

ASX ANNOUNCEMENT

Wednesday, 13 February 2013

NATIONAL AUSTRALIA BANK LAUNCHES CONVERTIBLE PREFERENCE SHARE OFFER

National Australia Bank (NAB) today announced the offer of a new Tier 1 hybrid security known as NAB Convertible Preference Shares (NAB CPS), which are expected to be quoted on the ASX.

NAB CPS are being offered with an Issue Price¹ of \$100 each to raise approximately \$750 million, with the ability to raise more or less.

“Maintaining balance sheet strength is a strategic priority for NAB and a strong and efficient capital position is at the core of that strategy. The issue of NAB CPS further enhances the Bank’s capital position which is a key focus for equity and debt investors, rating agencies and regulators”, said Group Treasurer, Eric Williamson.

“NAB CPS will be directly issued by NAB and will qualify as Additional Tier 1 Capital under APRA’s Basel III capital adequacy framework”.

Key points of the Offer

- NAB CPS are fully paid preference shares issued directly by NAB. They are not guaranteed or secured and are not a deposit account or any other account with NAB.
- NAB CPS will pay a discretionary, quarterly, floating rate, non-cumulative Dividend. The Dividend Rate is equal to the sum of the Bank Bill Rate and a Margin, which sum is adjusted for NAB’s Tax Rate² to reflect franking credits attached to each Dividend (subject to availability).³ Dividends are expected to be fully franked. The Margin is expected to be in the range of 3.20% to 3.40% per annum and will be determined through the Bookbuild.
- NAB CPS will mandatorily Convert into NAB Ordinary Shares on 22 March 2021, provided certain conditions are met. With the prior written approval of the Australian Prudential Regulation Authority (APRA), NAB may elect to Convert, Redeem or Resell NAB CPS on 20 March 2019, or on the occurrence of particular events, provided certain conditions are met. NAB CPS may also Convert in certain circumstances if required by prudential regulatory requirements.
- Holders of NAB CPS will have no right to request that NAB CPS be redeemed. Without a Conversion, Redemption or Resale, Holders would have to sell their NAB CPS on the ASX at the prevailing market price.
- NAB CPS are subject to risks which could affect their performance, including dividend rate risk and market price fluctuation. Information about the key risks of investing in NAB CPS are detailed in the Prospectus.

¹ Capitalised terms which are undefined in this ASX announcement have the meaning given to them in the Prospectus.

² Tax Rate means the Australian corporate tax rate applicable to the franking account of NAB on the relevant Dividend Payment Date, currently 30%.

³ A Dividend will only be paid if the Directors resolve to pay it and a Payment Condition does not exist on the Dividend Payment Date.

- In a winding-up of NAB, NAB CPS rank ahead of Ordinary Shares, equally with other certain Equal Ranking Instruments and junior to creditors of NAB, including depositors – though the amount of any return in a winding-up may be adversely affected when compared to holders of Equal Ranking Instruments if a Loss Absorption Event has occurred.
- The Offer comprises a Securityholder Offer for all existing shareholders of NAB as well as holders of National Income Securities and NAB Subordinated Notes; a General Offer open to members of the general public who are Australian residents; and a Broker Firm Offer and Institutional Offer by invitation.
- The Issue Price for NAB CPS will be \$100 per NAB CPS and there is a Minimum Application of 50 NAB CPS and thereafter in multiples of 10 NAB CPS.
- NAB will use the net proceeds of the Offer for general corporate purposes.
- NAB shareholder approval is not required for the Offer.

An initial Prospectus has been lodged with ASIC and the ASX. The Prospectus does not contain the Margin or the Application Form. A replacement Prospectus containing this information and an Application Form will be lodged with ASIC and ASX once the Margin is determined and will be available within Australia at www.nabcps.com.au or by calling the NAB Information Line on 1300 367 647, Monday to Friday from 8.00am to 7.30pm (AEDT) during the Offer Period and until 26 March 2013.

This announcement only contains a summary of the features of NAB CPS and the Offer. The Prospectus and Terms of NAB CPS should be read in full before deciding to invest. Applications may only be made using the Application Form attached to or accompanying the Prospectus.

Key Dates⁴

Record Date for Securityholder Offer	1 February 2013
Announcement of the NAB CPS Offer	13 February 2013
Bookbuild	20 February 2013
Announcement of Margin	21 February 2013
Offer Opens	21 February 2013
Securityholder and General Offers Close	14 March 2013
Broker Firm and Institutional Offers Close	19 March 2013
Issue of NAB CPS	20 March 2013
Commencement of deferred settlement trading	21 March 2013
Despatch of Holding Statements	21-25 March 2013
Commencement of trading on normal settlement basis	26 March 2013
First Dividend Payment Date	20 June 2013
Optional Conversion / Redemption / Resale Date ⁵	20 March 2019
Mandatory Conversion Date ⁶	22 March 2021

⁴ The key dates and time for the Offer are indicative only and may change without notice.

⁵ With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB CPS on 20 March 2019. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 20 March 2013.

National Australia Bank Ltd is acting as Arranger and Joint Lead Manager to the Offer. Commonwealth Bank of Australia, Deutsche Bank, Evans & Partners, J.P. Morgan, RBS Morgans and UBS and have also been appointed as Joint Lead Managers to the Offer. Bell Potter, JBWere, Ord Minnett and Morgan Stanley Wealth Management are acting as Co-Managers to the Offer.

For further information:

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Further information

NAB Information Line on 1300 367 647 Monday to Friday from 8.00am to 7.30pm (AEDT) during the Offer Period and until 26 March 2013.

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

The information provided in this ASX announcement is not investment advice and has been prepared without taking into account individual investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should consider the Prospectus and obtain advice from a financial adviser or other professional adviser in deciding whether to apply for NAB CPS.

The statement does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, NAB CPS have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the account or benefit of, any "U.S. Person" (as defined in Regulation S under the Securities Act) absent registration or an applicable exemption from the registration requirements.

⁶ NAB CPS will Convert into Ordinary Shares on 22 March 2021 (subject to the Mandatory Conversion Conditions being satisfied and only if NAB CPS have not been Converted, Redeemed or Resold prior to that date with APRA's prior written approval). This date assumes the Issue Date is 20 March 2013.