



Wednesday, 8 February 2017

## **ASX Announcement**

### **NAB launches NAB Subordinated Notes 2 offer**

National Australia Bank (NAB) today announced an offer of NAB Subordinated Notes 2, which are expected to be quoted on the ASX.

Each NAB Subordinated Note 2 will have a Face Value of \$100 and an expected Margin in the range of 2.20% to 2.30% per annum over the three month Bank Bill Rate.

The Offer is expected to raise approximately \$750 million, with the ability to raise more or less. Once issued, the NAB Subordinated Notes 2 will qualify as Tier 2 Capital for the Group. NAB will use the net proceeds of the Offer to refinance the NAB Subordinated Notes issued by NAB on 18 June 2012 (NSN) and for general corporate purposes.

#### **Structure of the Offer**

The Offer comprises:

- a Securityholder Offer (for all existing Australian registered holders of NAB's Ordinary Shares as well as Australian registered holders of National Income Securities, NAB Subordinated Notes, NAB CPS, NAB CPS II, NAB Capital Notes or NAB Capital Notes 2, as at 7.00pm (Melbourne time) on 3 February 2017);
- a Reinvestment Offer (see further details below);
- a Broker Firm Offer; and
- an Institutional Offer by invitation.

There is no general public offer.

An application under the Securityholder, Broker Firm or Institutional Offer must be for at least 50 NAB Subordinated Notes 2 and thereafter in multiples of 10 NAB Subordinated Notes 2.

#### **The Reinvestment Offer**

The Offer includes a Reinvestment Offer, which will provide Eligible Holders<sup>1</sup> of NSN with the opportunity to reinvest their NSN funds into NAB Subordinated Notes 2 and maintain an ongoing investment in NAB.

Under the Reinvestment Offer, Eligible NSN Holders may apply to have some or all of their NSN purchased by NAB for \$100 each on 20 March 2017 and for the sale proceeds to be

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<sup>1</sup> An Eligible NSN Holder is a registered holder of NSN as at 7.00pm (Melbourne time) on Friday, 3 February 2017, with a registered address in Australia and who is not in the United States or acting as a nominee for, or for the account or benefit of, a US Person and is not otherwise prevented from receiving the Reinvestment Offer or NAB Subordinated Notes 2 under the laws of any jurisdiction.

applied as the application payment for NAB Subordinated Notes 2. Eligible NSN Holders may apply for additional NAB Subordinated Notes 2 under the Securityholder Offer.

There is no minimum number of NSN that you must hold to be able to participate in the Reinvestment Offer. If you own less than 50 NSN, you can apply to participate in the Reinvestment Offer but you must apply to Reinvest all of your NSN. If you own 50 or more NSN, you must apply to reinvest at least 50 NSN and thereafter in multiples of 10 NSN.

There are important differences between NSN and NAB Subordinated Notes 2 that investors should consider before deciding to apply to participate in the Reinvestment Offer. These differences, and the key risks of participating in the Reinvestment Offer, are set out in the Prospectus.

### **Key terms of the NAB Subordinated Notes 2**

- NAB Subordinated Notes 2 are subordinated, unsecured notes issued directly by NAB. They are not guaranteed or secured and are not a deposit account or any other account with NAB.
- NAB Subordinated Notes 2 will pay non-discretionary, cumulative, quarterly interest, wholly in cash, in arrears. The Interest Rate is equal to the sum of the Bank Bill Rate and a Margin. The Margin will be determined under the Bookbuild and will not change for the term of the NAB Subordinated Notes 2. The Bank Bill Rate is a floating reference rate. NAB's obligation to pay Interest is conditional on NAB being Solvent at the time of, and immediately following, the payment.
- NAB Subordinated Notes 2 have a maturity date of 20 September 2028.
- Subject to APRA approval, NAB may elect to redeem all or some NAB Subordinated Notes 2 on 20 September 2023 and on any Interest Payment Date thereafter, or on the occurrence of particular events, provided certain conditions are met.
- NAB must immediately Convert NAB Subordinated Notes 2 into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur where NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares at that time, a Conversion in those circumstances is likely to result in Holders receiving Ordinary Shares that are worth significantly less than the Face Value for each NAB Subordinated Note 2 they hold.
- Holders of NAB Subordinated Notes 2 will have no right to request that NAB Subordinated Notes 2 be redeemed. Without a Redemption, Holders will have to sell their NAB Subordinated Notes 2 on the ASX at the prevailing market price.
- In a Winding-Up of NAB, NAB Subordinated Notes 2 rank ahead of Junior Ranking Instruments (including Tier 1 instruments and ordinary shares), equally amongst themselves and Equal Ranking Instruments, but behind the claims of Senior Creditors (which includes NSN holders and depositors). The amount of any return in a Winding-Up will be adversely affected if a Non-Viability Trigger Event has occurred.

NAB Subordinated Notes 2 are subject to risks which could affect their performance, including Interest Rate risk and market price fluctuations. Information about the key risks of investing in NAB Subordinated Notes 2 is set out in the Prospectus.

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 the Margin and an Application Form will be lodged with ASIC and the ASX once the Margin is determined and will be available within Australia at [www.nab.com.au/nsn2offer](http://www.nab.com.au/nsn2offer) or by calling

the NAB Information Line on 1300 367 647, Monday to Friday from 8.00am to 7.30pm (Melbourne time) during the Offer Period.

This announcement only contains a summary of the features of NAB Subordinated Notes 2 and the Offer. The Prospectus and Terms of NAB Subordinated Notes 2 should be read in full before deciding to invest. Applications may only be made using the Application Form attached to or accompanying the Prospectus.

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

### Key Dates\*

Record Date for Securityholder Offer and Reinvestment Offer	3 February 2017
Announcement of the Offer	8 February 2017
Lodgement of Prospectus with ASIC	8 February 2017
Bookbuild	15 February 2017
Announcement of Margin	15 February 2017
Offer (including Reinvestment Offer) Opens	16 February 2017
Reinvestment and Securityholder Offers Close	10 March 2017
Broker Firm (excluding applications to reinvest NSN) and Institutional Offers Close	17 March 2017
Issue of NAB Subordinated Notes 2	20 March 2017
Quarterly interest payment of \$1.1306 per NSN (including Reinvested NSN) <sup>2</sup>	20 March 2017
Commencement of deferred settlement trading	21 March 2017
Completion of despatch of Holding Statements	24 March 2017
Commencement of trading on normal settlement basis	27 March 2017
First Interest Payment Date	20 June 2017
Expected redemption of NSN and quarterly interest payment date for remaining NSN <sup>3</sup>	19 June 2017
First Optional Redemption Date <sup>4</sup>	20 September 2023
Maturity Date <sup>5</sup>	20 September 2028

\*The key dates for the Offer are indicative only and may change without notice.

<sup>2</sup> This is the accrued NSN interest payment from (and including) 18 December 2016 to (but excluding) the Issue Date.

<sup>3</sup> APRA has provided approval for this redemption.

<sup>4</sup> With APRA's prior written approval, NAB may elect to Redeem NAB Subordinated Notes 2 on 20 September 2023 and on any Interest Payment Date thereafter or on the occurrence of certain other events. Holders should not expect that APRA's approval will be given for any optional Redemption. This date assumes the Issue Date is 20 March 2017.

<sup>5</sup> This date assumes the Issue Date is 20 March 2017.

NAB is acting as Arranger and Joint Lead Manager to the Offer. Commonwealth Bank of Australia, Morgans and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer.

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**Further information**

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

The information provided in this announcement is not investment advice and has been prepared without taking into account individual investment objectives, financial situations or particular needs (including financial and taxation issues). Investors should consider the Prospectus and obtain advice from a financial adviser or other professional adviser in deciding whether to apply for NAB Subordinated Notes 2.

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 Subordinated Notes 2 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) unless the NAB Subordinated Notes 2 are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.