loss cannot be used against taxable income on revenue account. However, if the capital loss cannot be used in a particular income year, it can be carried forward to use in future income years, providing certain tests are satisfied.

#### 4.7 Taxation of Financial Arrangements (TOFA)

The TOFA provisions operate to make assessable or deductible, gains or losses arising from certain 'financial arrangements' (importantly, the CGT discount is not available for any gain that is subject to the TOFA provisions).

The TOFA provisions should not apply on a mandatory basis for the following taxpayers:

- individuals;
- superannuation funds and 'managed investment schemes' if the value of their assets is less than \$100 million; or

# Section Four

## Australian Taxation Considerations

- other taxpayers whose aggregated turnover (having regard to the turnover of connected entities or affiliates) is less than \$100 million, the value of their assets is less than \$300 million, and the value of their financial assets is less than \$100 million.

Taxpayers who are not automatically subject to TOFA can elect to be subject to TOFA on a voluntary basis.

Shareholders who are subject to TOFA should obtain their own tax advice as the precise implications under TOFA (if any) will depend on their facts and circumstances and, in particular, what elections they may have made.

### **4.8 Other Australian taxes**

No GST or stamp duty will be payable by you in respect of the issue, sale or taking up of Entitlements or the acquisition of New Shares.

# ASX Announcements

# Section Five

## ASX Announcements

*Not for distribution or release in the United States*

**Craig Drummond**  
**Group Executive Finance & Strategy**

**Capital raising**



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# Disclaimer

## NOT FINANCIAL PRODUCT ADVICE

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Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Neither NAB nor any of its subsidiaries is licensed to provide financial product advice in respect of NAB ordinary shares or Demerger Securities. Cooling off rights do not apply to an investment in NAB ordinary shares or Demerger Securities.

## PAST PERFORMANCE

Past performance and pro forma historical financial information in this presentation is given for illustrative purposes only and should not be relied on and is not an indication of future performance including future share price information. Historical information in this presentation relating to the Group is information that has been released to the market. For further information, please see past announcements released to the ASX.

## NOT AN OFFER

This presentation is not and should not be considered an offer to sell or a solicitation of an offer to acquire NAB ordinary shares or entitlements thereto or Demerger Securities or any other financial products in the United States or in any other jurisdiction in which such an offer would be unlawful.

The NAB ordinary shares and Demerger Securities have not been sold and will not be registered under the United States Securities Act of 1933 ("US Securities Act") or the securities laws of any state or other jurisdiction of the United States. The NAB ordinary shares and Demerger Securities may not be offered or sold directly or indirectly in the United States or to, or for the account or benefit of, any person in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable US state securities laws.

The distribution of this document may be restricted by law in certain other countries. You should read the important information set out in the section entitled "Selling restrictions" in Annexure A. **Neither this presentation nor any other documents relating to the securities described herein may be sent or distributed to persons in the United States.**

Each recipient of this presentation should make its own enquiries and investigations regarding all information included in this presentation including the assumptions, uncertainties and contingencies which may affect the Group's future operations and the values and the impact that future outcomes may have on the Group.

This presentation does not constitute financial product advice and does not and will not form part of any contract for the acquisition NAB ordinary shares or Demerger Securities.

## KEY RISKS

An investment in NAB is subject to investment risks including possible loss of income and principal invested. Recipients should read the 'Risks' section of this presentation in Annexure B for a non-exhaustive summary of the key risks that may affect the Group and its financial and operating performance.



# Section Five

## ASX Announcements

### Disclaimer

#### FORWARD LOOKING STATEMENTS

This document may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "outlook", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, future financial position and capital position, distributions and performance are also forward-looking statements as are statements regarding the Group's future developments, the market outlook and the future operation of the Group. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks (including the risks set out in this document), uncertainties and other factors, many of which are beyond the control of the Group, its officers, employees, agents and advisers, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Investors should not place undue reliance on forward-looking statements. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. The Group disclaims any responsibility to update or revise any forward-looking statement to reflect any change in the Group's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

#### INFORMATION AND LIABILITY

Neither the underwriters (the "Underwriters") of the offer of NAB ordinary shares referred to in this presentation (the "Offer"), nor any of the Underwriters or NAB's respective advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents, have authorised, permitted or caused the issue, submission, dispatch or provision of this presentation and, except to the extent referred to in this presentation, none of them makes or purports to make any statement in this presentation and there is no statement in this presentation which is based on any statement by any of them.

To the maximum extent permitted by law, NAB, the Underwriters and their respective advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents:

- exclude and disclaim all liability (including without limitation for negligence) for any expenses, losses, damages or costs incurred by as a result of participation in the Offer or the information in this presentation being inaccurate or incomplete in any way for any reason; and
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Certain financial data included in this presentation are "non-GAAP financial measures" under Regulation G of the U.S. securities Exchange Act of 1934, as amended. The disclosure of such non-GAAP financial measures in the manner included in this presentation would not be permissible in a registration statement under the Securities Act. These non-GAAP financial measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. Although NAB believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, readers are cautioned not to place undue reliance on any non-GAAP financial measure and ratios included in this presentation.

**Neither this presentation nor any other documents relating to the securities described herein may be sent or distributed to persons in the United States.**

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# Capital raising

| Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Timetable                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------|-----------------------------------|--------|--------------------------------------------------------------------|--------|--------------------|--------|---------------------------------|--------|---------------------|--------|----------------------------|--------|
| <ul style="list-style-type: none"><li>• Provide a CET1 ratio buffer above the target range ahead of anticipated regulatory changes</li><li>• Facilitate proposed demerger and IPO of Listco in CY15</li><li>• Peer leading capital position</li></ul>                                                                                                                                                                                                                                            | <table><tr><td>Institutional offer</td><td>7 – 8 May</td></tr><tr><td>Institutional shortfall bookbuild</td><td>11 May</td></tr><tr><td>Retail entitlement trading begins (on a deferred settlement basis)</td><td>12 May</td></tr><tr><td>Retail offer opens</td><td>13 May</td></tr><tr><td>Retail entitlement trading ends</td><td>25 May</td></tr><tr><td>Retail offer closes</td><td>1 June</td></tr><tr><td>Retail shortfall bookbuild</td><td>4 June</td></tr></table> | Institutional offer | 7 – 8 May | Institutional shortfall bookbuild | 11 May | Retail entitlement trading begins (on a deferred settlement basis) | 12 May | Retail offer opens | 13 May | Retail entitlement trading ends | 25 May | Retail offer closes | 1 June | Retail shortfall bookbuild | 4 June |
| Institutional offer                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 7 – 8 May                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Institutional shortfall bookbuild                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 11 May                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Retail entitlement trading begins (on a deferred settlement basis)                                                                                                                                                                                                                                                                                                                                                                                                                               | 12 May                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Retail offer opens                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 13 May                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Retail entitlement trading ends                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 25 May                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Retail offer closes                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1 June                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Retail shortfall bookbuild                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 4 June                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| Structure and terms                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Financial impact                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |
| <ul style="list-style-type: none"><li>• Shareholder rights issue to raise approximately \$5.5bn</li><li>• 2:25 at \$28.50 per share</li><li>• New shares rank pari passu but, do not receive dividend for the half year ended 31 Mar 2015</li><li>• 16.7% discount to the dividend adjusted last trading price</li><li>• 15.6% discount to dividend adjusted theoretical ex rights price<sup>1</sup> based on last trading price</li><li>• Retail shareholders can trade rights on ASX</li></ul> | <ul style="list-style-type: none"><li>• Estimated pro forma 1H15 annualised cash diluted EPS impact of approximately -4.5%</li><li>• Estimated pro forma 1H15 annualised cash ROE impact of -140bps</li><li>• Intend to maintain fully franked dividend of 99 cents per share in September 2015 half year<sup>2</sup></li><li>• Strong capital position post capital raising – well above current 8.75 - 9.25% target range</li></ul>                                         |                     |           |                                   |        |                                                                    |        |                    |        |                                 |        |                     |        |                            |        |



(1) The Theoretical Ex-Rights Prices (TERP) is the theoretical price at which NAB shares should trade immediately after the ex-date for the entitlement offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which NAB shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP adjusted for the March 2015 dividend of 99 cents per share

(2) Subject to finalisation and independent audit of the Group's September 2015 full year results

# Section Five

## ASX Announcements

### NAB pro forma capital position

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| As at 31 March 2015                                        | Status                                      | %                            |
|------------------------------------------------------------|---------------------------------------------|------------------------------|
| <b>CET1 ratio</b>                                          | Reported                                    | <b>8.87</b>                  |
| Impact of rights issue (\$5.5bn)                           | Underwritten                                | 1.40 <sup>1</sup>            |
| <b>Pro forma CET1 ratio, post capital raise</b>            |                                             | <b>10.27</b>                 |
| <b>Proposed major initiatives<sup>2</sup></b>              |                                             |                              |
| Listco demerger and IPO                                    | Intended                                    | Broadly neutral <sup>3</sup> |
| Listco severe conduct stress scenario support              | Intended (Subject to Regulator discussions) | up to (0.84) <sup>4</sup>    |
| Great Western Bank final sale                              | Intended                                    | ~0.30 <sup>5</sup>           |
| Life re-insurance                                          | Announced                                   | 0.13 <sup>6</sup>            |
| Net uplift from lower RWA base, post major initiatives     |                                             | ~0.11 <sup>7</sup>           |
|                                                            |                                             | <b>(0.30)<sup>8</sup></b>    |
| <b>CET1 ratio pro-forma for proposed major initiatives</b> |                                             | <b>~10.00</b>                |
| <b>Current target CET1 ratio from 2016 (8.75% – 9.25%)</b> |                                             | <b>9.00 midpoint</b>         |
| <b>Buffer for regulatory change and developments</b>       |                                             | <b>~1.00</b>                 |

#### Other ongoing capital impacts

- Organic capital generation expecting only normal shareholder DRP participation
- Wealth Management debt maturity



(1) Gross of transaction costs  
(2) This is not a projection of NAB's future capital position or intended to be a forecast of that position, but sets out the potential capital impact of the proposed strategic initiatives noted below on the basis of certain assumptions which may or may not reflect the actual position at the relevant time. These strategic initiatives involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB. There is no certainty that all of these strategic initiatives will occur or will occur as currently proposed  
(3) Subject to market conditions, FX rates and IPO price and size. Assumptions include IPO size of 20%-30%, FX Rate of 0.517 GBP/AUD and Listco book value of £3,174m, which includes £450m of preference shares  
(4) Listco capital support capped at £1.7bn, calculated at an FX rate of 0.517 GBP/AUD. Support is expected to be deducted from NAB's CET1 ratio upon completion of the demerger, subject to on-going regulatory discussion  
(5) Subject to market conditions and market prices (as disclosed and footnoted in the ASX announcement on Friday, 1 May 2015)  
(6) The final capital release is subject to APRA approval  
(7) The proposed Listco and GWB transactions would, if completed, reduce Group Risk Weighted Assets (RWA). The net positive impact of the other proposed initiatives in aggregate (including the rights issue, conduct severe stress scenario support and life reinsurance) would increase given the lower RWA base, leading to an uplift in the CET1 ratio  
(8) Assuming the capital impact of conduct severe stress scenario support required to be provided by NAB is (0.84%). This is set out in the assumptions to (4) above.

Not for distribution or release in the United States

## Rights issue to raise \$5.5bn

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Offer</b>                           | <ul style="list-style-type: none"> <li>2 for 25 fully underwritten pro-rata accelerated renounceable entitlement offer<sup>1</sup> with retail entitlements trading to raise approximately \$5.5 billion</li> <li>Approximately 194 million new NAB ordinary shares to be issued (c. 8% of issued capital)</li> <li>Eligible shareholders may choose to take up all or part of their pro rata entitlement, or none at all</li> </ul>       |
| <b>Offer Price</b>                     | <ul style="list-style-type: none"> <li>\$28.50 per new share               <ul style="list-style-type: none"> <li>a 16.7% discount to the dividend adjusted last closing price<sup>2</sup> (\$5.71 per share)</li> <li>a 15.6% discount to the dividend adjusted TERP (\$5.29 per share<sup>3</sup>)</li> </ul> </li> </ul>                                                                                                                |
| <b>Institutional Entitlement Offer</b> | <ul style="list-style-type: none"> <li>Institutional Entitlement Offer open from 7 May to 8 May</li> <li>Institutional Entitlements not taken up and entitlements of ineligible institutional shareholders will be sold under the Institutional Shortfall Bookbuild to be conducted on 11 May</li> </ul>                                                                                                                                   |
| <b>Retail Entitlement Offer</b>        | <ul style="list-style-type: none"> <li>Retail Entitlement Offer open from 13 May to 1 June</li> <li>Retail entitlements tradeable on ASX from 12 May (deferred basis), 19 May (normal basis)<sup>4</sup></li> <li>Retail entitlements cease trading on 25 May</li> <li>Entitlements not taken up and entitlements of ineligible retail shareholders will be sold under the Retail Shortfall Bookbuild to be conducted on 4 June</li> </ul> |
| <b>Ranking &amp; Dividends</b>         | <ul style="list-style-type: none"> <li>New shares issued will rank equally in all respects with existing shares from the date of allotment but will not be entitled to the 31 March 2015 dividend of 99 cents per share</li> </ul>                                                                                                                                                                                                         |
| <b>Record Date</b>                     | <ul style="list-style-type: none"> <li>7.00pm (Sydney time) on 12 May 2015</li> </ul>                                                                                                                                                                                                                                                                                                                                                      |

(1) Fractional Entitlements will be rounded up to the nearest whole number of shares

(2) As at close of trading on 6 May adjusted for the 31 Mar 2015 dividend of 99 cents per share to reflect the fact that new shares will not be entitled to receive this dividend payment

(3) The Theoretical Ex-Rights Prices (TERP) is the theoretical price at which NAB shares should trade immediately after the ex-date for the entitlement offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which NAB shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP adjusted for the 31 Mar 2015 dividend of 99 cents per share

(4) Refer to slide Annexure A for information on restrictions on shareholders eligible to exercise entitlements



# Section Five

## ASX Announcements

### Offer Timetable

| Event                                                                       | Date              |
|-----------------------------------------------------------------------------|-------------------|
| Trading halt, Institutional Entitlement Offer opens                         | Thursday 7 May    |
| Institutional Entitlement Offer closes                                      | Friday 8 May      |
| Institutional shortfall bookbuild                                           | Monday 11 May     |
| Existing shares recommence trading on ASX                                   | Tuesday 12 May    |
| Retail Entitlements commence trading on deferred settlement basis           | Tuesday 12 May    |
| Record Date                                                                 | Tuesday 12 May    |
| Retail Entitlement Offer opens                                              | Wednesday 13 May  |
| Retail Offer Booklet despatched and Retail Entitlements allotted            | Monday 18 May     |
| Retail Entitlements commence trading on normal settlement basis             | Tuesday 19 May    |
| Settlement of the Institutional Entitlement Offer                           | Tuesday 19 May    |
| Issue and quotation of new shares under the Institutional Entitlement Offer | Wednesday 20 May  |
| Retail Entitlement trading on ASX ends                                      | Monday 25 May     |
| Retail Entitlement Offer closes                                             | Monday 1 June     |
| Retail shortfall bookbuild                                                  | Thursday 4 June   |
| Settlement of the Retail Entitlement Offer                                  | Wednesday 10 June |
| Issue of new shares under the Retail Entitlement Offer                      | Thursday 11 June  |
| New shares under the Retail Entitlement Offer commence trading on ASX       | Friday 12 June    |



The above timetable is indicative only and subject to change. NAB reserves the right to vary these dates or to withdraw the Entitlement Offer at any time. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, NAB, in consultation with the Underwriters, reserves the right to amend this timetable at any time.

## Annexure A - Selling restrictions

This document does not constitute an offer of or invitation to acquire entitlements ("Entitlements") or new ordinary shares ("New Shares") of NAB in any jurisdiction in which it would be unlawful. In particular, this document or invitation to acquire may not be distributed to any person, and the Entitlements and New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

In these international offer restrictions, "Company" means NAB.

### Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of Entitlements and New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Entitlements or the New Shares or the offering of such securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Entitlements or New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and accepted by the securities regulator in the applicable Province. Furthermore, any resale of the Entitlements or the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

### *Statutory rights of action for damages and rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.



# Section Five

## ASX Announcements

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### Canada (British Columbia, Ontario and Quebec provinces) (cont)

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Entitlements or the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the *Securities Act* (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Entitlements and the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased such securities with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of such securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which such securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the Entitlements and the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of such securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*



Not for distribution or release in the United States

### European Economic Area – Austria, Belgium, Denmark, Germany and Netherlands

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MIFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MIFID.

### France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.



# Section Five

## ASX Announcements

Not for distribution or release in the United States

### Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements and the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The Entitlements and the New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

### Isle of Man

No offer or invitation to subscribe for shares may be made to the public in the Isle of Man.



## Italy

The offering of the Entitlements and the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to the New Shares may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(f) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Entitlements or the New Shares or distribution of any offer document relating to these securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Entitlements and the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

## Japan

The Entitlements and the New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Entitlements or New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Entitlements or New Shares is conditional upon the execution of an agreement to that effect.

## Jersey

No offer or invitation to subscribe for shares may be made to the public in Jersey.



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## ASX Announcements

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### **Korea**

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Entitlements or the New Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. These securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea ("FSCMA") and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Entitlements and the New Shares may not be offered or sold in Korea other than to "qualified professional investors" (as defined in the FSCMA).

### **Malaysia**

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Entitlements or New Shares. The Entitlements and the New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

### **Norway**

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).



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### New Zealand

In relation to the offer to institutional investors referred to, or contained in this document, NAB has not (directly or indirectly) offered for subscription, purchase or transfer, the New Shares to any person in New Zealand, except:

- to "wholesale investors" as that term is defined in clause 3(2) of Schedule 1 to the Financial Markets Conduct Act 2013 ("FMCA"), being a person who
    - is an "investment business";
    - meets the "investment activity criteria" specified in clause 38 of Schedule 1 of the FMCA;
    - is "large"; or
    - is a "government agency",
  - in each case as defined in Schedule 1 to the FMCA; or
  - in other circumstances where there is no contravention of the FMCA,
- provided that the New Shares may not be offered or transferred to any "eligible investors" (as defined in the FMCA).

By participating in this offer, you confirm and warrant that you are a "wholesale investor" for the purposes of clause 3(2) of Schedule 1 of the FMCA and undertake to provide NAB a certificate completed in accordance with clause 44 of Schedule 1 of the FMCA, a form of which will be attached to your offer documents.

### Papua New Guinea

This document may be distributed in Papua New Guinea only to shareholders of the Company. This document has not been registered as a prospectus in PNG and no notice of the proposed offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the proposed offer. Any offer of New Shares is not, and should not be construed as, an offer of securities to the public in PNG.



# Section Five

## ASX Announcements

Not for distribution or release in the United States

### Singapore

This document and any other materials relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been made available to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act and may not be distributed to the public in South Africa.

An entity or institution resident in South Africa may not implement participation in the Offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

### Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Entitlements or the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lag (1991:980) om handel med finansiella instrument*). Any offering of Entitlements or New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.



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### **Switzerland**

The Entitlements and the New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. These securities will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Entitlements and New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

### **Thailand**

This document is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other document relating to the offer, sale or invitation for subscription or purchase, of the New Shares may not be circulated or distributed, nor may the Entitlements or the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public in Thailand.

### **United Arab Emirates**

Neither this document nor the Entitlements and the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Entitlements or the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Entitlements or the New Shares, including the receipt of applications and/or the allotment or redemption of such securities, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for Entitlements or New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.



# Section Five

## ASX Announcements

*Not for distribution or release in the United States*

### United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Entitlements or the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

### United States

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy any NAB ordinary shares or entitlements thereto or Demerger Securities in the United States. The securities referenced herein 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. Accordingly, the securities referenced herein may not be offered or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.



## Annexure B - Risks associated with the participation in the Entitlement Offer

### Underwriting risk

NAB has entered into an underwriting agreement under which three underwriters have agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain conditions are not satisfied or certain events occur, the underwriters may terminate the underwriting agreement. Termination of the underwriting agreement would have an adverse impact on the proceeds raised under the Entitlement Offer.

The events which may trigger termination of the underwriting agreement include where:

- NAB ceases to be admitted to the official list of ASX or its shares are delisted or suspended from quotation;
- NAB indicates that it does not wish to proceed with all or any part of the Entitlement Offer;
- NAB becomes insolvent;
- NAB fails to perform any of its obligations under the underwriting agreement;
- any of the documents published in connection with the Entitlement Offer omit any information required by the Corporations Act or any other applicable law, contain a statement which is or becomes misleading or deceptive or is likely to mislead or deceive or otherwise fails to comply with the Corporations Act or any other applicable law, or any statement about a future matter is taken to be misleading;
- the S&P/ASX 200 index falls by 12.5% or more below the level of the S&P/ASX200 Index on the business day preceding the date of this presentation:
  - at the close of trading on 2 consecutive business days up to the date on which settlement of the retail entitlement offer takes place; or
  - at the close of trading on the business day immediately prior to the date on which settlement of the institutional entitlement offer takes place or the date on which settlement of the retail entitlement offer takes place;
- there is a material adverse change in, or an event occurs which gives rise to, or is likely to give rise to, a material adverse change in the condition (financial or otherwise), assets, earnings, business, affairs, results of operations, management or prospects of NAB;
- NAB contravenes its constituent documents, the Corporations Act, the ASX Listing Rules or other applicable law; or
- NAB's directors engage in fraud or commit certain offences.

The ability of the underwriters to terminate the underwriting agreement in respect of some events will depend on whether the event has or is likely to have a material adverse effect on the success of, ability of the underwriters to market or sub-underwrite, or settlement of, the Entitlement Offer or the value of the shares.



# Section Five

## ASX Announcements

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### **Renouncement risk**

If you are a shareholder, and renounce your Entitlement under the Entitlement Offer, there is no guarantee that any value will be received for your renounced Entitlement through the bookbuild process.

The ability to sell New Securities under the bookbuild and the ability to obtain any premium will be dependent upon various factors, including market conditions. Further, the bookbuild price may not be the highest price available, but will be determined having regard to a number of factors, including having binding and bona fide offers which, in the reasonable opinion of the underwriters, will, if accepted, result in otherwise acceptable allocations to clear the entire book.

To the maximum extent permitted by law, NAB, the underwriters or the respective related bodies corporate, affiliates or the directors, officers, employees or advisors of any of them, will not be liable, including for negligence, for any failure to procure applications under the bookbuild at a price in excess of the Offer Price. If there is a retail premium, it may be less than, more than, or equal to any price or prices that entitlements may be sold on ASX, transferred or any premium achieved on the institutional bookbuild. Accordingly, it is possible that retail holders who do not take up their entitlements will receive less value than their institutional counterparts, or no value at all.

You should also note that if you do not take up all of your Entitlement, then your percentage security holding in NAB will be diluted by not participating to the full extent in the Retail Entitlement Offer.

Prices obtainable for retail entitlements may rise and fall over the entitlement trading period. If you sell your entitlements at one stage in the retail entitlement trading period, you may receive a higher or lower price than a shareholder who sells their entitlements at a different stage in the retail entitlement trading period or through the retail shortfall bookbuild.

There is no guarantee that there will be a viable market during, or on any particular day in, the retail entitlement trading period, on which to sell retail entitlements on ASX.

The tax consequences from selling entitlements or from doing nothing may be different. Before selling entitlements or choosing to do nothing in respect of entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in the retail offer booklet which will provide further information on potential taxation implications for Australian shareholders.

### **Risks associated with the market generally**

The price of NAB shares on the ASX will be affected by the financial performance of NAB and may rise or fall due to numerous factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
  - tensions and acts of terrorism in Australia and around the world;
  - investor perceptions in the local and global markets for listed stocks; and
  - changes in the supply and demand of securities issued by financial service firms.
- NAB securities may trade below the Offer Price and no assurances can be given that NAB's market performance will not be materially adversely affected by any such market fluctuations or factors. No member of NAB, nor any of their directors nor any other person guarantees NAB's market performance.



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### ***Risks specific to the Group, including those related to general banking, economic and financial conditions***

Set out below are the principal risks and uncertainties associated with NAB and its controlled entities (the Group). These risks and uncertainties are not listed in order of significance and in the event that one or more of these risks occur, the Group's business, operations, financial condition and future performance may be adversely impacted.

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

### ***Risks specific to the Demerger and IPO proposal***

As announced on 7 May 2015, NAB is exploring the exit of its UK business via the public markets by way of a demerger and initial public offering (the Demerger and IPO). The Demerger and IPO proposal is subject to a significant number of uncertainties, including but not limited to a final decision from NAB to proceed with the proposal, approval of certain elements of the proposal by the board of the business to be demerged (Listco), approval from shareholders, approvals from regulators and the final terms of those approvals and general market conditions, particularly equity market conditions in the UK. As such the Demerger and IPO may not proceed at all, or proceed on a basis that is materially different to that outlined, including potentially as a demerger only with no coincident IPO. In the event that a Demerger proceeds, shareholders will receive interests in Listco, the value of which is unknown and may be subject to material volatility. An interest in Listco will involve the risks that are applicable to Listco's business and may include additional risks not included in the description of NAB's risks. Details of these risks will be included in materials provided to shareholders in connection with the Demerger proposal. Further, in any event, as Listco is a considerably smaller entity than NAB, individual risks may have a more material effect on the value of any investment in Listco. Other risks associated with the execution of a transaction such as the Demerger and IPO are described below under the heading "(s) *Certain strategic decisions, including acquisitions or divestments, may adversely impact the Group's financial performance and position*", such as the reputational and economic risks to NAB associated with the provision of continued services and infrastructure to Listco.

To achieve the Demerger and IPO, NAB will provide capital support to Listco in relation to potential future legacy conduct costs not covered by existing provisions. NAB intends to demerge Listco in calendar year 2015. The capital support is capped at £1.7 billion, as determined by the Prudential Regulation Authority (PRA), provided that the demerger occurs within the intended timeframe. Any additional conduct provisions prior to that time would be deducted from the cap. The capped amount of this capital support is expected to be deducted from NAB's Common Equity Tier 1 levels at the time of separation, but may result in a capital release for NAB over time to the extent that conduct losses are less than the capped amount. To extent that conduct losses are greater than the capped amount, that additional amount will be borne by Listco, which may adversely impact its financial position and performance. In the event that the Demerger and IPO proposal does not proceed, NAB will continue to wholly own Listco and the NAB Group will continue to be exposed, through Listco, to the risks of its business, including to all losses related to conduct matters. This would result in uncertainty in the level of regulatory capital that NAB is required to hold in respect of its UK Banking business, and this level may materially increase from current levels.

In the event that the Demerger and IPO proposal proceeds on a basis that is materially different to that outlined, it could give rise to significant changes in the impact of the proposal on NAB's regulatory capital, including causing a reduction in its regulatory capital levels.

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

The nature and impact of these external risks are generally not predictable and are often beyond the Group's direct control.

#### **(a) The Group may be adversely impacted by macroeconomic risks and financial market conditions.**

The Group conducts business across a range of jurisdictions including Australia, New Zealand, the United Kingdom, Europe, the United States and Asia. The business activities of the Group are dependent on the level of banking and financial services and products required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates and macroeconomic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of factors such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates and market volatility and uncertainty. Economic conditions may also be impacted by major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

Volatility or uncertainty in credit, currency, commodity and equity markets, and adverse economic conditions have led to, and in the future may lead to:

- Increased cost of funding or lack of available funding;
- Deterioration in the value and liquidity of assets (including collateral);
- Inability to price certain assets;
- Increased likelihood of counterparty default and credit losses (including the purchase and sale of protection as part of hedging strategies);
- Higher provisions for bad and doubtful debts;
- Mark to market losses in equity and trading positions;
- Lack of available or suitable derivative instruments for hedging purposes;
- Lower growth, business revenues and earnings. In particular, the Group's NAB Wealth business earnings are highly dependent on asset values, particularly the value of listed equities, and therefore a fall in the value of its assets under management may reduce its earnings contribution to the Group; and
- Increased cost of insurance or lack of available or suitable insurance.



### ***Risks specific to the banking and financial services industry (cont)***

The following are examples of certain macroeconomic and financial market conditions that are currently relevant to the Group and may adversely impact its financial performance and position:

- There is widespread market expectation that certain central banks may tighten their monetary policy to lift interest rates back to levels that appear more 'neutral' and nearer to historical norms and reduce quantitative easing, whilst other central banks are expected to keep interest rates low and undertake quantitative easing for a considerable time. A prolonged period of low interest rates carries the risk that market participants have taken on more risk than they expected in a 'search for yield', leaving them exposed to an earlier and more rapid than expected tightening in monetary policy. In the past, periods of tightening monetary policy in the United States have been associated with greater volatility in the volume and pricing of capital flows into emerging market economies. Several capital importing emerging market economies, such as Indonesia, remain particularly vulnerable to a sudden or marked change in United States interest rates and expectations on the interest rate outlook.
- Economic growth in Australia has remained moderate with falling commodity prices and a decline in mining investment weighing on demand. At the same time, subdued confidence across large parts of the economy has delayed the anticipated upturn in non-mining investment and labour demand. Lower interest rates and the depreciation in the Australian dollar will support growth but there remains uncertainty over the timing and extent of the upturn in non-mining sectors of the economy that is embedded in the forecasts of government authorities.
- Both Australia and New Zealand are increasingly integrated with Asian economies, resulting in a sizeable exposure in both of these economies to changes in the pace of economic growth in the Asian region, in particular China. The outlook for the Chinese economy is uncertain as the government is trying to re-balance the composition of growth toward a greater contribution from domestic consumption, with less reliance on export-driven foreign consumption and internal investment.
- As the United Kingdom economy has close trade links with other Western European nations, developments in the Eurozone influence the level of demand for United Kingdom goods and services. Some governments in the Eurozone are heavily indebted and politically unstable and uncertainty remains over the financial strength of the banking sector. Unemployment also remains exceptionally high in several Eurozone nations. Furthermore, continued difficulty in resolving structural problems may result in one or more Eurozone member states exiting the monetary union, resulting in uncertainty as to which countries constitute the currency union and the Eurozone more broadly in the long term.
- Outside the Eurozone, increases in the level of sovereign debt in a number of countries have generally been reflected in a downgrading in the rating of their external liabilities by the various rating agencies. Both the gross level of Japanese sovereign debt and its ratio to gross domestic product have received particular attention, and the importance of low interest rates for the sustainable funding of that debt has been widely recognised. Chinese growth has been reliant on rapid credit growth and the resulting build-up of corporate and local government debt owed to the shadow banking sector has raised particular concern.



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### ***Risks specific to the banking and financial services industry (cont)***

#### **(b) The Group is subject to extensive regulation. Regulatory changes may adversely impact the Group's operations, financial performance and position.**

The Group is highly regulated in Australia and in the other jurisdictions in which it operates, trades or raises funds. The Group is subject to supervision by a number of regulatory authorities and industry codes of practice, which may have broad implications across the Group's businesses.

Regulations vary across jurisdictions, and are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole. Changes to laws and regulations or changes to regulatory policy or interpretation can be unpredictable, are beyond 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 corporate structure and increasing demands on management, employees and information technology systems.

Examples of current and potential regulatory changes impacting the Group are set out below.

The Basel Committee on Banking Supervision's (BCBS) Basel III reforms are expected to be fully implemented by 2019 and are intended to strengthen the resilience of the banking sector. Implementation of these reforms will increase the quality and ratio of capital to risk weighted assets that the Group is required to maintain, will increase the quality and proportion of assets that the Group is required to hold as liquid assets, and is expected to increase compliance costs. In Australia, the Australian Prudential Regulation Authority's (APRA) revised capital requirements became effective from 1 January 2013, with additional requirements to take effect in future years as capital buffers and the leverage ratio are implemented. Revised liquidity requirements in Australia are taking effect progressively, with qualitative requirements having commenced on 1 January 2014, and liquidity coverage ratio requirements on 1 January 2015. New net stable funding ratio requirements are due to take effect from 1 January 2018. In New Zealand, the Reserve Bank of New Zealand (RBNZ) has implemented the Basel III capital adequacy framework as modified to reflect New Zealand conditions. The core Basel III capital adequacy ratios took effect as of 1 January 2013. Since 1 January 2014, the RBNZ has required most New Zealand incorporated banks, including Bank of New Zealand, to maintain a conservation buffer and the RBNZ also has the discretion to apply a countercyclical buffer of common equity. These reforms will require the Group to hold more liquid assets and reshape the balance sheet, both in terms of how the Group is funded and how it utilises those funds. Other regulators have also implemented or are in the process of implementing Basel III and equivalent reforms.

In December 2014, the BCBS released final revisions to the securitisation framework to take effect in January 2018, and a further consultation of the review of the trading book capital requirements. This may impact the amount of regulatory capital held industry wide for securitisation exposures and the trading book capital requirements for complex products respectively. These developments are expected to be followed by further regulatory changes as the BCBS focuses on improved consistency and comparability in banks' regulatory capital ratios. Revised Pillar 3 disclosure requirements were released by the BCBS in January 2015. The standardised approaches to credit, market and operational risks are under review, along with the capital floor framework. The full impact of the changes will not be known until the BCBS requirements are finalised and / or implemented by APRA or by other regulators across the Group. This may intersect with the Australian Financial System Inquiry (FSI), discussed below.



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### ***Risks specific to the banking and financial services industry (cont)***

The Group has been identified as a Domestic Systemically Important Bank (D-SIB) under APRA's framework for D-SIBs and is therefore subject to a one per cent higher loss absorbency requirement, effective from January 2016. In addition, in May 2014, APRA clarified the definition of entities to be included in the composition of a Level 2 Authorised Deposit-taking Institution (ADI), which is expected to remove over time the capital benefit the Group gains from debt on the National Wealth Management Holdings Limited balance sheet. APRA has also now released final prudential standards associated with its framework for the supervision of conglomerate groups, including the Group. However, the implementation of the prudential standards relating to conglomerates has been deferred until the Australian Government's response to the FSI is known.

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) instituted major changes to the United States banking and financial institutions regulatory regimes. This includes additional supervisory requirements and prudential standards for non-United States banking organisations, and their affiliates, with a United States banking presence and total global consolidated assets of at least US\$50 billion (which includes NAB). The legislation and its implementing regulations include, among other things, additional capital, liquidity and risk management requirements. The Dodd-Frank Act also contains the Volcker Rule, which prohibits proprietary trading and the sponsorship of, and investment in, hedge, private equity or other similar funds by certain foreign banking organisations like NAB. Certain requirements under the Dodd-Frank Act have yet to become effective, and their specific impact on the Group's businesses and in the markets in which it operates continues to be assessed as part of implementation of the requirements.

Over The Counter (OTC) derivative market reforms are being implemented in the United States through the Dodd-Frank Act, and in other countries including Australia and in Europe. During 2013, the Australian Securities and Investments Commission released rules and relevant regulatory guides for derivative transaction reporting and the licensing of derivative trade repositories. Derivative transaction reporting requirements for NAB in Australia commenced in October 2013. The reporting obligations are being phased in for various classes of entity. Following a consultation in 2014, the Australian Government announced that it will mandate central clearing in Australia; consultation on the Ministerial determination and regulations for central clearing will occur during 2015. The Australian government has also committed to reforms to provide for centralised execution of standardised OTC derivatives on exchanges or electronic platforms, but has not yet recommended mandatory platform trading. The Council of Financial Regulators is expected to address this issue in a forthcoming market assessment in 2015. In Europe, the European Market Infrastructure Regulation (EMIR) has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market, which are being progressively implemented. Where there is variation in the scope and implementation timeframes for OTC reforms across jurisdictions, there may be added costs and complexity in achieving regulatory compliance for the Group.

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### ***Risks specific to the banking and financial services industry (cont)***

The Foreign Account Tax Compliance Act (FATCA) requires certain foreign financial institutions to provide information regarding United States account holders to the United States tax authorities. Non-compliance with FATCA may subject a foreign financial institution to a 30% withholding tax applied on certain amounts derived from United States sources and certain payments attributable to such amounts. On 28 April 2014, the Australian Government entered into an intergovernmental agreement with the government of the United States in respect of FATCA, and has since enacted implementing legislation to give effect to the agreement. On 12 June 2014, the New Zealand government entered into an intergovernmental agreement with the government of the United States in respect of FATCA, and has since enacted implementing legislation to give effect to the agreement. The governments of some other countries in which the Group operates have entered into or have agreed to enter into intergovernmental agreements with the government of the United States, and have enacted or are considering enacting law in respect of FATCA. Under such agreements, foreign financial institutions in such jurisdictions will generally be exempt from withholding under FATCA if they comply with requirements imposed by the relevant jurisdictions.

The United Kingdom Financial Services Banking Reform Act 2013 (the Banking Reform Act) has wide ranging implications, substantially enacting the recommendations of the Independent Commission on Banking. A key inclusion in the Banking Reform Act gives effect to structural reforms aimed at 'ring-fencing' retail banks of a certain size from investment and wholesale banking operations, and capitalising each separately. Retail ring-fencing must be implemented by 1 January 2019. Other key requirements include imposing higher standards of conduct on the banking industry, depositor preference in the event a bank enters insolvency, and introducing more onerous primary loss absorbing capacity requirements. These requirements may impact the structure and operation of the Group's United Kingdom business.

The Australian Government's FSI released its final report in December 2014 and submissions for subsequent consultation were due by 31 March 2015. The FSI was charged with examining how Australia's financial system could be positioned to best meet the country's evolving needs and support its economic growth. The final report made 44 recommendations for the Australian financial system. These include amending capital requirements to increase the capital levels of Australian ADIs, raising average internal ratings based mortgage risk weights for credit risk, and implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice. The FSI has also proposed other measures to improve the resilience, efficiency and fairness of the banking system, with respect to matters including superannuation and retirement, regulatory processes, innovation, payments and data, and measures to improve outcomes for consumers. The implementation of any of these recommendations is a matter for Australian Government regulators to consider within the scope of their mandates. Given the results of the FSI inquiry are unknown, there is a risk that the Group's capital position may not be adequate to meet any increased capital requirements resulting from the Australian Government's response to the FSI, or any other regulatory changes that may arise in respect of Basel proposals outlined elsewhere in this section. In such circumstances, the Group may be required to raise further capital.



### ***Risks specific to the banking and financial services industry (cont)***

Future of Financial Advice (FOFA) reforms set certain standards and obligations in relation to the provision of financial advice to retail investors. The FOFA reforms became mandatory on 1 July 2013. On 19 March 2014, the Australian Government introduced the Corporations Amendment (Streamlining Future of Financial Advice) Bill 2014 (the Bill), which proposed a package of changes to FOFA to reduce the compliance costs and regulatory burden on the financial services sector, including removing the requirement to opt-in to ongoing adviser services every two years and to provide a general advice exemption from the ban on conflicted remuneration. The Bill is yet to be passed. Regulations which became effective on 1 July 2014 incorporated many of the changes proposed by the Bill, however, these streamlining regulations were disallowed by the Senate in November 2014. Some have subsequently been reinstated by the Corporations Amendment (Revising Future of Financial Advice) Regulation 2014, which commenced on 16 December 2014. There remains some uncertainty as to whether the Bill will pass.

The Australian Government is also undertaking a review of competition policy to ensure there is an effective competition framework that promotes a strong and innovative business sector and better outcomes for consumers across the Australian economy. The implementation of any recommendations from this review will also ultimately be a decision for the Australian Government and its agencies and the impact on the Group of this review remains unclear.

In addition to the aforementioned changes, other areas of ongoing regulatory change and review include additional prudential and conduct reforms, changes to accounting and reporting requirements, tax legislation, bank specific tax levies, anti-money laundering / counter-terrorism financing regulations, payments, privacy laws and increased supervisory expectations around data quality and controls.

The full effect of these current and potential regulatory reforms on the Group's operations, capital requirements, business and prospects, or how any of the proposals discussed above will be implemented (if at all in some cases) is not known. Depending on the specific nature of any requirements and how they are enforced, they may have an adverse impact on the Group's operations, structure, compliance costs or capital requirements and ultimately its financial performance and position.

### ***(c) The Group faces intense competition, which may adversely impact its financial performance and position.***

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 cost operating models. Increasing competition for customers can lead to compression in profit margins, increased advertising and other related expenses, decreased customer loyalty or loss of market share. As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products or services to keep pace with industry developments and meet customer expectations. The Group's financial performance and position may be adversely affected by competitive market conditions and industry trends.



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### **Risks specific to the Group**

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

Relative to its Australian-based banking peers, the Group's business model and portfolio mix is notable for the high proportion of business and commercial real estate lending and the location of banking subsidiaries in the United Kingdom and the United States.

The risks specific to the Group are set out below.

#### **(a) The Group is exposed to credit risk, which may adversely impact its financial performance and position.**

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with agreed terms. Lending activities account for most of the Group's credit risk, however other sources of credit risk also exist including the banking book, the trading book, and other financial instruments and loans, as well as the extension of commitments and guarantees and the settlement of transactions.

Major sub-segments within the Group's lending portfolio include:

- Residential housing loans, which at 31 March 2015 represented approximately 57.6% of gross loans and acceptances.
- Commercial real estate loans, which at 31 March 2015 represented approximately 10.4% of gross loans and acceptances, with the majority of these domiciled in Australia. The Group's United Kingdom commercial real estate loan run-off portfolio continues to be managed separately from the rest of the Group's banking activities in the United Kingdom.
- The Group's United Kingdom banking business (excluding the United Kingdom's commercial real estate loan run-off portfolio), represented approximately 9.5% of gross loans and acceptances at 31 March 2015.

Adverse business or economic conditions, including a deterioration in property valuations, employment markets or the political environment, may result in failure by counterparties and customers to meet their obligations in accordance with agreed terms. The Group's portfolio of interest-only loans may be particularly susceptible to losses in the event of a decline in residential property prices. These conditions may be prompted by events outside the Group's core markets, such as the current instability in the continental European political and financial environment. This may adversely impact the financial performance and position of the Group.

The Group may also be exposed to the increased risk of counterparty or customer default should interest rates rise above the record lows, or near record lows, of recent years.



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### **Risks specific to the Group (cont)**

The Group's large business lending market share in Australia and New Zealand exposes it to potential losses should adverse conditions be experienced across this sector. Similarly, the Group has a large market share in the Australian and New Zealand agricultural sector (particularly, in New Zealand, the dairy sector). As a consequence, volatility in commodity prices, foreign exchange rate movements, climatic events (including drought), disease, export restrictions, quarantine restrictions, introduction of pathogens and pests, and other risks that may impact this sector, may have an adverse impact on the Group's financial results. In addition with a slowdown in mining investment and a fall in commodity prices in Australia, a number of sectors servicing the mining industry, as well as the mining industry itself, have come under pressure.

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

#### **(b) The Group may suffer losses due to its exposure to operational risks.**

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

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

An operational risk event may give rise to substantial losses, including financial loss, fines, penalties, personal injuries, reputational damage, loss of market share, theft of property, customer redress and litigation. Losses from operational risk events may adversely impact the Group's financial performance and position.



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### **Risks specific to the Group (cont)**

Examples of operational risk events include:

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

In addition, the Group is dependent on its ability to retain and attract key management and operating personnel. The unexpected loss of any 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 strategic objectives.

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

### **(c) The Group may be exposed to risk from non-compliance with laws or standards which may adversely impact its reputation, financial performance and position.**

The Group is exposed to compliance risk arising from failure or inability to comply with laws, regulations, licence conditions, standards and codes applicable to the Group, and related internal policies. If the Group's compliance controls were to fail significantly, be set inappropriately, or not meet legal or regulatory expectations, the Group may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of licence to operate all or part of the Group's businesses. This may adversely impact the Group's reputation, corporate structure, financial performance and position.

The Group has ongoing discussions with key regulators on industry-wide issues and matters specific to the Group. The global banking and financial services industry is increasingly subject to information requests, scrutiny and investigations by its conduct based regulators, which have led to a number of international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations. Regulators globally are continuing their investigation into manipulation of financial benchmarks. In Australia this includes examining potential wrongdoing in the bank bill swap reference rate and foreign exchange markets.



### **Risks specific to the Group (cont)**

Risk may arise through inappropriate conduct by employees in breach of Group policy and evolving regulatory standards, such as selling or coercing customers into inappropriate products and services, conducting inappropriate market practices, non-adherence to fiduciary requirements or provision of inappropriate financial advice. Since September 2014, the Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee is due to report by 1 February 2016. NAB is aware that two plaintiff law firms have advertised that they are investigating claims on behalf of NAB customers who have suffered losses as a result of financial advice received from NAB advisers. No formal action has yet been taken against the Group in this regard.

In common with the wider United Kingdom retail banking sector, Clydesdale Bank PLC (Clydesdale) continues to deal with complaints and redress issues arising out of: historic sales of payment protection insurance, the sale of certain historic interest rate hedging products to small and medium-sized businesses, and other conduct-related matters. Since 1 April 2013, Clydesdale has been regulated by the Financial Conduct Authority (FCA) and the PRA. Proactive regulation of conduct related matters by the FCA may impact the manner in which the Group's United Kingdom operations deal with, and the ultimate extent of, conduct related customer redress and associated costs. For further details in relation to ongoing United Kingdom conduct matters that are material to the Group, refer to 'Notes to the Consolidated Financial Statements', Note 14 - Contingent Liabilities in the Half Year Results 2015.

Provisions held in respect of conduct and litigation matters are based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of subjective judgement based on, where appropriate, external professional advice. Risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to the Group. These factors mean that the eventual costs of conduct and compliance related matters may differ materially from those estimated and further provisions may be required, adversely impacting the financial performance and position of the Group.

### **(d) Disruption of technology systems or breaches of data security may adversely impact the Group's operations, reputation and financial position.**

Most of the day-to-day operations of the Group are computer-based, and therefore the reliability and security of the Group's information technology systems and infrastructure are essential to its business. Technology risk may arise from events including a failure of these systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other form of cyber-attack. These events may be wholly or partially beyond the control of the Group. Such events may result in disruption to operations, reputation damage and litigation, loss or theft of customer data, or regulatory investigations and penalties. This may adversely impact the Group's financial performance and position.

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



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### **Risks specific to the Group (cont)**

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

As with other business activities, the Group uses select external providers (both in Australia and overseas) to continue to develop and provide its technology solutions. There is increasing regulatory and public scrutiny of outsourced and off-shored activities and their associated risks, including, for example, the appropriate management and control of confidential data. The failure of any external providers to perform their obligations to the Group or the failure of the Group to appropriately manage those providers may adversely impact the Group's reputation, financial performance and position.

#### **(e) Transformation and change programs across the Group may not deliver some or all of their anticipated benefits.**

The Group is continuing to progress its enterprise-wide technology and infrastructure transformation including the upgrade of its core banking platform. It is also pursuing other operating model and process improvements. These initiatives aim to reduce operational complexity and operational risk however, due to the scale and complexity of these projects, the Group's risk profile has increased for the near future. Changes of this magnitude require the Group to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, as changes are being undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

#### **(f) The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect.**

The 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. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include the valuation of provisions, including conduct-related matters, the valuation of goodwill and intangible assets, and the fair value of financial instruments.

Effective 1 October 2014, the Group adopted the requirements of Australian Accounting Standards Board (AASB) 9 'Financial Instruments'. Refer to 'Notes to the Consolidated Financial Statements', Note 1 – Principal Accounting Policies in the 2015 Half Year Results for transitional impacts of the application of AASB 9.



### **Risks specific to the Group (cont)**

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect there could be a significant loss to the Group beyond that anticipated or provided for, which could have an adverse effect on the Group's reputation, results of operations, financial condition or prospects.

#### **(g) Litigation and contingent liabilities arising from the Group's business conduct may adversely impact its reputation, financial performance and position.**

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 in respect thereof cannot be accurately assessed. Any material legal proceedings may adversely impact the Group's reputation, financial performance and position.

Refer to 'Notes to the Consolidated Financial Statements', Note 14 - *Contingent Liabilities* in the Half Year Results 2015 for details in relation to the Group's material legal proceedings and contingent liabilities.

#### **(h) Insufficient capital may adversely impact the Group's operations, financial performance and position.**

Capital risk is the risk that the Group does not have sufficient capital and reserves to meet prudential standard requirements, achieve its strategic plans and objectives, cover the risks to which it is exposed, or protect against unexpected losses. The Group is required in all jurisdictions in which it undertakes regulated activities to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations. Any changes, including regulatory changes arising from the Basel capital adequacy reforms or in response to the recommendations of the FSI, may limit the Group's ability to manage capital across the entities within the Group or may require it to raise or use more, or higher quality, capital. Although the exact timing and quantum is uncertain, APRA has indicated that it may be willing to act "sooner rather than later" to implement higher capital requirements in response to the FSI recommendations, with a focus on mortgage risk weights. Such changes may adversely impact the Group's operations, financial performance and position.

#### **(i) The Group's funding and liquidity position may be adversely impacted by dislocation in global capital markets.**

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 Australian banking sector accesses domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets, or a reduction in investor appetite for holding the Group's securities, may adversely affect the Group's ability to access funds or require the Group to access funds at a higher cost or on unfavourable terms.

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## ASX Announcements

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### **Risks specific to the Group (cont)**

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 borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in the Group's liquidity position may lead to an increase in the cost of the Group's borrowings, constrain the volume of new lending, or result in the Group drawing upon its Committed Liquidity Facility with the Reserve Bank of Australia. This may adversely impact the Group's profitability, financial performance and position.

#### **(j) A significant downgrade in the Group's credit ratings may adversely impact its borrowing costs, market access and competitive position.**

Credit ratings are an important reference for market participants in evaluating the Group and its products, services and securities.

Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks for the Group or for sovereign governments in countries in which the Group conducts business. Review activity is based on a number of factors including the Group's financial strength and outlook, the assumed level of government support for the Group in a crisis and the strength of that government, and the condition of the financial services industry and of the markets generally. Credit ratings may also be affected by changes in the rating methodologies used by the agencies. For example, in October 2014 Standard and Poor's Ratings Services revised its credit rating assessment criteria for hybrid instruments issued by banks across the Asia-Pacific region (excluding Japan), which led to a one notch downgrade of NAB's Tier 1 hybrid instruments.

A downgrade in the credit ratings within the Group or of the Group's securities, or a downgrade in the sovereign rating of one or more of the countries in which the Group operates, may increase the Group's borrowing costs or limit its access to the capital markets. A downgrade may also trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the Group's credit ratings relative to peers could also adversely impact the Group's competitive position.

#### **(k) Changes in interest rates may impact the Group's financial performance and position.**

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



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### **Risks specific to the Group (cont)**

#### **(l) The Group's exposure to defined benefit pension fund risk may adversely impact its financial performance and position.**

Defined benefit pension fund risk is the risk that, at any point in time, a pension scheme is in deficit, meaning that the assets available to the scheme are at a value below its current and future pension obligations. Changes in the level of pension deficit also result in volatility for the Group's regulatory capital position, as a deficit amount results in a direct reduction in the Group's Common Equity Tier 1 Capital.

The Group's principal exposure to defined benefit pension fund risk is in the United Kingdom, where its defined benefit scheme was closed to new members from 1 January 2004. Refer to the 2015 Half Year Results for the latest published position in relation to this scheme at 31 March 2015.

Asset values and liabilities are affected by a number of factors, including the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality and morbidity rates) and the value of the investment portfolio.

A deficit may increase the amount that members of the Group are obliged to contribute to the scheme and adversely impact the Group's performance and position.

#### **(m) The Group is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position.**

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Group's cash flows, profit and loss, and assets and liabilities as a result of participation in global financial markets and international operations.

The Group's ownership structure includes investment in overseas subsidiaries and associates and exposures from known foreign currency transactions (such as repatriation of capital and dividends from off-shore subsidiaries). The Group also conducts business outside of Australia and transacts with customers, banks and other counterparties in different currencies, most frequently Australian, New Zealand and United States Dollars, British Pounds and Euros. The Group's businesses may therefore be affected by a change in currency exchange rates, a full or partial break-up of the Eurozone, or a change in the reserve status of any of these currencies. Any unfavourable movement in foreign exchange rates may adversely impact the Group's financial performance and position.

The Group's financial statements are prepared and presented in Australian Dollars, and any 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.



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### **Risks specific to the Group (cont)**

#### **n) A material reduction in the fair value of an equity investment held by the Group may adversely impact its financial performance and position.**

The Group carries equity investments in its banking book at fair value. Fair value represents mark to market valuations derived from market prices, independent valuations and methodologies or other valuation techniques. The fair value of an equity investment may be impacted by factors such as economic, operational, currency and market risk. A material reduction in the fair value of an equity investment in the Group's banking book may adversely impact the financial performance and position of the Group.

#### **(o) The Group may suffer significant losses from its trading activities.**

Traded market risk is the risk of losses arising from trading activities, including proprietary trading, undertaken by the Group. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices. Any significant losses from such trading activities may adversely impact the Group's financial performance and position.

#### **(p) The Group is exposed to life insurance risk, which may adversely impact its financial performance and position.**

Life insurance risk is the potential for losses when life insurance claims and other outgoings exceed those anticipated in the premiums collected and underlying investment income earned. Life insurance risk may arise due to inadequate or inappropriate underwriting, inadequate reserving, poor business claims management, product design or pricing processes or investment profit, all of which may adversely impact the financial performance and position of the Group. It also includes lapse risk, where a policy lapses before the upfront costs have been recouped from profit margins.

Provisions for mortality and morbidity claims are an estimate of the expected ultimate cost of such claims based on actuarial and statistical projections, rather than an exact calculation of liability. Provisions are affected by a range of factors, including unforeseen diseases or epidemics. Changes in any of these factors would necessitate a change in estimates of projected ultimate cost. Losses may occur when the experience of mortality and morbidity claims compares adversely to that assumed when pricing life insurance policies.

The Australian life insurance industry, in which the Group is a participant, is currently experiencing poor lapse and claims experience and lower underlying investment income. This may continue to adversely impact the Group's financial performance and position.



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### **Risks specific to the Group (cont)**

#### **(q) Damage to the Group's reputation may adversely impact its financial performance and position.**

The Group's reputation may be damaged by the actions, behaviour or performance of the Group, its employees, affiliates, suppliers, intermediaries, counterparties or customers, or the financial services industry generally. Should the Demerger and IPO proceed, any adverse performance of Listco may adversely impact NAB's reputation. A risk event, such as a compliance breach or an operational or technology failure, may adversely affect the perceptions of the Group held by the public, shareholders, investors, customers, regulators or ratings agencies. The risk event itself may expose the Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts to NAB's share price. Reputational damage may adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may result in a higher risk premium being applied to the Group, and also impact the cost of funding, its operations, or its financial condition.

#### **(r) Failure to sell down underwriting risk may result in losses to the Group.**

As financial intermediaries, members of the Group underwrite or guarantee many 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 suffer losses if it fails to sell down some or all of this risk to other market participants.

#### **(s) Certain strategic decisions, including acquisitions or divestments, may adversely impact the Group's financial performance and position.**

There is a risk that the assumptions on which the Group's strategic decisions are based are, or may prove to be, incorrect or that the conditions underpinning those strategic decisions may change. In addition, any one or more of the Group's strategic initiatives may prove to be too difficult or costly to execute effectively.

The Group regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) and evaluates these opportunities against strategic priorities and risk appetite and considers their ability to enhance the Group's financial performance, position or prospects.

Any corporate opportunity that is pursued may change the Group's risk profile and capital structure. Changes to the Group's risk profile or capital structure may contribute to negative sentiment or a negative impact on the Group's credit ratings.

Risks associated with the execution of a transaction may result from an over-valuation of an acquisition or joint venture, or an under-valuation of a divestment or joint venture. There may be reputational and economic risks associated with ongoing exposure to a divested business, for example through the provision of continued services and infrastructure, or the retention of liabilities.

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### ***Risks specific to the Group (cont)***

Other risks may also arise through the Group's integration or separation of a business including failure to realise expected synergies, loss of customers, disruption to operations, application of additional regulation, diversion of management resources or higher than expected costs. Once commenced or executed, corporate actions or other strategic initiatives may be unable to be reversed. These factors may adversely impact the Group's financial performance and position.

#### **(t) A failure of the Group's risk management framework may adversely impact its financial performance and position.**

The Group operates within a risk management framework comprising systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and mitigate risks.

As with any risk management strategy, there is no guarantee that this framework is sufficient to mitigate known risks or to address or rapidly adapt to unanticipated existing, changing or emerging risks. As such, perceived or actual ineffectiveness or inadequacies in the risk management framework and its implementation may adversely impact the Group's reputation, financial performance and position.



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Thursday, 7 May 2015

## ASX Announcement

# NAB 2015 Half Year Results

## Executing our strategy, building a stronger bank

### Highlights

- Cash earnings<sup>2</sup> up 5.4% and statutory net profit up 20.4% over the year
- All major businesses contributing
- Interim dividend 99 cents per share fully franked
- UK demerger and IPO intention by 2015 calendar year end
- Life reinsurance agreement capital release
- \$5.5 billion rights issue to boost CET1 ratio

### Key points

The March 2015 half year results are compared with March 2014 half year results unless otherwise stated. March 2015 half year financials have been prepared incorporating the requirements of AASB9<sup>1</sup>, with transitional adjustments reflected in retained earnings. Prior periods have not been restated.

- On a statutory basis, net profit attributable to owners of the Company was \$3.44 billion, an increase of \$584 million or 20.4%.
- Cash earnings<sup>2</sup> were \$3.32 billion, an increase of \$170 million or 5.4% with improved performances across all major businesses. Excluding prior period UK conduct related charges, cash earnings rose 0.3%. The main difference between statutory and cash earnings during the period relates to the elimination of treasury shares<sup>2</sup> coupled with the effects of fair value and hedge ineffectiveness<sup>2</sup>.
- On a cash earnings basis:
  - Revenue increased 3.1%. Excluding gains on the UK Commercial Real Estate (CRE) loan portfolio sale and SGA asset sales, revenue rose 2.2% benefitting from higher lending balances, the impact of changes in foreign exchange rates, stronger Markets and Treasury<sup>3</sup> income and increased NAB Wealth net income. Group net interest margin (NIM) declined 2 basis points over the year and 1 basis point when compared to the September 2014 half year.
  - Expenses were broadly flat but excluding a fine paid in relation to UK conduct and prior period UK conduct related charges rose 4.0%. The increase mainly reflects the impact of changes in foreign exchange rates, investment in the Group's priority customer segments and higher technology costs, combined with occupancy and Enterprise Bargaining wage increases.

<sup>1</sup> Note 1 (page 78) to the Group's 2015 Half Year Results Announcement published on 7 May 2015 includes further detail regarding AASB 9.

<sup>2</sup> Refer to note on cash earnings, treasury shares and fair value and hedge ineffectiveness on page 6 of this document.

<sup>3</sup> Markets and Treasury income represents Customer Risk Management and NAB Risk Management income.

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- Improved asset quality resulted in a total charge to provide for bad and doubtful debts (B&DDs) of \$455 million, down 13.8%. This primarily reflects lower charges in UK Banking and NAB UK CRE. Compared to the September 2014 half year, the B&DD charge rose 30.4% due to releases from the Group economic cycle adjustment and NAB UK CRE overlay of \$104 million in the prior period which were not repeated.
- The Group's Basel III Common Equity Tier 1 (CET1) ratio was 8.87% as at 31 March 2015, an increase of 24 basis points from September 2014. As previously announced, the Group's CET1 target ratio from 1 January 2016 remains between 8.75% – 9.25%, based on current regulatory requirements.
- The interim dividend is 99 cents per share (cps) fully franked, unchanged from the prior interim dividend.
- For the March 2015 half year the Group has raised approximately \$17.3 billion of term wholesale funding. The weighted average term to maturity of the funds raised by the Group for the March 2015 half year was approximately 5.0 years.
- The Group's quarterly average liquidity coverage ratio as at 31 March 2015 was 118%.

### Executive Commentary

"Our focus over the March 2015 half year has been on delivering against our strategic priorities outlined in October 2014 – building a stronger Australian and New Zealand franchise and dealing with our low returning and legacy assets. We are encouraged by the progress we have made on both fronts over this period with all major businesses contributing to cash earnings growth," NAB Group Chief Executive Officer Andrew Thorburn said.

"At the time of our 2014 full year results we made it clear that a customer focused strategy, executed well, is at the heart of our Australia and New Zealand business. We've seen an improvement in our Net Promoter Score (NPS) as a result of a number of changes we've made to simplify the way we do business with customers, but there is more to do.

"Our strategy involves focusing on the things we are good at, which is why we've added 150 new business banker positions in the March 2015 half year and intend to add a further 70 over the remainder of the year. While competition remains intense in business lending, we are encouraged by more favourable market share trends in priority customer areas of Micro and Small to Medium business. In Australian home lending, we have seen continued momentum with volume growth over the six months to March 2015, benefitting from investment in our home loans origination capability. We remain confident about the quality of our housing lending book and are taking steps to slow growth in investor mortgage lending to meet APRA's 10% year-on-year threshold.

"Pleasingly, measures taken to improve performance in NAB Wealth have seen cash earnings continue to strengthen with an increase of 28%. In October 2014 we highlighted that while we remain committed to distributing wealth products, recent regulatory changes had prompted us to evaluate options to improve overall returns from our Wealth business. We have announced today a reinsurance agreement which is an important step towards achieving these goals, releasing \$500 million of capital.

"At the full year 2014 result we stated our intention to exit a number of legacy assets and we have made good progress over the first half of 2015. We announced a secondary public offering of Great Western Bank (GWB) common shares in the US, following the 2014 IPO of a 31.8% stake,

which sees our ownership fall to 28.5%. We have further reduced our UK CRE portfolio selling £1.2 billion of higher risk loans in December 2014, reducing the portfolio size to £0.6 billion compared with the original balance of £5.6 billion in October 2012. The remaining UK CRE portfolio largely comprises performing loans, effectively bringing closure to one of our legacy positions. Additionally, the run-down of the SGA portfolio has continued, with risk weighted assets reducing from \$4.1 billion to \$2.1 billion largely due to asset sales over the period. Management of the remaining SGA exposures has now been absorbed into our Australian Banking operations.

"In relation to exiting our UK Banking business, we have been examining a broad range of options including those provided by public markets. It is a priority to exit this business, and we are today announcing our intention to pursue a demerger and IPO of the UK Banking business.

"A strong balance sheet has always been a priority at NAB which is why we are today announcing that we will be raising \$5.5 billion of capital through a rights issue, as described below. The capital raising facilitates our proposed exit from the UK Banking business and positions us ahead of anticipated regulatory changes.

"While there is still much more to be done, we are clear about our priorities and are focused on what needs to be achieved. We are determined to deliver better outcomes for our shareholders, customers and employees," Mr Thorburn said.

#### UK Banking exit update

The Group's intention to exit the UK Banking business was signalled in October 2014 as a result of the strategy to focus on the Australian and New Zealand franchise. Significant work has since been undertaken on various exit options, in particular public market options which offer increased certainty on the ability to transact and timing. While remaining open to a trade sale, we intend to pursue a public market option of a demerger of approximately 70-80% of Clydesdale Bank's holding company National Australia Group Europe Ltd and its subsidiaries (Listco) to NAB shareholders and a sale of the balance by way of IPO (approximately 20-30%) to institutional investors. A demerger accelerates the full exit of the UK business, as opposed to a prolonged multi-staged public market sell-down, and allows an exit to be targeted by the end of this calendar year, subject to market conditions.

Following a period of successful restructuring, the UK Banking business is now in a position to be demerged to shareholders and listed as a standalone retail and business bank with a strong franchise across its core regional UK markets, a strong balance sheet and capital position, a robust business plan and an experienced management team. Under the proposed transaction, Listco will have a primary listing on the London Stock Exchange (LSE) and a CHESS Depositary Interest (CDI) listing on the Australian Securities Exchange (ASX). Shareholders will have the option to receive shares or CDIs.

The UK Prudential Regulation Authority (PRA) has advised that in order to demerge Listco, NAB will be required to provide capital support for Listco against potential losses related to legacy conduct costs. These are centred on payment protection insurance, interest rate hedging products and fixed rate tailored business loan conduct issues not covered by existing provisions, to a total cap of £1.7 billion, provided that the demerger occurs within the intended timeframe. The cap amount is expected to be deducted from NAB's CET1 ratio upon completion of the demerger. While this figure is substantially in excess of NAB's own stress test scenario, we believe that the

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disadvantage of the expected capital deduction is outweighed by the benefits of separating the business. To the extent actual losses are ultimately lower than the £1.7 billion, this is expected to result in a commensurate CET1 benefit for NAB. However, the form of support, duration and final regulatory capital treatment of the £1.7 billion remains subject to on-going regulatory discussion.

While significant progress has been made, including engagement with key stakeholders such as regulators, there is no certainty a transaction will occur. The proposed demerger and IPO remains subject to a range of matters, including shareholder approval and approvals from regulatory authorities in the UK and Australia, UK and Australian listing authorities and the boards of NAB and Listco. Additionally, the demerger and IPO will be a substantial and complex undertaking subject to a range of risks and issues.

### Capital raising and financial implications

NAB will be undertaking a 2 for 25 fully underwritten pro rata accelerated renounceable rights issue with retail rights trading (the Entitlement Offer) at an offer price of \$28.50, to raise approximately \$5.5 billion. Approximately 194 million new NAB ordinary shares are to be issued (approximately 8.0% of issued capital). New shares issued under the Entitlement Offer will rank equally with existing shares from the date of allotment. New shares will not however be entitled to the interim dividend for the half year ended 31 March 2015 of 99 cps because they will not be issued before the dividend record date.

While completion of the UK demerger and IPO could have been achieved with a more limited capital raising by way of a partial dividend underwrite, this would likely have resulted in a CET1 ratio near the lower end of our 8.75 – 9.25% target range.

The pro forma CET1 ratio as at 31 March 2015 is approximately 10%, reflecting the impact of the rights issue and the UK separation and a range of announced and intended capital initiatives. This provides a pro forma CET1 ratio buffer of 100 basis points above the midpoint of the Group's target range to absorb potential regulatory changes.

Following the capital raising, NAB's pro forma cash earnings per share (EPS) diluted for the March 2015 half year is expected to be approximately 4.5% lower and pro forma cash earnings return on equity for the same period is expected to be 1.4% lower. Subject to finalisation and independent audit of the Group's September 2015 full year results, it is NAB's intention to maintain a fully franked dividend of 99 cps in the September 2015 half year.

### NAB announces life reinsurance agreement

NAB Wealth today announced it has received APRA approval for its life insurance arm to enter into a reinsurance arrangement with a major global reinsurer for approximately 21% of its in-force retail advised insurance book.

The transaction is expected to release approximately \$500 million of CET1 capital (13 basis points) to the NAB Group, and represents approximately 15% of NAB Wealth's life insurance embedded value<sup>4</sup>. This is expected to result in a reduction in NAB Wealth cash earnings of approximately \$25 million per annum.

<sup>4</sup> Based on internal estimates and calculations of MLC and insurance activities embedded value as at 30 September 2014.

The reinsurance arrangement reduces the Group's exposure to retail life insurance while maintaining distribution of life insurance products and services to the Group's customers.

The transaction is scheduled to take effect in the fourth quarter of financial year 2015. The final capital release is subject to APRA approval.

#### Business Unit Commentary

Australian Banking cash earnings were \$2,574 million, an increase of 4.0%, with revenue the key driver. Revenue rose 3.9% reflecting a stronger trading performance, combined with higher volumes of housing and business lending, partly offset by weaker margins. NIM declined 3 basis points to 1.60% as a result of asset competition and lending mix impacts. Expenses rose 3.8% driven by additional service roles and front line business bankers, combined with Enterprise Bargaining wage increases and higher technology costs. Asset quality metrics continued to improve and B&DD charges of \$366 million fell 2.4%, benefitting from lower business impairment activity partly offset by higher collective provision charges including a \$49 million overlay for agriculture and resource sectors.

NZ Banking local currency cash earnings rose 4.5% to NZ\$418 million with higher revenue given steady growth in lending volumes and improved margins reflecting lower funding costs and benefits from both higher capital levels and higher earnings on capital. Costs rose 1.8% due mainly to increased personnel expenses, but were broadly flat compared to the September 2014 half year. B&DD charges were higher over the period with lower collective provision write-backs, but were flat over the six months to 31 March 2015 given the continued benign credit environment.

NAB Wealth cash earnings increased 28.2% to \$223 million reflecting improved results from both the investments and insurance businesses, and lower operating expenses. Net income rose 8.0% due to improved insurance claims performance, stable lapses and growth in funds under management (FUM) as a result of strong investment markets, partly offset by lower investment margins related to a change in business mix. There was no repeat of the insurance reserve increases seen in prior periods.

UK Banking local currency cash earnings grew 35.6% to £99 million driven by a further material reduction in B&DD charges as the business benefitted from improved economic conditions and loan portfolio shifts. Revenue was slightly weaker despite good growth in home lending volumes with competitive pressures resulting in NIM decline. Costs fell 1.2% with increased restructuring and marketing spend more than offset by a one-off pension scheme gain in the March 2015 half year and conduct related charges<sup>5</sup> that were incurred only in the March 2014 half year.

#### Group Asset Quality

Group asset quality metrics continued to improve over the period. The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances of 0.85% at 31 March 2015 was 34 basis points lower compared to 30 September 2014 and 67 basis points lower compared to 31 March 2014.

<sup>5</sup> Charges relating to the UK fine during the March 2015 half year and conduct charges relating to payment protection insurance and interest rate hedging products incurred in prior periods have been included within Corporate Functions and Other division results.

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The ratio of collective provision to credit risk weighted assets was 1.01% at 31 March 2015 compared to 0.83% at 30 September 2014 with the increase over the period reflecting transition to AASB 9. The ratio of specific provisions to impaired assets was 35.5% at 31 March 2015, which compares to 35.3% at 30 September 2014 and 34.8% at 31 March 2014.

### Disclaimer

This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such 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 to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Annual Financial Report.

This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person acting for the account or benefit of a person in the United States, or in any other jurisdiction in which such an offer would be unlawful. Neither the Entitlements nor the new shares issued under the Entitlement Offer have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States or to any person acting for the account or benefit of a person in the United States, unless the New Shares have been registered under the Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws. New shares issued under the Entitlement Offer may only be purchased by persons meeting certain eligibility criteria; in particular, persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase or trade entitlements issued under the Entitlement Offer on ASX or exercise or trade such entitlements purchased on ASX or transferred directly from another person.

The pro forma financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X under the Securities Act, and was not prepared with a view towards compliance with either the U.S. Securities and Exchange Commission's or the American Institute of Certified Public Accountants' published guidelines for the preparation and presentation of pro forma financial information.

### Note on Cash Earnings

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners for the half year ended 31 March 2015 is set out on pages 2 to 7 of the 2015 Half Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. The Group's financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in Section 5 of the 2015 Half Year Results Announcement.

Treasury shares are shares in the NAB held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group's life insurance business are eliminated for statutory reporting purposes.

Fair value and hedge ineffectiveness represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.

# Important information

# Section Six

## Important information

This Retail Offer Booklet (including the Announcements in Section 5) and enclosed personalised Entitlement and Acceptance Form (**Information**) have been prepared by NAB.

This Information is dated 12 May 2015 (other than the NAB Investor Presentation and the Offer Launch Announcement published on the ASX website on 7 May 2015). This Information remains subject to change without notice and NAB is not responsible for updating this Information.

There may be additional announcements made by NAB after the date of this Retail Offer Booklet and throughout the period that the Retail Entitlement Offer is open that may be relevant to your consideration of whether to take up, sell or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by NAB (by visiting the ASX website at [www.asx.com.au](http://www.asx.com.au)) before submitting your application to take up your Entitlement, or selling or transferring your Entitlement.

No party other than NAB has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

### **This Information is important and requires your immediate attention.**

You should read this Information carefully and in its entirety before deciding how to deal with your Entitlement. In particular, you should consider the risk factors outlined in the 'Risks associated with the participation in the Entitlement Offer' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet, any of which could affect the operating and financial performance of NAB or the value of an investment in NAB.

You should consult your financial adviser or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

### **Trading of Entitlements and New Shares**

It is expected that trading of Retail Entitlements on ASX will commence at 10.00am (Melbourne time) on Tuesday, 12 May 2015 on a deferred settlement basis until 4.00pm (Melbourne time) on Monday, 18 May 2015 (when those Entitlements are expected to be allotted) and from 10.00am (Melbourne time) on Tuesday, 19 May 2015 until 4.00pm (Melbourne time) on Monday, 25 May 2015 on a normal settlement basis. Following this, it is expected that trading on ASX of New Shares to be issued under the Retail Entitlement Offer will commence at 10.00am (Melbourne time) on Tuesday, 26 May 2015 on a deferred settlement basis until 4.00pm (Melbourne time) on Thursday, 11 June 2015 (when New Shares are expected to be issued) and thereafter on a normal settlement basis.

**NAB and the Underwriters will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by NAB or the Registry or otherwise or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.**

**NAB and the Underwriters will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by NAB or the Registry or otherwise or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.**

**If you are in any doubt as to these matters, you should first consult with your financial adviser or other professional adviser.**

### **6.1 Eligible Retail Shareholders**

This Information contains an offer of New Shares to Eligible Retail Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC and relief obtained from ASIC.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (Melbourne time) on Tuesday, 12 May 2015;
- have a registered address on the NAB share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds NAB ordinary shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Retail Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders. NAB reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by BPAY, you will

be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Retail Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

NAB may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional Shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

NAB has decided that it is unreasonable to make offers under the Retail Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. NAB may (in its absolute discretion) extend the Retail Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand (except the United States) in accordance with applicable law.

The number of New Shares that would otherwise have been offered to Ineligible Retail Shareholders will be sold under the bookbuild processes described in this booklet (see section 6.16 below). Any proceeds of such sales in excess of the Offer Price will be paid proportionately to Ineligible Retail Shareholders and also to Eligible Retail Shareholders who did not take up their Entitlements (net of any withholding tax). NAB and the Underwriters give no assurances as to the price that will be achieved for the sale of New Shares as described in this booklet.

Any proceeds may have Australian and overseas tax consequences for Ineligible Retail Shareholders depending on their own individual circumstances. Ineligible Retail Shareholders should seek professional tax advice regarding the taxation of any proceeds they receive from the Underwriters.

Ineligible Retail Shareholders should shortly receive a letter from NAB outlining their rights in relation to the Entitlement Offer.

## 6.2 Eligible Institutional Shareholders

Eligible Institutional Shareholders are institutional Shareholders to whom the Underwriters made an offer on behalf of NAB under the Institutional Entitlement Offer.

## 6.3 Ranking of New Shares

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, except that the New Shares will not be eligible to receive any dividend

for the half year ended 31 March 2015 because they will not be issued before the record date for that dividend. The rights and liabilities attaching to the New Shares are set out in NAB's constitution, a copy of which is available at [www.nab.com.au](http://www.nab.com.au).

## 6.4 Risks

The Investor Presentation details important factors and risks that could affect the financial and operating performance of NAB. You should refer to the 'Risks associated with the participation in the Entitlement Offer' section of the Investor Presentation released to ASX on 7 May 2015 which is included in Section 5 of this Retail Offer Booklet. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

## 6.5 Reconciliation and the rights of NAB and the Underwriters

The Entitlement Offer is a complex process and, in some instances, investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. In addition, where trustees of NAB's employee share plans hold shares on behalf of participants in those plans, the number of New Shares that are offered may need to increase to take account of the rounding referred to in Section 6.8. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that NAB may need to issue additional New Shares to ensure that the relevant investors receive their appropriate allocation of New Shares. The price at which these shares would be issued is not known.

NAB also reserves the right to reduce the size of an Entitlement or number of New Shares or the amount of the Institutional Premium or Retail Premium allocated to Eligible Institutional Shareholders or Eligible Retail Shareholders, or persons claiming to be Eligible Institutional Shareholders or Eligible Retail Shareholders or other applicable investors, if NAB believes in its absolute discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, NAB may, at its discretion, require the relevant Shareholder to transfer excess New Shares to the Underwriters at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

Investors who sell Entitlements to which they are not entitled, or who do not hold sufficient Entitlements at

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## Important information

the time required to deliver those Entitlements, may be required by NAB to otherwise acquire Entitlements or Shares to satisfy these obligations.

By applying under the Entitlement Offer, including pursuant to acquisitions of Entitlements, those doing so irrevocably acknowledge and agree to do the above as required by NAB in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of NAB or the Underwriters to require any of the actions set out above.

### 6.6 Receipt of excess Retail Premium

If you receive a Retail Premium payment in excess of the Retail Premium payment to which you were actually entitled based on that part of your Entitlement under the Retail Entitlement Offer which remains held by you as at close of the Retail Entitlement Offer on 5.00pm (Melbourne time) on Monday, 1 June 2015 then, in the absolute discretion of NAB, you may be required to repay NAB the excess Retail Premium.

By taking up or transferring your Entitlement, or accepting the payment to you of a Retail Premium, you irrevocably acknowledge and agree to repay any excess payment of the Retail Premium as set out above as required by NAB in its absolute discretion. In this case, the amount required to be repaid will be net of any applicable withholding tax. You also acknowledge that there is no time limit on the ability of NAB to require repayment as set out above and that where NAB exercises its right to correct your Entitlement, you are treated as continuing to have taken up, transferred or not taken up any remaining part of the Entitlement.

### 6.7 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

### 6.8 Rounding of Entitlements

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

### 6.9 Trading of Retail Entitlements

Entitlements under the Retail Entitlement Offer are tradeable and can be sold or transferred. They are expected to be quoted on and tradeable on ASX from Tuesday, 12 May 2015 to Monday, 18 May 2015 (on a deferred settlement basis) and Tuesday, 19 May 2015 to Monday, 25 May 2015 (on a normal settlement basis). You may sell your Entitlements (which you do not

wish to take up or let be sold into the Retail Shortfall Bookbuild) in order to realise value which may attach to those Entitlements if sold at that time. If you let your Entitlement be sold into the Retail Shortfall Bookbuild, you have the opportunity to receive any Retail Premium (see Section 3.6.4). There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact the ability to sell Entitlements on ASX and the price able to be achieved.

Prices obtainable for Retail Entitlements may rise and fall over the Retail Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of NAB existing Shares relative to the Offer Price. If you sell your Entitlement, you may receive a higher or lower amount than a Shareholder who sells their Entitlement at a different time in the Retail Entitlement trading period or through the Retail Shortfall Bookbuild.

If you decide not to take up all or part of your Entitlement, you should consider whether to sell all or part of your Entitlement or allow all or part of it to be sold into the Retail Shortfall Bookbuild. Information on Australian taxation considerations is set out in Section 4.

Institutional Entitlements under the Institutional Entitlement Offer were not quoted on or tradeable on ASX nor privately transferable.

The Retail Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

Investors should note that if you purchase Retail Entitlements on ASX or otherwise, in order to take up or exercise those Retail Entitlements and subscribe for New Shares you:

- must be an Eligible Retail Shareholder, a resident in Australia or New Zealand, or otherwise qualify as an 'Eligible Person'; and
- must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Retail Entitlements or subscribe for New Shares.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, they may receive no value for them.

<sup>3</sup> Certain investors in a limited number of foreign jurisdictions (other than the United States) may be Eligible Persons if they satisfy the requirements of that expression as set out in the 'Entitlement Acceptance Form' in respect of the Entitlement Offer which is to be released by NAB to ASX on [www.asx.com.au](http://www.asx.com.au).

## 6.10 Notice to nominees and custodians

If NAB believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not sell or transfer Entitlements in respect of or purport to accept the Retail Entitlement Offer in respect of, Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Institutional Shareholders who were treated as Ineligible Institutional Shareholders under the Institutional Entitlement Offer.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to purchase or trade Retail Entitlements on ASX or otherwise, or take up or exercise Retail Entitlements purchased on ASX or otherwise and may receive no value for any such Entitlements held.

NAB is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary, including following acquisition of Entitlements on ASX or otherwise, complies with applicable foreign laws. NAB is not able to advise on foreign laws.

## 6.11 Not investment advice

This Retail Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice, investment advice or a recommendation to acquire New Shares and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. This Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares. It should be read in conjunction with NAB's other periodic statements and continuous disclosure announcements lodged with ASX, which are available at [www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder).

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Information, you have

any questions about the Retail Entitlement Offer, you should contact your financial adviser or other professional adviser or call the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia) between 8.00am and 7.30pm (Melbourne time) Monday to Friday.

Nominees and custodians may not distribute any part of this Retail Offer Booklet in the United States or in any other country outside Australia and New Zealand except (i) Australian and New Zealand nominees may send this Retail Offer Booklet and related offer documents to beneficial Shareholders who are professional or institutional Shareholders in other countries (other than the United States) listed in, and to the extent permitted under, the 'Selling restrictions' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet and (ii) to beneficial Shareholders in other countries (other than the United States) where NAB may determine it is lawful and practical to make the Retail Entitlement Offer.

## 6.12 Quotation and trading

NAB has applied to the ASX for official quotation of the New Shares in accordance with ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, NAB will repay all Application Monies (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence at 10.00am (Melbourne time) on Friday, 11 June 2015.

## 6.13 Information availability

If you are in Australia or New Zealand, you can obtain a copy of this Retail Offer Booklet during the Entitlement Offer at [www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder) or you can call the NAB Offer Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (International) between 8.00am and 7.30pm (Melbourne time), Monday to Friday.

A replacement Entitlement and Acceptance Form can also be requested by calling the NAB Offer Information Line.

If you access the electronic version of this Retail Offer Booklet, you should ensure that you download and read the entire Retail Offer Booklet. The electronic version of this Retail Offer Booklet will not include an Entitlement and Acceptance Form.

## 6.14 Foreign jurisdictions

This Information has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia or New Zealand, it is your responsibility

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## Important information

to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are submitting the personalised Entitlement and Acceptance Form or trading Entitlements is not in the United States and that you are not acting for the account or benefit of a person in the United States.

This Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Return of the personalised Entitlement and Acceptance Form shall be taken by NAB to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

The distribution of this Information (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Information, you should observe such restrictions and should seek your own advice on such restrictions. In particular, this document or any copy of it must not be taken into or distributed in the United States. See the foreign selling restrictions set out in the 'Selling restrictions' section of the NAB Investor Presentation included in Section 5 of this Retail Offer Booklet for more information.

Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

### 6.14.1 New Zealand

The New Shares being offered under the Retail Entitlement Offer are being offered to Eligible Retail Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). This Retail Offer Booklet is not an investment statement or prospectus or product disclosure statement under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the New Zealand Securities Act 1978, New Zealand Financial Markets Conduct Act 2013 or any other relevant law in New Zealand. It may not contain all the information that an investment statement or prospectus or product disclosure statement under New Zealand law is required to contain. It is a term of this offer that the offer of securities to the public in New Zealand is made in compliance with the laws of Australia and any code, rules and requirements relating to the offer that apply in Australia.

This Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer and no action has been taken to register the New Shares or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia and New Zealand.

Return of the personalised Entitlement and Acceptance Form shall be taken by NAB to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

### 6.14.2 United States

The Entitlements and New Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States. Retail Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States. Neither the Entitlements nor the New Shares may be offered to or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. The Retail Entitlements and the New Shares in the Retail Entitlement Offer will be sold only in 'offshore transactions' (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act. Because of these legal restrictions, you must not distribute, release or send copies of this Retail Offer Booklet or any other material relating to the Retail Entitlement Offer to any person in the United States.

## 6.15 Underwriting of the Entitlement Offer

NAB has entered into an underwriting agreement (**Underwriting Agreement**) with the Underwriters who have agreed to manage and fully underwrite the Entitlement Offer. As is customary with these types of arrangements:

- NAB has agreed, subject to certain carve-outs, to indemnify the Underwriters, their affiliates and related bodies corporate, and each of their directors, officers and employees against any losses they may suffer or incur in connection with the Entitlement Offer;
- NAB and the Underwriters have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer;

- the Underwriters may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where:
  - NAB is removed from the official list of ASX, its Shares are suspended from trading or quotation, or approval for quotation of the New Shares is not given by ASX;
  - there are material disruptions in financial or economic conditions in key markets, or hostilities commence or escalate in certain key countries;
  - there are certain delays in the timetable for the Entitlement Offer without the Underwriters' consent;
  - any of the offer documents (including this Retail Offer Booklet and all ASX announcements made in connection with the Entitlement Offer) omits information required by the Corporations Act or is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive, including where any statement about a future matter expressed in the offer documents is taken to be misleading in accordance with section 769 of the Corporations Act; or
  - NAB indicates that it does not intend to proceed with all or part of the Entitlement Offer.

The Underwriters will be paid an underwriting fee of 1.0% (excluding GST), an offer management and arrangement fee of 0.25% (excluding GST), and an incentive fee of 0.15% (excluding GST) (payable at NAB's discretion) of the Institutional Entitlement Offer proceeds. The Underwriters will be paid an underwriting fee of 1.0% (excluding GST), an offer management and arrangement fee of 0.25% (excluding GST), and an incentive fee of 0.15% (excluding GST) (payable at NAB's discretion) of the Retail Entitlement Offer proceeds. These fees are for providing the services described above. The Underwriters will also be reimbursed for certain expenses.

None of the Underwriters nor any of their respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents (collectively, the **Underwriter Parties**) have authorised or caused the issue of this Retail Offer Booklet and they do not take any responsibility for this Retail Offer Booklet or any action taken by you on the basis of the information in this Retail Offer Booklet. To the maximum extent permitted by law, the Underwriter Parties exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Retail Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or

otherwise. None of the Underwriter Parties makes any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by any of the Underwriter Parties in relation to the New Shares or the Entitlement Offer generally.

## 6.16 Sale of Entitlements

NAB will arrange for Entitlements which are not taken up by close of the Retail Entitlement Offer to be sold to eligible institutional investors. NAB has engaged the Underwriters to assist in selling Entitlements to subscribe for New Shares (including Entitlements that would have been issued to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer), through the Retail Shortfall Bookbuild. However, it is important to note that Underwriters will be acting for and providing services to NAB in this process and will not be acting for or providing services to Shareholders or any other investor. The engagement of the Underwriters by NAB is not intended to create any agency, fiduciary or other relationship between the Underwriters and the Shareholders or any other investor.

## 6.17 ASIC modification

In order to conduct the Entitlement Offer in accordance with section 708AA of the Corporations Act, ASIC has granted NAB modification from certain provisions of the Corporations Act to permit terms of the offers to Shareholders to differ in so far as Retail Entitlements can be taken up in whole or in part, or traded on ASX (or transferred directly to another person) in whole or in part, while Institutional Entitlements were able to be taken up in whole or in part (but not traded on ASX).

## 6.18 Governing law

This Information, the Retail Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

## 6.19 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be relied on as having been authorised by NAB, or its related bodies corporate, in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of NAB,

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## Important information

nor any other person, warrants or guarantees the future performance of NAB or any return on any investment made pursuant to this Information or its content.

### 6.20 Withdrawal of the Entitlement Offer

NAB reserves the right to withdraw all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case NAB will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, NAB may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to NAB will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to NAB.

### 6.21 Privacy

As a Shareholder, NAB and the Registry have already collected certain personal information from you. If you apply for New Shares, NAB and the Registry may update that personal information or collect additional personal information for the purposes of:

- (a) processing your application and assessing your acceptance of the New Shares;
- (b) servicing your needs as a Shareholder and providing facilities and services that you request;
- (c) carrying out appropriate administration; and
- (d) letting you know about products or services from across the NAB 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. If you do not provide your personal information we may not be able to process your application.

NAB and the Registry 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 [www.nab.com.au/privacy/overseas-countries-list/](http://www.nab.com.au/privacy/overseas-countries-list/).

Where personal information is disclosed NAB will seek to 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 by telephoning or writing to NAB through the Registry as follows:

1300 367 647 (within Australia)  
+61 3 9415 4299 (International)

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

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 [www.nab.com.au/privacy](http://www.nab.com.au/privacy) or by calling 13 22 65 and asking us for a copy.

For further information about how the Registry manages your personal information, please refer to their privacy policy: <http://www.computershare.com/au/help/Pages/privacy-policies.aspx#2>

# Glossary

# Glossary

In this Retail Offer Booklet, the following terms have the following meanings:

| Term                                      | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>\$ or A\$ or dollars</b>               | Australian dollars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>ABN</b>                                | Australian Business Number                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Announcements</b>                      | The Offer Launch Announcement and the NAB Investor Presentation                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Application Monies</b>                 | Application monies provided by an applicant to the Registry in respect of their application                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>ASIC</b>                               | Australian Securities and Investments Commission                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>ASX</b>                                | ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>ASX Listing Rules</b>                  | The official listing rules of ASX from time to time as waived or modified by any waivers required to enable NAB to make the Entitlement Offer                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>ATO</b>                                | Australian Taxation Office                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>CGT</b>                                | Capital Gains Tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Commissioner</b>                       | Commissioner of Taxation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Corporations Act</b>                   | Corporations Act 2001 (Cth), as modified by any ASIC class order or instrument applicable to NAB or the Entitlement Offer                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Eligible Institutional Shareholder</b> | An institutional Shareholder to whom the Underwriters made an offer on behalf of NAB under the Institutional Entitlement Offer (and who, for the avoidance of doubt, is not an excluded institutional Shareholder under the Underwriting Agreement)                                                                                                                                                                                                                                                                                   |
| <b>Eligible Retail Shareholder</b>        | <p>A Shareholder who:</p> <ul style="list-style-type: none"> <li>• is registered as a holder of Shares as at the Record Date, being 7.00pm (Melbourne time) on Tuesday, 12 May 2015;</li> <li>• has a registered address on the NAB share register in Australia or New Zealand;</li> <li>• is not in the United States and is not acting for the account or benefit of a person in the United States (to the extent such person holds NAB ordinary shares for the account or benefit of such person in the United States);</li> </ul> |

| Term                                        | Definition                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Eligible Retail Shareholder (cont)</b>   | <ul style="list-style-type: none"> <li>• was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and</li> <li>• is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.</li> </ul> |
| <b>Eligible Shareholder</b>                 | A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder                                                                                                                                                                                                                                                                                                                                          |
| <b>Entitlement</b>                          | The entitlement of an Eligible Shareholder to 2 New Shares for every 25 Shares held on the Record Date                                                                                                                                                                                                                                                                                                                           |
| <b>Entitlement and Acceptance Form</b>      | The personalised entitlement and acceptance form to subscribe for New Shares accompanying this Retail Offer Booklet                                                                                                                                                                                                                                                                                                              |
| <b>Entitlement Offer</b>                    | The pro rata accelerated renounceable entitlement offer of New Shares with retail rights trading to Eligible Shareholders to raise approximately \$5.5 billion at the Offer Price on the basis of 2 New Shares for every 25 Shares held on the Record Date, and comprised of the Institutional Entitlement Offer and the Retail Entitlement Offer                                                                                |
| <b>Group</b>                                | NAB and all its related companies                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>GST</b>                                  | Goods and Services Tax                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Ineligible Institutional Shareholder</b> | An institutional Shareholder that is not an Eligible Institutional Shareholder                                                                                                                                                                                                                                                                                                                                                   |
| <b>Ineligible Retail Shareholder</b>        | A retail Shareholder that is not an Eligible Retail Shareholder                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Information</b>                          | This Retail Offer Booklet (including the Announcements in Section 5) and enclosed personalised Entitlement and Acceptance Form                                                                                                                                                                                                                                                                                                   |
| <b>Institutional Entitlement</b>            | An Entitlement under the Institutional Entitlement Offer                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Institutional Entitlement Offer</b>      | The pro rata renounceable entitlement offer of New Shares to Eligible Institutional Shareholders under the Entitlement Offer                                                                                                                                                                                                                                                                                                     |
| <b>Institutional Premium</b>                | The excess of the price at which New Shares were sold under the Institutional Shortfall Bookbuild over the Offer Price, less expenses                                                                                                                                                                                                                                                                                            |
| <b>Institutional Shortfall Bookbuild</b>    | A bookbuild for the Institutional Entitlement Offer, through which Institutional Entitlements not taken up and Entitlements of Ineligible Institutional Shareholders were sold on Monday, 11 May 2015                                                                                                                                                                                                                            |
| <b>NAB</b>                                  | National Australia Bank Limited (ABN 12 004 044 937)                                                                                                                                                                                                                                                                                                                                                                             |
| <b>NAB Investor Presentation</b>            | The sections of NAB's 2015 half year results presentation dated 7 May 2015 relating to the Entitlement Offer included in this Retail Offer Booklet                                                                                                                                                                                                                                                                               |

# Glossary

| Term                                    | Definition                                                                                                                                                                                                                                            |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NAB Offer Information Line</b>       | The information line set up by NAB to answer questions in relation to the Entitlement Offer, available on 1300 367 647 (within Australia) or +61 3 9415 4299 (International) from 8.00am to 7.30pm (Melbourne time), Monday to Friday                 |
| <b>New Share</b>                        | A Share offered under the Entitlement Offer                                                                                                                                                                                                           |
| <b>Offer Launch Announcement</b>        | The announcement released to ASX on 7 May 2015 in connection with NAB's 2015 half year results and the Entitlement Offer included in this Retail Offer Booklet                                                                                        |
| <b>Offer Price</b>                      | \$28.50 per New Share                                                                                                                                                                                                                                 |
| <b>Record Date</b>                      | The date and time for determining which Shareholders are registered as a holder of Shares, being 7.00pm (Melbourne time) on Tuesday, 12 May 2015                                                                                                      |
| <b>Registry or NAB Share Registry</b>   | Computershare Investor Services Pty Limited (ABN 48 078 279 277)                                                                                                                                                                                      |
| <b>Regulation S</b>                     | Regulation S promulgated under the U.S. Securities Act                                                                                                                                                                                                |
| <b>Renunciation and Acceptance Form</b> | The renunciation and acceptance form available through the NAB Offer Information Line which can only be completed by issuer sponsored Shareholders wishing to transfer all or part of their Entitlement other than on ASX                             |
| <b>Retail Entitlement</b>               | An Entitlement under the Retail Entitlement Offer                                                                                                                                                                                                     |
| <b>Retail Entitlement Offer</b>         | The pro rata renounceable entitlement offer of New Shares to Eligible Retail Shareholders under the Entitlement Offer                                                                                                                                 |
| <b>Retail Offer Booklet</b>             | This booklet dated 12 May 2015, including the Announcements and the Entitlement and Acceptance Form                                                                                                                                                   |
| <b>Retail Premium</b>                   | The excess of the price at which New Shares were sold under the Retail Shortfall Bookbuild over the Offer Price, less expenses                                                                                                                        |
| <b>Retail Shortfall Bookbuild</b>       | A bookbuild for the Retail Entitlement Offer, through which Retail Entitlements which are not taken up by the close of the Retail Entitlement Offer, and Retail Entitlements of Ineligible Retail Shareholders, will be sold on Thursday, 4 June 2015 |
| <b>Shareholder</b>                      | The registered holder of a Share                                                                                                                                                                                                                      |
| <b>Shares</b>                           | Ordinary shares in NAB                                                                                                                                                                                                                                |
| <b>Stamping Fee Cap</b>                 | The total amount of stamping fees payable by NAB, which is \$2.5 million (including GST)                                                                                                                                                              |
| <b>TFN</b>                              | Tax file number                                                                                                                                                                                                                                       |

| Term                          | Definition                                                                                                                                                                                        |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Underwriters</b>           | Macquarie Capital (Australia) Limited (ABN 79 123 199 548), Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), and Morgan Stanley Australia Securities Limited (ABN 55 078 652 276) |
| <b>Underwriting Agreement</b> | The underwriting agreement dated 7 May 2015 between NAB and the Underwriters, as described in section 6.15                                                                                        |
| <b>US or United States</b>    | United States of America, its territories and possessions, any state of the United States and the District of Columbia                                                                            |
| <b>U.S. Securities Act</b>    | U.S. Securities Act of 1933, as amended                                                                                                                                                           |

# Corporate directory

## **National Australia Bank Limited**

Level 1  
800 Bourke Street  
Docklands VIC 3008

## **Australian Legal Adviser**

King & Wood Mallesons  
Level 50, 600 Bourke Street  
Melbourne VIC 3000

## **Registry**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

## **Underwriters to the Entitlement Offer**

Macquarie Capital (Australia) Limited  
Level 23, 101 Collins Street  
Melbourne VIC 3000

Merrill Lynch Equities (Australia) Limited  
Level 38, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## **Brokers to the Entitlement Offer**

Bell Potter Securities Limited  
Level 38, Aurora Place  
88 Phillip Street  
Sydney NSW 2000

Evans and Partners Pty Ltd  
Level 7, 171 Collins Street  
Melbourne VIC 3000

JBWere Limited  
Level 16, 101 Collins Street  
Melbourne VIC 3000

Morgans Financial Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

nabtrade (trading as WealthHub Securities Limited)  
105-153 Miller Street  
Sydney NSW 2060

Ord Minnett Limited  
Level 8, NAB House  
255 George Street  
Sydney NSW 2000

## **How to contact NAB**

Call us on the NAB Offer Information Line:

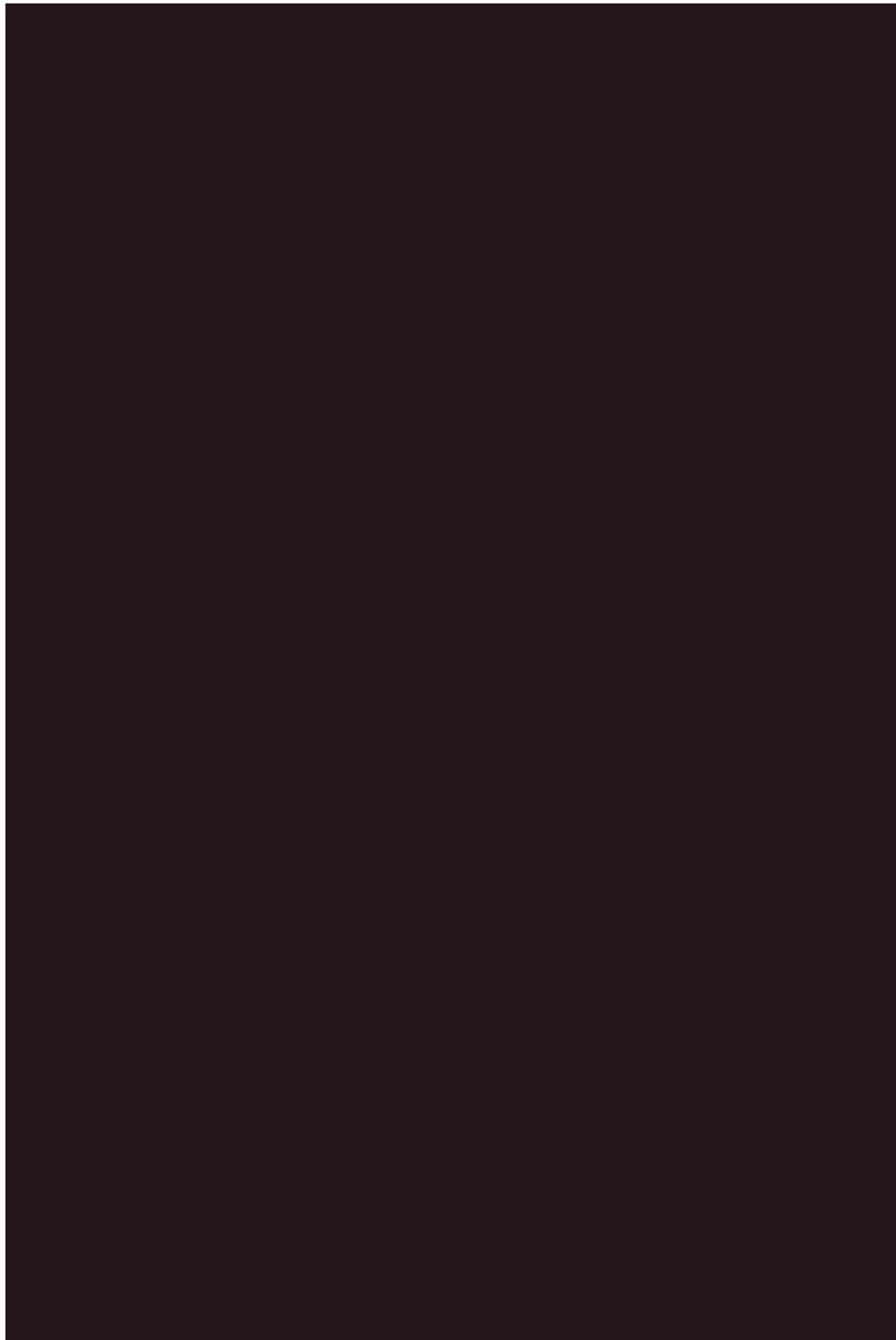
1300 367 647 (within Australia)  
+61 3 9415 4299 (International)

Open between 8.00am and 7.30pm (Melbourne time)  
Monday to Friday

Website: **[www.nab.com.au](http://www.nab.com.au)**

Find us on the web at **[www.nabgroup.com/shareholder](http://www.nabgroup.com/shareholder)**  
or **[www.nab.com.au](http://www.nab.com.au)**.





**For all enquiries (including to obtain  
a copy of the Retail Offer Booklet):**



**Phone:**  
(within Australia) 1300 367 647  
(international) +61 3 9415 4299

Open between 8.00am and 7.30pm (Melbourne time) Monday to Friday

**NOT FOR DISTRIBUTION OR  
RELEASE IN THE UNITED STATES**

## Retail Entitlement Offer - Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (Melbourne time) on Monday, 1 June 2015**

As an Eligible Retail Shareholder you are entitled to acquire 2 New Shares for every 25 existing NAB ordinary shares that you hold on the Record Date, at an Offer Price of A\$28.50 per New Share.

This Entitlement and Acceptance Form (Form) is an important document and requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this Form, please contact your financial adviser or other professional adviser before making an investment decision.

**Important:** The Retail Entitlement Offer is being made under the Retail Offer Booklet dated 12 May 2015. The Retail Offer Booklet contains information about investing in New Shares and you should read it carefully before applying. This Form should be read in conjunction with the Retail Offer Booklet. Unless otherwise defined, capitalised terms used in this Form have the meaning given to them in the Retail Offer Booklet.

If you wish to take up all or part of your Entitlement, please follow the steps set out below.

You can also elect to sell or transfer all or part of your Entitlement. Details on how to do so are set out in the box below.

### STEP 1 Registration Name & Offer Details

Details of your Entitlement based on your existing shareholding at 7.00pm (Melbourne time) on Tuesday, 12 May 2015 are shown overleaf.

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if it is incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

### STEP 2 Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of New Shares you wish to apply for and the amount payable for those New Shares.

Choose one of the payment methods shown below.

**BPAY®:** See details of the Biller Code and your unique reference number overleaf. It is your responsibility to ensure that your BPAY payment is received by the Registry by no later than 5.00pm (Melbourne time) on Monday, 1 June 2015. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should take this into consideration when making your payment. Do not return the payment slip with BPAY payment.

**By Mail:** Complete the payment slip overleaf and detach and return it along with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "NAB Retail Offer" and cross "Not Negotiable". The cheque, bank draft or money order must be drawn from an Australian branch of a financial institution. Cash is not accepted.

If your Application Monies are insufficient to pay in full for the number of New Shares you have applied for, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on this Form). Alternatively, your application will not be accepted. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Neither Computershare Investor Services Pty Limited (CIS) nor NAB accepts any responsibility if you lodge the payment slip overleaf at any other address or by any other means. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details on the payment slip is not compulsory, but will assist us if we need to contact you.

#### Employee Equity Plans

If you hold a beneficial interest in existing NAB ordinary shares on the Record Date through a NAB employee equity plan, by either returning this Form with payment to CIS, or making payment through BPAY, you:

- will be deemed to have instructed the trustee of the relevant NAB employee equity plan ("Trustee") to accept the Entitlement Offer on your behalf;
- will be deemed to have provided the Trustee with sufficient funds to accept the Entitlement Offer on your behalf; and
- acknowledge that the New Shares will be transferred by the Trustee to you and there are no restrictions on the transfer of the New Shares to you.

#### Sell your Entitlement in full through your stockbroker/agent

If you wish to sell your Entitlement in full, you should instruct your stockbroker personally and provide details as requested, which appear overleaf.

**DO NOT** forward your requests for sale to CIS.

#### Sell your Entitlement in part through your stockbroker/agent and take up the balance

If you wish to sell your Entitlement in part and take up the balance you should:

- Instruct your stockbroker personally and provide details as requested, which appear overleaf, **AND**
- Send the completed payment slip to CIS with your cheque, bank draft or money order payment **OR** make payment using BPAY, in order to take up the balance of your Entitlement.

#### Disposal of your Entitlement held on the Issuer sponsored sub-register

A Renunciation and Acceptance Form must be used for an off market transfer of your Entitlement. These forms may be obtained from your stockbroker or CIS.

**Turn over for details of the Offer →**

® Registered to BPAY Pty Limited ABN 69 079 137 518

# Entitlement and Acceptance Form

## STEP 1 Registration Name & Offer Details

For your security keep your SRN/HIN confidential.

Registration Name:

Offer Details: Existing shares entitled to participate as at 7.00pm (Melbourne time) on 12 May 2015:

Entitlement to New Shares on a 2 for 25 basis:

Amount payable on full acceptance at A\$28.50 per New Share:

## STEP 2 Make Your Payment



Contact your financial institution to make your payment from your cheque or savings account.

### Pay by Mail:



Make your cheque, bank draft or money order payable to "NAB Retail Offer" and cross "Not Negotiable". Return your cheque, bank draft or money order with the below payment slip to:  
**Computershare Investor Services Pty Limited**  
GPO BOX 2333 Melbourne Victoria 3001 Australia

### Important information

Only "Eligible Persons" are entitled to exercise Entitlements. Certain investors in a limited number of foreign jurisdictions (other than the United States) may be "Eligible Persons" if they satisfy the requirements of that expression as set out in the Participant Bulletin to be released on ASX on or about 12 May 2015.

The Retail Offer Booklet, any accompanying ASX announcements and this Form ("Offer Materials") do not constitute an offer or invitation to acquire securities in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. In particular, the Offer Materials do not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States.

NAB and the Underwriters reserve the right to reject any Form that they believe was submitted by a person who is not an Eligible Person.

By either returning this Form with payment to CIS, or making payment received by BPAY, you:

- represent and warrant that you have read and understood the Retail Offer Booklet and this Form in their entirety;
- make and agree to be subject to all the representations, declarations, warranties and agreements in the Retail Offer Booklet;
- represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- understand and acknowledge that neither the Entitlements nor New Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and that neither the Entitlements nor the New Shares may be offered, sold or resold, either directly or indirectly, to persons in the United States or to persons acting for the account or benefit of a person in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction in the United States;

- represent that you are subscribing for or purchasing Entitlements or New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act;
- represent that you have not and will not send the Offer Materials to any person in the United States or to any person acting for the account or benefit of a person in the United States or any other country outside Australia and New Zealand; and
- represent and warrant that you are an Eligible Person and entitled to exercise the Entitlements noted on this Form and subscribe for New Shares in accordance with all applicable laws.

### Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for NAB, for the purpose of maintaining registers of shareholders. In addition, NAB may authorise us on its behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to NAB for whom we maintain securities registers or to third parties upon direction by NAB where related to NAB's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

National Australia Bank Limited ABN 12 004 044 937

## STEP 2

Entitlement taken up

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Price per New Share

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|----------|
| A\$28.50 |
|----------|

Amount enclosed

A\$

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PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS - Cheque, bank draft or money order must be drawn on an Australian dollar account of an Australian branch of a financial institution, made payable to "NAB Retail Offer" and crossed "Not Negotiable".

Drawer

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Cheque number

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BSB number

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Account number

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Amount of Cheque

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### Contact Details

Telephone number

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Contact name

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