800 Bourke Street
Docklands VIC 3008
AUSTRALIA

www.nab.com.au

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Tuesday, 19 February 2019

ASX ANNOUNCEMENT

NAB Capital Notes 3 Offer – Replacement Prospectus

Further to the announcement made by National Australia Bank (NAB) on Friday, 15 February 2019 following completion of the Bookbuild,[1] attached is the replacement Prospectus in connection with the NAB Capital Notes 3 Offer.

The Offer opens today.

For further information:

Media

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Further information in relation to NAB Capital Notes 3 and the Offer

Please call the NAB Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia) Monday to Friday 8.00am – 7.30pm (Melbourne time) during the Offer Period, and for a week following.

[1] Capitalised terms which are used in this announcement have the meaning given to them in the Prospectus unless the context requires otherwise.

PROSPECTUS NAB CAPITAL NOTES 3

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Prospectus for the issue of NAB Capital Notes 3 to raise $1,650 million, with the ability to raise more or less.

This investment is riskier than a bank deposit. NAB Capital Notes 3 are complex and may not be suitable for all investors. They are not guaranteed or secured, are not Protected Accounts and are not deposit liabilities for the purposes of the Banking Act. You should carefully consider the risks and other information in this Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).

If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest in NAB Capital Notes 3.

Issuer
National Australia Bank Limited
ABN 12 004 044 937

Arranger
National Australia Bank

Joint Lead Managers
National Australia Bank
Morgan Stanley
Morgans
Shaw and Partners
UBS
Westpac

Co-Managers
Bell Potter
Crestone
Evans Dixon
JBWere
Ord Minnett

IMPORTANT NOTICES

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About this Prospectus

This Prospectus relates to the offer by National Australia Bank Limited ABN 12 004 044 937 of NAB Capital Notes 3 to raise $1,650 million, with the ability to raise more or less.

This Prospectus is dated 19 February 2019 and a copy of this Prospectus was lodged with ASIC on that date. This is a replacement Prospectus, which replaces the Prospectus dated 11 February 2019 and lodged with ASIC on that date ("**Original Prospectus**"). This Prospectus expires on the date which is 13 months after the date of the Original Prospectus and no NAB Capital Notes 3 will be issued on the basis of this Prospectus after that date.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the Offer.

Prospectus Offer

The Offer comprises the Reinvestment Offer, the Securityholder Offer, the Broker Firm Offer and the Institutional Offer. The Reinvestment Offer provides eligible holders of NAB Convertible Preference Shares issued by NAB on 20 March 2013 ("**CPS**") with the opportunity to reinvest the proceeds of the sale of their CPS ("**CPS Resale Proceeds**") into NAB Capital Notes 3 and maintain an ongoing investment in securities issued by NAB.

Exposure Period

Under the Corporations Act, NAB was prohibited from processing Applications in the seven day period after 11 February 2019, being the date on which the Original Prospectus was lodged with ASIC.

That period is referred to as the Exposure Period. The purpose of the Exposure Period was to enable the Prospectus to be examined by market participants before the raising of funds. Applications received during the Exposure Period were not processed during the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

Key risks

Investment products such as NAB Capital Notes 3 are subject to risks which could affect their performance, including Distribution Rate risk and market price fluctuation. These risks could result in the loss of all or some of your investment and any associated income. NAB does not warrant or guarantee the future performance of NAB or the investment performance of NAB Capital Notes 3 (including the market price).

NAB must immediately Convert all or, in some cases, some NAB Capital Notes 3 into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur where NAB encounters severe financial difficulty. In the event of a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than $101 for each NAB Capital Note 3 they hold and may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence. Following Conversion there is no certainty as to the future value of the Ordinary Shares. If NAB Capital Notes 3 are not Converted at that time they will be Written Off and you will lose your money. A Conversion or Write Off following a Loss Absorption Event is not subject to any conditions and you will not be given any choice if a Loss Absorption Event occurs.

Information about the key risks of investing in NAB Capital Notes 3 is detailed in Section 1.3 "Key Risks of NAB Capital Notes 3" and in Section 7 "Key Risks of NAB Capital Notes 3".

ASX quotation

NAB has applied for NAB Capital Notes 3 to be quoted on ASX.

Financial information and forward looking statements

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

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

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

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No representations other than in this Prospectus

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

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

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

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Appendix B "Glossary", or if not there, in Appendix A "Terms of NAB Capital Notes 3".

If there is any inconsistency between the description of the terms of NAB Capital Notes 3 in this Prospectus and in the Terms, the Terms prevail.

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

Diagrams

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

Obtaining a Prospectus and Application Form

Paper copies of this Prospectus and an Application Form can be obtained free of charge during the Offer Period by calling the NAB Information Line on **1300 367 647** (within Australia) or on **+61 3 9415 4299** (outside Australia) (Monday to Friday 8.00am – 7.30pm). This Prospectus and an Application Form can also be obtained electronically from **nab.com.au/ncn3offer**

Electronic access to the Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of the Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia.

Restrictions on foreign jurisdictions

This Prospectus 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.

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

In particular, NAB Capital Notes 3 have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the account or benefit of, any U.S. Person unless the NAB Capital Notes 3 are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available. Neither this Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States or to any U.S. Persons.

Any offer, sale or resale of the NAB Capital Notes 3 within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act if made within 40 days after the Closing Date or if purchased by a dealer in the Offer.

Collecting your personal information

If you apply for NAB Capital Notes 3, NAB (or the Registrar as NAB's agent) will collect and hold your personal information. See Section 9.11 "Personal information" on how NAB (as well as its subsidiaries and third party suppliers) collect, use and disclose your personal information.

GUIDANCE FOR RETAIL INVESTORS

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1. Read this Prospectus in full

If you are considering applying for NAB Capital Notes 3 under the Offer, this Prospectus is important and should be read in its entirety.

You should have particular regard to the:

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

In considering whether to apply for any NAB Capital Notes 3, it is important to consider all risks and other information regarding an investment in NAB Capital Notes 3 in light of your particular investment objectives and circumstances, as the information in this Prospectus does not take into account those objectives and circumstances.

NAB Capital Notes 3 are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not insured or guaranteed by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other party. An investment in NAB Capital Notes 3 is riskier than a bank deposit.

NAB Capital Notes 3 are complex and may not be suitable for all investors. The overall complexity of NAB Capital Notes 3 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and associated income. If you do not fully understand how NAB Capital Notes 3 work or the risks associated with them, you should obtain professional advice.

NAB Capital Notes 3 are issued by NAB under the Terms and Holders have no claim on NAB except as provided in those Terms.

2. Speak to your professional adviser

If you have any questions about NAB Capital Notes 3 or the Offer, or if you wish to apply for NAB Capital Notes 3, you should seek professional advice from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.

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

3. Consider the ASIC guidance for retail investors

ASIC has published guidance which may be relevant to your consideration of whether to invest in NAB Capital Notes 3 – namely, information for retail investors who are considering investing in bank hybrid securities. This guidance can be found on ASIC's MoneySmart website at **moneysmart.gov.au**. The guidance includes a series of questions you should ask before you invest in bank hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.

4. Learn more about investing in bank hybrid securities

NAB has also developed a web-based Hybrid Securities Education Guide ("**Guide**") to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities. It is available at **nab.com.au/hybrideducation**

The Guide may be helpful when you are considering an investment in bank hybrid securities, such as NAB Capital Notes 3.

However, the Guide is not specific to NAB Capital Notes 3, and reading the Guide is not a substitute for reading this Prospectus.

5. Obtain further information about NAB and NAB Capital Notes 3

NAB is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. NAB must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about NAB that a reasonable person would expect to have a material effect on the price or value of its securities, including NAB Capital Notes 3.

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

6. Questions about the Offer

If you have any questions in relation to NAB Capital Notes 3 or the Offer, you should seek advice from your financial adviser or other professional adviser.

You can also call the NAB Capital Notes 3 Information Line on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia) (Monday to Friday, 8.00am to 7.30pm) (with an Interactive Voice Response Facility also available 24 hours a day, 7 days a week), during the Offer Period and for a week following.

KEY DATES

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Key dates for the Offer

Record date for determining Eligible Securityholders (7.00pm)	7 February 2019
Announcement of the Offer and lodgement of the Original Prospectus with ASIC	11 February 2019
Bookbuild	15 February 2019
Announcement of Margin	15 February 2019
Lodgement of this replacement Prospectus with ASIC	19 February 2019
Offer opened	19 February 2019
Closing Date (5.00pm)	14 March 2019
Issue Date of NAB Capital Notes 3	20 March 2019
Commencement of trading of NAB Capital Notes 3 on a deferred settlement basis	21 March 2019
Despatch of NAB Capital Notes 3 Holding Statements complete	26 March 2019
Commencement of trading of NAB Capital Notes 3 on a normal settlement basis	27 March 2019

Key dates for NAB Capital Notes 3

Record Date for first Distribution	7 June 2019
First Distribution Payment Date[1]	17 June 2019
Optional Conversion / Redemption / Resale Date[2]	17 June 2026
Mandatory Conversion Date[3]	19 June 2028

Key dates for the Reinvestment Offer

Record date for determining Eligible CPS Holders (7.00pm) (CPS must also be held on the Closing Date)	7 February 2019
Reinvestment Offer opened	19 February 2019
Closing Date (5.00pm)	14 March 2019
Transfer of CPS to CPS Nominated Purchaser	20 March 2019
Issue Date of NAB Capital Notes 3	20 March 2019
Payment date for final CPS dividend[4]	20 March 2019
Commencement of trading of NAB Capital Notes 3 on a deferred settlement basis	21 March 2019
Despatch of NAB Capital Notes 3 Holding Statements complete	26 March 2019
Commencement of trading of NAB Capital Notes 3 on a normal settlement basis	27 March 2019

KEY DATES

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

Last day of trading in CPS	1 March 2019
Ex-date for the final CPS dividend	4 March 2019
Record date for the final CPS dividend (7.00pm)	5 March 2019
Payment date for the final CPS dividend [4]	20 March 2019
Transfer of CPS to CPS Nominated Purchaser	20 March 2019
Payment date for CPS resold to CPS Nominated Purchaser	20 March 2019

These dates are indicative only and may change (other than the date for the transfer of CPS to the CPS Nominated Purchaser, which is fixed, unless CPS are required to be converted or written-off before that date). NAB and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. NAB may also withdraw the Offer at any time before NAB Capital Notes 3 are issued. Accordingly, if you wish to apply for any NAB Capital Notes 3 you are encouraged to do so as soon as possible.

Except as otherwise specified in the NAB Capital Notes 3 Terms, if any of these dates are not Business Days and an event under the NAB Capital Notes 3 Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

1 Subject to the Directors resolving to pay the Distribution and no Payment Condition existing on 17 June 2019.

2 With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 3 on 17 June 2026. 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 2019.

3 NAB Capital Notes 3 will Convert into Ordinary Shares on 19 June 2028 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes 3 have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 20 March 2019.

4 Subject to the satisfaction of the payment conditions in the CPS Terms.

CONTENTS

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Important Notices	2
Guidance for Retail Investors	4
Key Dates	5
Section One: Investment Overview	8
Section Two: About NAB Capital Notes 3	21
Section Three: About the Reinvestment Offer	53
Section Four: Applying for NAB Capital Notes 3	60
Section Five: Overview of NAB	65
Section Six: Financial Information	68
Section Seven: Key Risks of NAB Capital Notes 3	76
Section Eight: Australian Taxation Summary	96
Section Nine: Other Information	103
Appendix A: Terms of NAB Capital Notes 3	110
Appendix B: Glossary	135
Corporate Directory	147

SECTION ONE

INVESTMENT OVERVIEW

This section provides a summary of the key features and risks of NAB Capital Notes 3 and the Offer.

NAB Capital Notes 3 are complex and may not be suitable for all investors. They are not guaranteed or secured, are not Protected Accounts and are not deposit liabilities for the purposes of the Banking Act. The overall complexity of NAB Capital Notes 3 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and associated income. You should read this Prospectus in full before deciding to apply for NAB Capital Notes 3. If you do not fully understand how NAB Capital Notes 3 work or the risks associated with them, you should obtain professional advice.

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SECTION ONE:
INVESTMENT OVERVIEW

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1.1 Key features of the Offer and NAB Capital Notes 3

Topic	Summary	Further information
Issuer	National Australia Bank Limited ("**NAB**") The Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with over 592,000 shareholders and serving approximately nine million customers. The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom ("**UK**") and the United States ("**US**").	Section 5
Offer Size	$1,650 million, with the ability to raise more or less.	
Use of proceeds	The net proceeds of the Offer will be used for general corporate purposes. APRA has provided confirmation that NAB Capital Notes 3, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB's regulatory capital requirements.	
Type of security	Convertible notes.	
Face Value	$100 per NAB Capital Note 3.	

SECTION ONE: INVESTMENT OVERVIEW

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Topic	Summary	Further information
Distributions	NAB Capital Notes 3 are scheduled to pay quarterly, floating rate Distributions in cash. The Distribution Rate is calculated in accordance with the following formula: **Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)** Where: • Margin is 4.00%, as determined under the Bookbuild. The Margin will not change for the term of the NAB Capital Notes 3. • Tax Rate is the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date. A Distribution will only be paid if: • The Directors resolve to pay it; and • A Payment Condition does not exist on the Distribution Payment Date. This means a Distribution may not be paid. The Distribution Payment Dates are scheduled to be 17 March, 17 June, 17 September and 17 December. The first Distribution is expected to be paid on 17 June 2019. Distributions paid on NAB Capital Notes 3 are expected to be fully franked. However, Holders should be aware that franking is not guaranteed and the laws relating to the availability of franking may change. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. Distributions are non-cumulative, which means that unpaid Distributions do not add up or accumulate. Holders will not have any right to compensation if NAB does not pay Distributions. Failure to pay a Distribution when scheduled will not constitute an event of default. If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions NAB cannot declare, determine to pay, or pay dividends on its Ordinary Shares, or buy-back or reduce capital on any of its Ordinary Shares, until the next Distribution Payment Date. However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.	Section 2.1
Term	Perpetual. NAB Capital Notes 3 do not have a fixed maturity date for repayment and Holders do not have a right to request or require NAB to Convert, Redeem or Resell NAB Capital Notes 3. It is possible that NAB Capital Notes 3 could remain on issue indefinitely and the Face Value will not be repaid. However, there are certain events that could occur while NAB Capital Notes 3 are on issue which may result in NAB Capital Notes 3 being Converted into NAB Ordinary Shares, Redeemed or Resold for cash, or Written Off. The following diagram and table summarise these events.	Sections 2.2 – 2.7

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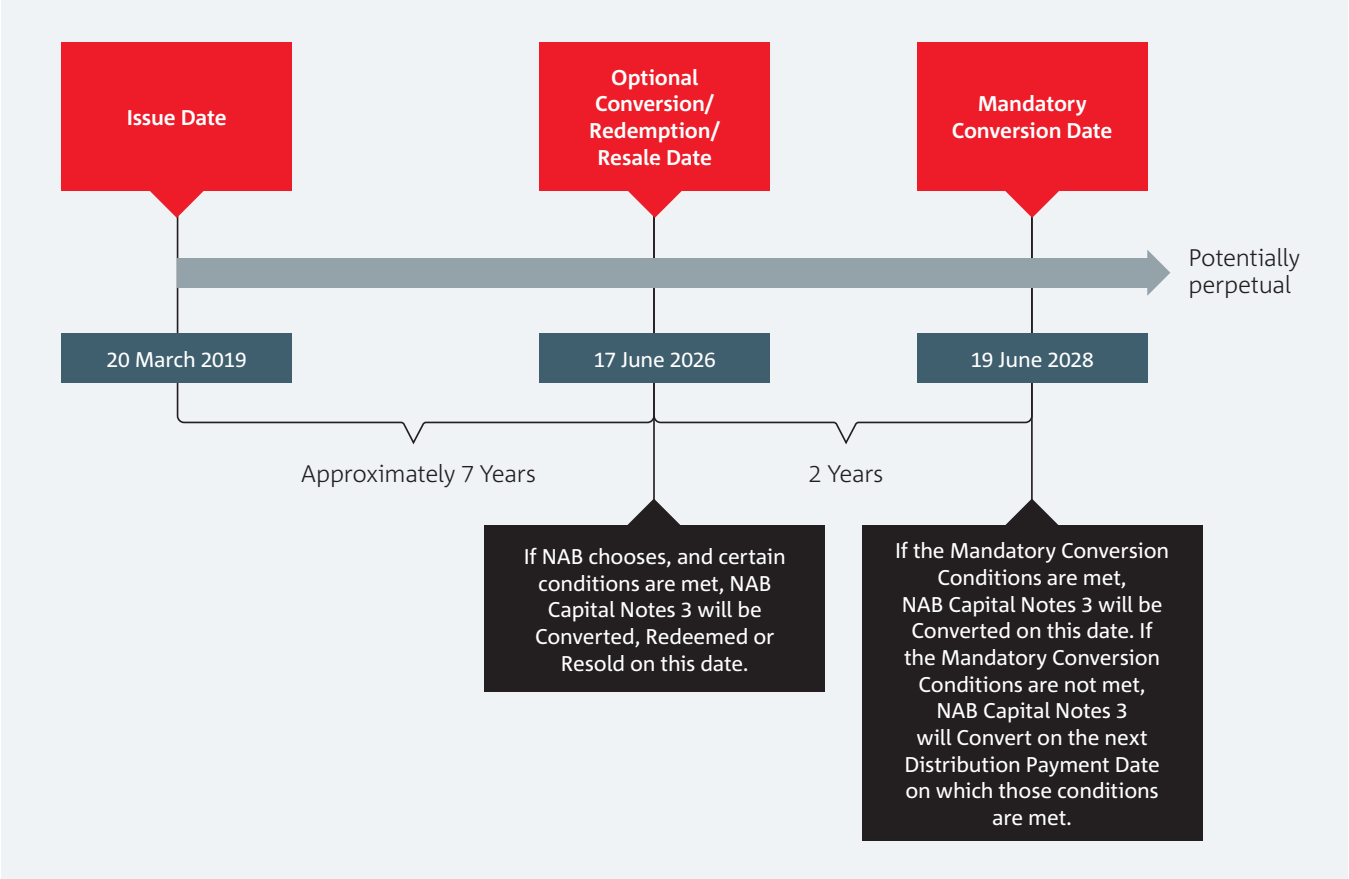
1.2 Events that may occur while NAB Capital Notes 3 are on issue

The diagram and table below summarise certain events that may occur while NAB Capital Notes 3 are on issue, and what Holders may receive if those events occur.

Figure 1: Timeline of events that may occur while NAB Capital Notes 3 are on issue



There are certain other events that could occur at any time while NAB Capital Notes 3 are on issue which may result in NAB Capital Notes 3 being Converted, Redeemed, Resold or Written Off.

SECTION ONE: INVESTMENT OVERVIEW

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Table 1: Summary of events that may occur while NAB Capital Notes 3 are on issue

What can happen?	When?	NAB Capital Notes 3 impacted?	Is APRA approval required?[1]	Do conditions apply?	What value will a Holder receive for each NAB Capital Note 3?	In what form will that value be provided to Holders?	Further information
Mandatory Conversion	On 19 June 2028 or the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied[7]	All	No	Yes	Approximately $101[2, 5]	Variable number of Ordinary Shares	Section 2.3
Optional Conversion	On 17 June 2026[7]	All or some	Yes	Yes	Approximately $101[2, 5]	Variable number of Ordinary Shares	Section 2.4
Optional Redemption or Resale	On 17 June 2026[7]	All or some	Yes	Yes	$100 (Face Value)	Cash	Section 2.5
Conversion in other circumstances	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	All or some	Yes	Yes	Approximately $101[2, 3, 5]	Variable number of Ordinary Shares	Sections 2.4, 2.6 and 2.7
	If an Acquisition Event occurs	All	No	Yes	Approximately $101[2, 3, 5]	Variable number of Ordinary Shares	
	If a Loss Absorption Event occurs	Potentially all[6]	No	No	A Loss Absorption Event may occur where NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares, Holders are likely to receive significantly less than $101 and may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence	Variable number of Ordinary Shares If, for any reason, NAB Capital Notes 3 are not Converted into Ordinary Shares within the required time, NAB Capital Notes 3 will be Written Off[4]	
Redemption/ Resale in other circumstances	If a Tax Event or Regulatory Event occurs	All or some	Yes	Yes	$100 (Face Value)[3]	Cash	Section 2.5

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What can happen?	When?	NAB Capital Notes 3 impacted?	Is APRA approval required?[1]	Do conditions apply?	What value will a Holder receive for each NAB Capital Note 3?	In what form will that value be provided to Holders?	Further information
Ranking	In a winding up of NAB, NAB Capital Notes 3 rank ahead of Ordinary Shares, equally amongst themselves, equally with Equal Ranking Instruments and junior to Senior Creditors (including depositors and holders of Tier 2 Capital Instruments), as shown in Table 2. However, the amount of any return in a winding up will be adversely affected if a Loss Absorption Event has occurred.						

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

2 The Conversion Conditions are designed to ensure that on a Conversion (other than following a Loss Absorption Event) Holders receive approximately $101 worth of Ordinary Shares for each NAB Capital Note 3 they hold, and that the Ordinary Shares they receive following Conversion are capable of being sold on the ASX. However, the value of Ordinary Shares received on Conversion may be worth more or less than $101. The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number.

3 If a Conversion (other than on account of a Loss Absorption Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of NAB Capital Notes 3 which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 3 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Distribution).

4 If a NAB Capital Note 3 is Written Off, all rights (including to Distributions) in respect of that NAB Capital Note 3 will be terminated, and the Holder will not have their capital repaid.

5 Based on a Face Value of $100 and with the benefit of a 1% discount.

6 The number of NAB Capital Notes 3 Converted will depend on how much Common Equity Tier 1 Capital NAB needs. See Section 2.7 for further information.

7 To be eligible as Additional Tier 1 Capital, NAB cannot have the right to Redeem or Resell NAB Capital Notes 3 earlier than the fifth anniversary of the Issue Date or later than two years before the first scheduled Mandatory Conversion Date (other than for certain tax or regulatory reasons).

SECTION ONE:
INVESTMENT OVERVIEW

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Table 2: Illustration of ranking on winding up

Higher ranking

	Examples	Examples of existing NAB obligations and securities[8]
Senior ranking obligations	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to Protected Accounts (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law including employee entitlements, liabilities to secured creditors and in respect of covered bonds
	Unsubordinated unsecured debt	Bonds and notes, trade and general creditors
	Term subordinated unsecured debt issued before 1 January 2013	Subordinated unsecured debt obligations issued before 1 January 2013
	Term subordinated unsecured debt issued after 1 January 2013 and perpetual subordinated unsecured debt	Relevant Tier 2 Capital Instruments
Equal ranking obligations	Preference shares and other equally ranked instruments	**NAB Capital Notes 3**,[9] and any securities expressed to rank equally with NAB Capital Notes 3, which include: • NAB Capital Notes • NAB Capital Notes 2 • CPS • CPS II • The preference shares comprised in the National Income Securities
Lower ranking obligations	Ordinary shares	Ordinary Shares

Lower ranking

8 This is a very simplified capital structure of NAB and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations (including the incurring or guaranteeing by it of any indebtedness) or securities of any kind at any time. NAB Capital Notes 3 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time.

9 If a NAB Capital Note 3 is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of NAB. If a Write Off of a NAB Capital Note 3 occurs following a Loss Absorption Event, the rights of Holders to distributions and returns of capital in respect of that NAB Capital Note 3 will be terminated, the NAB Capital Note 3 will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. If NAB Capital Notes 3 are Written Off, Holders will be worse off than holders of CPS, CPS II and Ordinary Shares, as further described in Sections 2.8 and 7.1.15.

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1.3 Key risks of NAB Capital Notes 3

You should read Section 7 "Key Risks of NAB Capital Notes 3" in full before deciding to invest. The key risks outlined in that section include risks associated with an investment in NAB Capital Notes 3 and an investment in NAB. Some of these risks are summarised below.

1.3.1 Key risks associated with an investment in NAB Capital Notes 3

Topic	Summary	Further information
NAB Capital Notes 3 are not deposit liabilities or Protected Accounts	NAB Capital Notes 3 do not constitute Protected Accounts or deposit liabilities for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any person.	Section 7.1.1
Distributions may not be paid	There is a risk that Distributions will not be paid, including where the Directors do not resolve to pay a Distribution or where a Payment Condition exists on the Distribution Payment Date. As Distributions are non-cumulative, if a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment. Failure to pay a Distribution when scheduled will not constitute an event of default.	Section 7.1.2
The Distribution Rate may go up or down	The Distribution Rate may go up or down. There is a risk that the return on NAB Capital Notes 3 may become less attractive compared to returns on other investments.	Section 7.1.3
Market price of NAB Capital Notes 3	The market price of NAB Capital Notes 3 may go up or down and there is no guarantee NAB Capital Notes 3 will trade at or above their Face Value. The price at which NAB Capital Notes 3 trade may, for example, be affected by how the Distribution Rate of NAB Capital Notes 3 compares to that of other comparable instruments.	Section 7.1.4
Liquidity of NAB Capital Notes 3	The liquidity of NAB Capital Notes 3 may be low, which means that, at certain times, you may be unable to sell your NAB Capital Notes 3 at an acceptable price, if at all.	Section 7.1.5
Liquidity and price of Ordinary Shares	Where NAB Capital Notes 3 are Converted, the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion, or there may be no liquid market at that time. The market price of Ordinary Shares may go up or down due to various factors, including investor perceptions, domestic and worldwide economic conditions, NAB's financial performance and position and transactions affecting the share capital of NAB. As a result, the value of any Ordinary Shares received by Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter. The market price of Ordinary Shares is also relevant to determining whether or not Conversion will occur (except for Conversions on account of a Loss Absorption Event) and the number of Ordinary Shares you will receive. See page 17 under the heading "Conversion or Write Off following Loss Absorption Event" and Section 7 for further information on the Conversion or Write Off of NAB Capital Notes 3 following a Loss Absorption Event.	Sections 7.1.4, 7.1.5, 7.1.6 and 7.1.9

SECTION ONE: INVESTMENT OVERVIEW

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Topic	Summary	Further information
Use of franking credits	Distributions paid on NAB Capital Notes 3 are expected to be fully franked. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If any Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate (see clause 2.5 of the Terms). Holders should be aware that franking is not guaranteed and that their ability to use franking credits will depend on their individual circumstances. Holders should also be aware that the laws relating to the availability of franking may change. The Australian Labor Party has announced that, if elected to form the Federal Government, it proposes to introduce rules to prevent certain individuals and superannuation entities from being entitled to receive a refund for excess franking credits from 1 July 2019. Full details on how the proposal would be implemented have not been released, and implementation of the proposal is contingent on both the Australian Labor Party forming Federal Government and the proposal being enacted into law. If this change occurs and a Holder ceases to be entitled to receive cash refunds on any excess franking credits, NAB will not be required to adjust or gross up the amount of Distributions and implementation of the Australian Labor Party proposal would not give rise to a Tax Event. This may mean that certain investors may be unable to use franking credits in the future, which may reduce the total NAB Capital Notes 3 returns available to those investors.	Section 7.1.8
NAB Capital Notes 3 are perpetual and may not Convert	NAB Capital Notes 3 have no fixed maturity date but will Convert into Ordinary Shares on 19 June 2028 if they are still on issue on that date and if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on 19 June 2028 and the NAB Capital Notes 3 remain on issue, Conversion will occur on the next Distribution Payment Date on which they are satisfied. If the Mandatory Conversion Conditions are never satisfied, there is a risk that NAB Capital Notes 3 may never Convert.	Section 7.1.9
Holders have no right to request repayment	Holders have no right to request that their NAB Capital Notes 3 be repaid. Absent a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their NAB Capital Notes 3 on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in NAB Capital Notes 3 (see Sections 7.1.4 and 7.1.5).	Section 7.1.11
NAB has certain early Conversion, Redemption and Resale rights	Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to: • Convert, Redeem or Resell NAB Capital Notes 3 on 17 June 2026, or because of a Tax Event or a Regulatory Event; and • Convert NAB Capital Notes 3 because of a Potential Acquisition Event. Holders should not expect that APRA's approval, if requested, will be given for any Conversion, Redemption or Resale of NAB Capital Notes 3.	Sections 7.1.11 – 7.1.12

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Topic	Summary	Further information
Conversion or Write Off following Loss Absorption Event	If Conversion occurs following a Loss Absorption Event, depending on the market price of Ordinary Shares at that time Holders are likely to receive significantly less than $101 worth of Ordinary Shares per NAB Capital Note 3 and may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence. In cases where NAB Capital Notes 3 are not Converted for any reason within 5 days after the Loss Absorption Event Conversion Date, NAB Capital Notes 3 will be Written Off with effect on and from the Loss Absorption Event Conversion Date. If a Write Off occurs following a Loss Absorption Event: • The rights of Holders to Distributions and returns of capital will be terminated; • NAB Capital Notes 3 that are Written Off will not be Converted, Redeemed or Resold on any subsequent date; and • Holders will not have their capital repaid.	Section 7.1.14
Ranking in a winding up of NAB	In a winding up of NAB, NAB Capital Notes 3 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (including depositors and holders of Tier 2 Capital Instruments). On a winding up of NAB, there is a risk that Holders may lose some or all of the money they have invested in NAB Capital Notes 3. See also the above and Section 7.1.14 in relation to the consequences of a Write Off. If NAB Capital Notes 3 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.	Sections 7.1.14 and 7.1.15
NAB may issue further securities or incur other indebtedness	There is no limit on the amount of senior debt, deposits or other obligations or securities (whether ranking equally with, or in priority or junior to the NAB Capital Notes 3) that may be incurred or issued by NAB at any time or the incurring or guaranteeing by NAB of any indebtedness, which may affect Holders' ability to be repaid on a winding up of NAB.	Section 7.1.16

1.3.2 Key risks associated with an investment in NAB

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

SECTION ONE:
INVESTMENT OVERVIEW

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1.4 Information about the Offer

Topic	Summary	Further information
Offer Structure	The Offer comprises: • The Securityholder Offer; • The Institutional Offer; • The Broker Firm Offer; and • The Reinvestment Offer. Information about the different offers and how to apply is provided in Section 4 "Applying for NAB Capital Notes 3". If you are applying under the Reinvestment Offer, you must also read Section 3 "About the Reinvestment Offer".	Section 4
Reinvestment Offer	On 11 February 2019, NAB issued a resale notice in accordance with the CPS Terms. That notice confirms that on 20 March 2019 the CPS Nominated Purchaser will mandatorily purchase all CPS for $100 per CPS ("**CPS Resale Proceeds**"). The Reinvestment Offer provides Eligible CPS Holders with the opportunity to reinvest their CPS Resale Proceeds into NAB Capital Notes 3 and maintain an ongoing investment in securities issued by NAB. You are an Eligible CPS Holder if you: • were registered as a holder of CPS at 7.00pm on 7 February 2019; • are shown on the CPS register as having an address in Australia; • are not an individual residing in a member state of the European Union; and • are not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person, and are not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 3 under the laws of any jurisdiction. The options available to Eligible CPS Holders are detailed in Section 3 "About the Reinvestment Offer". Before submitting an Application under the Reinvestment Offer, Eligible CPS Holders should read Section 3.2 which describes the differences between CPS and NAB Capital Notes 3. In particular, Eligible CPS Holders should note that the margin applicable to CPS is 3.20%, and the Margin for NAB Capital Notes 3 is 4.00%, as determined under the Bookbuild.	Section 3
How to Apply	• To apply for NAB Capital Notes 3, you must complete an Application Form and follow the instructions in Section 4 "Applying for NAB Capital Notes 3". • If you are applying under the Reinvestment Offer, you must also read Section 3 "About the Reinvestment Offer".	Sections 3 and 4

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Topic	Summary	Further information
Minimum Application	**Securityholder Offer, Broker Firm Offer (excluding Applications to reinvest CPS Resale Proceeds) and Institutional Offer** 50 NAB Capital Notes 3 ($5,000) and thereafter in multiples of 10 NAB Capital Notes 3 ($1,000). **Reinvestment Offer** There is no minimum number of CPS that you must hold to be able to participate in the Reinvestment Offer. If you are an Eligible CPS Holder and own less than 50 CPS, you can still apply to participate in the Reinvestment Offer but you must apply to reinvest the CPS Resale Proceeds relating to ALL of your CPS. If you are an Eligible CPS Holder and you own 50 or more CPS, you must apply to reinvest the CPS Resale Proceeds relating to at least 50 of your CPS and thereafter in multiples of 10 CPS.	Sections 3 and 4
Key Dates	**Offer Period:** • The Offer opened on 19 February 2019; and • The Offer is expected to close at 5.00pm on 14 March 2019. **Issue Date:** NAB Capital Notes 3 are expected to be issued on 20 March 2019. **Commencement of trading on ASX:** Trading is expected to commence on 21 March 2019 on a deferred settlement basis. Normal settlement trading is expected to commence on 27 March 2019. **Despatch of Holding Statements:** Holding Statements are expected to be despatched from 26 March 2019.	Key Dates

SECTION ONE:
INVESTMENT OVERVIEW

For personal use only

Topic	Summary	Further information
Allocation policy	**Reinvestment Offer and Securityholder Offer** • Allocations to CPS Reinvestment Applicants and Securityholder Applicants will be determined by NAB in consultation with the Joint Lead Managers. • Applications from CPS Reinvestment Applicants and Securityholder Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, NAB's current intention is to give preference to CPS Reinvestment Applicants over Securityholder Applicants while still providing for a proportion of the available NAB Capital Notes 3 to be allocated to Securityholder Applicants. How NAB scales back applications will depend on the extent of applications from CPS Reinvestment Applicants and Securityholder Applicants. • In the event of excess demand, it is possible that the proportionate scale back applied to Securityholder Applicants will be greater than that applied to CPS Reinvestment Applicants. **Broker Firm Offer and Institutional Offer** • Allocations to Syndicate Brokers were determined by NAB in consultation with the Joint Lead Managers following completion of the Bookbuild. • Allocations to Institutional Investors were determined by NAB following completion of the Bookbuild. • Allocations to Syndicate Brokers and Institutional Investors reflected expected demand under the Reinvestment Offer. • Priority will be given to Broker Firm Applicants applying to reinvest their CPS Resale Proceeds over other Broker Firm Applicants. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. NAB takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.	Section 4
Tax consequences	Information about the Australian tax consequences of investing in NAB Capital Notes 3 is set out in Section 8.	Section 8
Fees and expenses associated with the Offer	NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus which are described in Section 9. These include payments to the Joint Lead Managers and Co-Managers.	Section 9
More information	If you have any questions about NAB Capital Notes 3 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the NAB Information Line on **1300 367 647** (within Australia) or on **+61 3 9415 4299** (outside Australia) (Monday to Friday 8.00am – 7.30pm) during the Offer Period, and for a week following.	

SECTION TWO

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ABOUT NAB CAPITAL NOTES 3

The following is an overview of the key terms of NAB Capital Notes 3. It is important that you read this Prospectus and the Terms in full before deciding to invest in NAB Capital Notes 3. If you have any questions, you should seek advice from your financial adviser or other professional adviser.

The full Terms are contained in Appendix A. Rights and liabilities attaching to NAB Capital Notes 3 may also arise under the Corporations Act, the ASX Listing Rules and other applicable laws.

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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2.1 Distributions

NAB Capital Notes 3 are expected to pay quarterly Distributions, which are expected to be fully franked. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. A Distribution will be paid provided the Directors decide to pay it, and provided a Payment Condition does not exist on the Distribution Payment Date. A Payment Condition exists where NAB is prevented from paying the Distribution by prudential regulatory requirements, applicable law or insolvency.

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

Distributions are non-cumulative.

Topic	Summary	Further information
Distribution Rate	The Distribution Rate for each quarterly Distribution will be calculated using the following formula: **Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)** where: • Bank Bill Rate is a benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a period of approximately 90 days as published by ASX (or its successor). It changes to reflect supply and demand in the cash and currency markets. The Bank Bill Rate for each Distribution Period is set on the first Business Day of the relevant Distribution Period. If the Bank Bill Rate does not appear or if there is an obvious error in that rate, the Bank Bill Rate will be determined by NAB having regard to (amongst other things) comparable indices available at that time; • Margin is 4.00%, as determined under the Bookbuild. The Margin will not change for the term of the NAB Capital Notes 3; and • Tax Rate is the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date. For example, if the Bank Bill Rate was 2.00% and the Australian corporate tax rate applicable to the franking account of NAB was 30%, assuming the Distribution is fully franked the Distribution Rate for that Distribution Period would be calculated as follows: Bank Bill Rate 2.0000% per annum plus Margin 4.0000% per annum 6.0000% per annum Multiplied by (1 – Tax Rate) x 0.70 Distribution Rate = 4.2000% per annum The graph on the following page illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 7 February 2019 was 2.02%. The Australian corporate tax rate may change from time to time and that will affect the Distribution Rate.	Clause 2.4 of the Terms

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Movement in the Bank Bill Rate over the last 10 years

Topic	Summary	Further information
Calculation of Distribution	Distributions scheduled to be paid on a Distribution Payment Date will be calculated using the following formula: $$\frac{\textbf{Distribution Rate x A\$100 x N}}{365}$$ where: **N** is the number of days in the Distribution Period calculated as set out in the Terms. Using the above formula, if the Distribution Rate was 4.2000% per annum, then the Distribution on each NAB Capital Note 3 for the first Distribution Period (if the Distribution Period was 89 days) would be calculated as follows: Indicative Distribution Rate — 4.2000% per annum Multiplied by the Face Value — X $100 Multiplied by the number of days in the Distribution Period — X 89 Divided by 365 — / 365 Indicative cash Distribution payment for the first Distribution Period for each NAB Capital Note 3 — $1.0241 Distributions paid on NAB Capital Notes 3 are expected to be fully franked, and accordingly Holders are expected to receive franking credits in respect of any Distribution. However, Holders should be aware that franking is not guaranteed and that the laws relating to the availability of franking may change. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin.	Clause 2.4 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

For personal use only

Topic	Summary	Further information
Distribution Payment Dates	The quarterly Distribution Payment Dates are scheduled to be: • 17 March; • 17 June; • 17 September; and • 17 December, commencing on 17 June 2019 until the date that NAB Capital Notes 3 are Converted or Redeemed. In addition, if Conversion, Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, provided the conditions to payment are met, Holders of NAB Capital Notes 3 which are being Converted (other than in the case of a Loss Absorption Event), Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 3 for the period from the immediately preceding Distribution Payment Date to the date on which the Conversion, Redemption or Resale occurs. If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date is the next Business Day.	Clause 2.2 of the Terms
Franking credits	Distributions paid on NAB Capital Notes 3 are expected to be fully franked. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If any Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate (see clause 2.5 of the Terms). Holders should be aware that franking is not guaranteed and that their ability to use franking credits will depend on their individual circumstances. Holders should also be aware that the laws relating to the availability of franking may change. The Australian Labor Party has announced that, if elected to form the Federal Government, it proposes to introduce rules to prevent certain individuals and superannuation entities from being entitled to receive a refund for excess franking credits from 1 July 2019. Full details on how the proposal would be implemented have not been released, and implementation of the proposal is contingent on both the Australian Labor Party forming Federal Government and the proposal being enacted into law. If this change occurs and a Holder ceases to be entitled to receive cash refunds on any excess franking credits, NAB will not be required to adjust or gross up the amount of Distributions and implementation of the Australian Labor Party proposal would not give rise to a Tax Event. This may mean that certain investors may be unable to use franking credits in the future, which may reduce the total NAB Capital Notes 3 returns available to those investors. Holders should refer to the Australian taxation summary in Section 8 and seek professional advice in relation to their tax position.	Clause 2.5 of the Terms

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Topic	Summary	Further information
Restrictions on Distributions	A Distribution on NAB Capital Notes 3 will only be paid if: • The Directors resolve to pay it; and • A Payment Condition does not exist on the Distribution Payment Date. A "**Payment Condition**" will exist where: • The payment of the Distribution will result in NAB or the Group not complying with APRA's then current Prudential Capital Requirements; • Unless APRA otherwise approves in writing, payment of the Distribution would result in NAB or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to NAB or the Group (as the case may be) at the time;[1] • APRA otherwise objects to the payment of the Distribution; • Payment of the Distribution would result in NAB becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or • NAB is not permitted to pay the Distribution under the Corporations Act.	Clause 2.6 of the Terms
	Distributions are non-cumulative. Failure to pay a Distribution when scheduled will not constitute an event of default. If a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment.	Clause 2.7 of the Terms
Restrictions on Ordinary Shares if Distributions are not paid	If for any reason a Distribution has not been paid in full on a Distribution Payment Date, NAB must not, subject to certain exceptions, unless approved by an Ordinary Resolution, until and including the next Distribution Payment Date: • Declare, determine to pay or pay a dividend on Ordinary Shares; or • Buy-back or reduce capital on Ordinary Shares. However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply. This restriction on dividend payments where Distributions on NAB Capital Notes 3 are not paid only applies in respect of Ordinary Shares and not distributions in respect of any other securities, including those ranking equally with, or senior to, NAB Capital Notes 3. The restriction in NAB Capital Notes 3 does not apply if the Holders approve otherwise by ordinary resolution. Further, the restriction only applies until the next Distribution Payment Date and is subject to certain exceptions. The dates for dividends or other distributions with respect to Ordinary Shares are determined by NAB in its discretion and do not bear a fixed relationship to the Distribution Payment Dates for NAB Capital Notes 3. Accordingly, as soon as the restriction ceases to apply (as will be the case if the next scheduled Distribution on NAB Capital Notes 3 is paid in full) NAB will not be restricted from paying a dividend or other distributions on its Ordinary Shares.	Clauses 2.8 and 2.9 of the Terms

[1] See Section 6.3.1 for a description of APRA's current rules requiring suspension of payments in respect of Additional Tier 1 Capital Instruments such as NAB Capital Notes 3.

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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2.2 Term

Topic	Summary	Further information
Term	NAB Capital Notes 3 do not have a fixed maturity date and if they are not Converted, Written Off, Redeemed or Resold in accordance with the Terms, they could remain on issue indefinitely and accordingly are perpetual securities. **Conversion** NAB Capital Notes 3 will Convert into Ordinary Shares on 19 June 2028 if they are on issue on that date and if the Mandatory Conversion Conditions are satisfied. In addition, under the Terms, there are various other circumstances where NAB Capital Notes 3 may Convert into Ordinary Shares, including prior to 19 June 2028. In some circumstances, APRA's prior written approval may be required. On a Conversion of NAB Capital Notes 3 (except in the case of a Loss Absorption Event), each Holder should receive Ordinary Shares worth approximately $101 (determined on the basis of conversion calculations described below). For a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive significantly less than $101 worth of Ordinary Shares per NAB Capital Note 3 and may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence. The number of Ordinary Shares that Holders will receive on a Conversion will not be greater than the Maximum Conversion Number. If a Conversion occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of NAB Capital Notes 3 which are being Converted will also receive a Distribution in respect of these NAB Capital Notes 3 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion occurs (provided the Directors resolve to pay the Distribution and no Payment Condition exists). No Distribution is payable where the Conversion is on account of a Loss Absorption Event. Any Conversion (other than on a Loss Absorption Event) is subject to conditions. These conditions may never be satisfied. Accordingly, NAB Capital Notes 3 may never Convert into Ordinary Shares. Further information in relation to the circumstances in which NAB Capital Notes 3 may Convert into Ordinary Shares is set out in Sections 2.3, 2.4, 2.6 and 2.7. **Redemption** NAB may, with the prior written approval of APRA, elect to Redeem all or some NAB Capital Notes 3 for the Face Value ($100), on 17 June 2026, or where certain events occur. If a Redemption occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of NAB Capital Notes 3 which are being Redeemed will also receive a Distribution in respect of those NAB Capital Notes 3 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Redemption occurs (provided the Directors resolve to pay the Distribution and no Payment Condition exists).	Sections 2.3 – 2.7

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Topic	Summary	Further information
Term (continued)	**Resale** NAB may also, with the prior written approval of APRA, elect to Resell all or some NAB Capital Notes 3 for the Resale Price ($100), on 17 June 2026, or where certain events occur. If the Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of NAB Capital Notes 3 which are being Resold will receive a Distribution in respect of these NAB Capital Notes 3 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Resale occurs (provided the Directors resolve to pay the Distribution and no Payment Condition exists). **Purchases** NAB (or any Related Entity of NAB) may at any time purchase NAB Capital Notes 3 in the open market or otherwise and at any price or consideration (subject to the prior written approval of APRA).	
	No right to return of capital There can be no certainty that NAB Capital Notes 3 will be Converted, Redeemed or Resold under the Terms. Holders will have no right to request NAB to Convert, Redeem or Resell NAB Capital Notes 3. Holders should not expect that APRA's approval, if requested, will be given for any optional Conversion, Redemption, Resale, or purchase.	Clause 12.2 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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2.3 Mandatory Conversion

NAB must convert all (but not some) NAB Capital Notes 3 into Ordinary Shares on 19 June 2028, if NAB Capital Notes 3 have not been Converted, Written Off, Redeemed or Resold beforehand, provided that certain conditions are met. These conditions may never be satisfied and accordingly NAB Capital Notes 3 may never Convert into Ordinary Shares. The number of Ordinary Shares that Holders will receive on a Mandatory Conversion will not be greater than the Maximum Conversion Number.

The conditions to Mandatory Conversion and the associated Conversion calculations are designed to ensure that Holders receive approximately $101 worth of Ordinary Shares for each NAB Capital Note 3 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on the ASX.

Topic	Summary	Further information
Mandatory Conversion Date	Mandatory Conversion is scheduled to occur on 19 June 2028, provided the Mandatory Conversion Conditions are satisfied on that date and NAB Capital Notes 3 have not been otherwise Converted, Written Off, Redeemed or Resold prior to that date. If any of the Mandatory Conversion Conditions are not satisfied on this date, NAB Capital Notes 3 will continue to be on issue and the Mandatory Conversion Date will be deferred to the next Distribution Payment Date on which those conditions are satisfied.	Clause 3.2 of the Terms
Mandatory Conversion and consequences	If the Mandatory Conversion Conditions are satisfied on the Mandatory Conversion Date, NAB Capital Notes 3 will be Converted and Holders will receive Ordinary Shares.	Clause 3.1 of the Terms
	Upon Conversion on a Mandatory Conversion Date, based on a Face Value of $100 and with the benefit of a 1% discount, Holders will receive approximately $101 worth of Ordinary Shares per NAB Capital Note 3. The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number. This calculation is based on the VWAP (the volume weighted average price of Ordinary Shares) during a period of 20 Business Days on which trading in Ordinary Shares took place before the Mandatory Conversion Date. The VWAP used to calculate the number of Ordinary Shares that Holders receive is an average price and, accordingly, may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than approximately $101 when they are issued or at any time after that. Following a Conversion of NAB Capital Notes 3 to Ordinary Shares, Holders will become holders of Ordinary Shares in the capital of NAB, which will rank equally with existing Ordinary Shares from the date of issue and which may be sold on the ASX at the prevailing market price (provided that trading in Ordinary Shares on the ASX has not been suspended at the relevant time).	Clause 7.1 of the Terms

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Topic	Summary	Further information
Mandatory Conversion Conditions	There are three Mandatory Conversion Conditions, each of which must be satisfied for Mandatory Conversion to occur. The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to Holders against receiving less than approximately $101 worth of Ordinary Shares per NAB Capital Note 3 on Conversion (based on the VWAP during the VWAP Period (20 Business Days before the Mandatory Conversion Date)). The percentages used in these conditions (see below) are derived from market precedents and the cap on the number of ordinary shares that is permitted to be issued under applicable prudential rules and ratings agency guidance. Worked examples follow. The Third Mandatory Conversion Condition is intended to provide protection for Holders by making Conversion conditional on Holders receiving Ordinary Shares which are capable of being sold on ASX. The Mandatory Conversion Conditions are as follows: • **First Mandatory Conversion Condition:** the VWAP of Ordinary Shares on the 25th Business Day immediately preceding (but not including) a possible Mandatory Conversion Date must be greater than 56% of the Issue Date VWAP; • **Second Mandatory Conversion Condition:** the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP; and • **Third Mandatory Conversion Condition:** no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when NAB is delisted, its Ordinary Shares have been suspended from trading for a certain period, or an Inability Event subsists preventing NAB from Converting NAB Capital Notes 3 of Holders generally (i.e. where NAB is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting NAB Capital Notes 3)). **Satisfaction of Mandatory Conversion Conditions** By way of example, if the Issue Date VWAP is $25.00, the relevant VWAP for the First Mandatory Conversion Condition to be satisfied would need to be greater than $14.00, and for the Second Mandatory Conversion Condition would need to be greater than $12.6275. The Third Mandatory Conversion Condition will be satisfied where the Ordinary Shares are able to be traded on the ASX at the relevant time and no Inability Event subsists. The following diagram illustrates the timeframes that are relevant for the Mandatory Conversion Conditions, using the date of 19 June 2028 as a potential Mandatory Conversion Date. These dates are indicative only and may change.	Clause 3.3 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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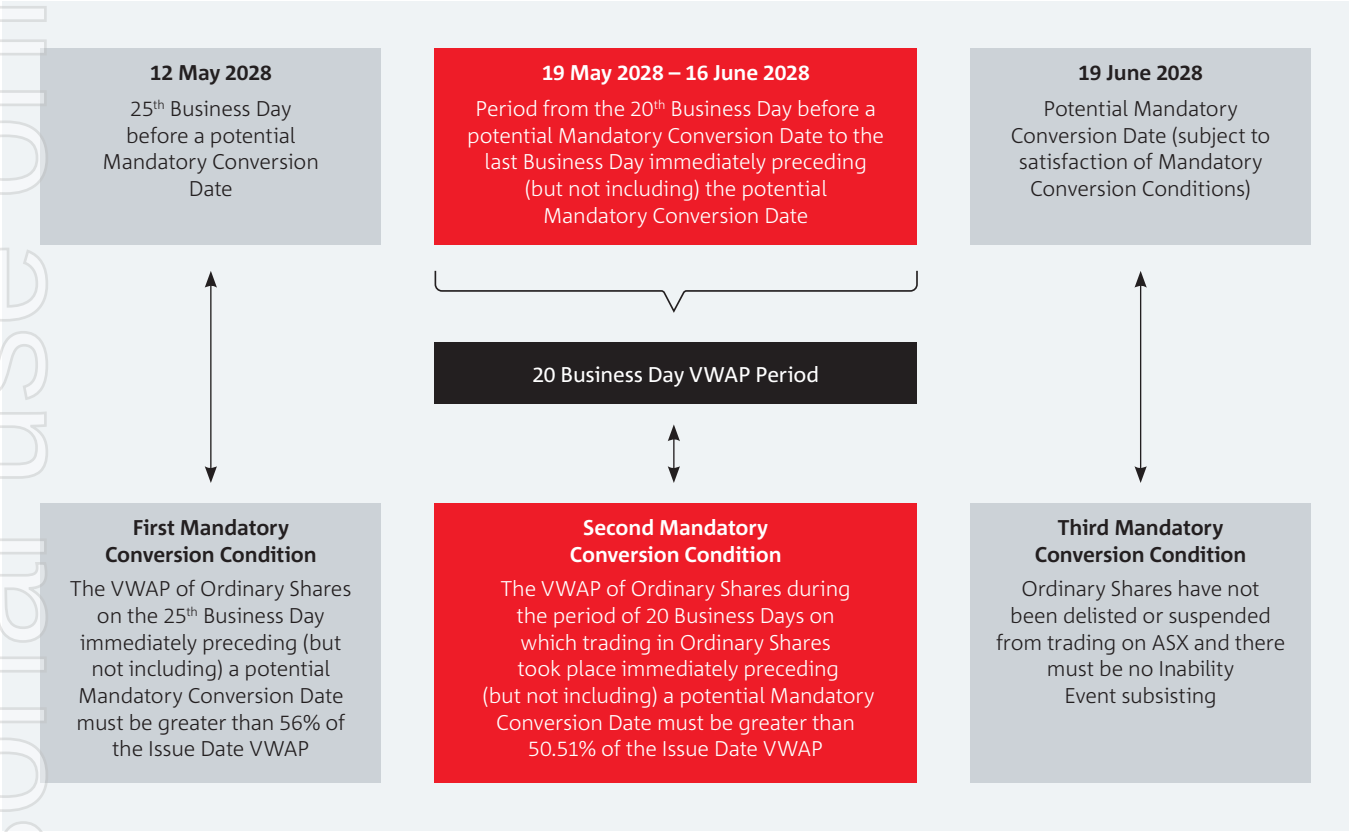

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Topic	Summary	Further information
Conversion Number	On a Mandatory Conversion Date, a Holder will receive a number of Ordinary Shares per NAB Capital Note 3 ("**Conversion Number**") which is **the lesser of**: **(a) the number (N) calculated in accordance with the following formula:** $$N = \frac{\$100}{99\% \times VWAP}$$ where: • "**VWAP**" broadly is the volume weighted average price of Ordinary Shares during the VWAP Period. For a Mandatory Conversion, the VWAP Period is the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. and: **(b) the Maximum Conversion Number ("MCN") calculated in accordance with the following formula:** $$MCN = \frac{\$100}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$$ where: • "**Issue Date VWAP**" is the VWAP during the 20 Business Day period on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which NAB Capital Notes 3 were issued; and • "**Relevant Fraction**", for Conversion on a Mandatory Conversion Date, is **0.5**.[2] **Adjustments to Issue Date VWAP and Maximum Conversion Number** The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Terms (but not other transactions, including rights issues, which may affect the capital of NAB). No adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.	Clauses 7.1 – 7.7 of the Terms

2 This fraction reflects the ratings agency requirement that the maximum number of shares issued on a Conversion of this kind does not exceed the number that would be issued if the Ordinary Share price fell from the price it was at the Issue Date to 50% of that price.

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Topic	Summary	Further information
Number of Ordinary Shares Holders will receive on Mandatory Conversion Date – worked example	**Worked example: Scheduled Mandatory Conversion Date** Assume the VWAP from 19 May 2028 to 16 June 2028 (being the 20 Business Days on which trading in Ordinary Shares took place immediately preceding 19 June 2028) is $22.00 and the Issue Date VWAP is $25.00. Holders would be entitled to receive the Conversion Number of Ordinary Shares which is the **lesser of**: **N** = $\frac{\$100}{99\% \times \$22.00}$ = 4.5914 Ordinary Shares per NAB Capital Note 3; and: **the MCN** = $\frac{\$100}{\$25.00 \times 0.5}$ = 8 Ordinary Shares per NAB Capital Note 3. Since N is less than the MCN (see above), the total number of Ordinary Shares to which a Holder of 100 NAB Capital Notes 3 would be entitled would be N, that is 459 (i.e. 100 x 4.5914, which number is rounded down to disregard the fraction of the Ordinary Share). Assuming a prevailing market price equal to the VWAP of $22.00, this would represent a market value of $10,098 (i.e. 459 x $22.00) which is slightly more than $10,000 (the Face Value of 100 NAB Capital Notes 3). This example is for illustrative purposes only. The figures in it are not forward looking statements and do not indicate, guarantee or forecast the Issue Date VWAP or future VWAP or other price of Ordinary Shares.	Clause 7.1 of the Terms

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2.4 Optional Conversion

On 17 June 2026, NAB may elect to Convert NAB Capital Notes 3 into Ordinary Shares with APRA's prior written approval. Subject to APRA's prior written approval, NAB may also elect to Convert NAB Capital Notes 3 into Ordinary Shares following the occurrence of certain events (related to tax, regulation and takeovers).

As with a Mandatory Conversion, there are conditions to an optional Conversion which are designed to ensure that Holders receive approximately $101 worth of Ordinary Shares for each NAB Capital Note 3 they hold, and that Holders receive Ordinary Shares that are capable of being sold on ASX.

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

The conditions to an optional Conversion may never be satisfied and accordingly, NAB Capital Notes 3 may never Convert into Ordinary Shares. Holders should not expect that APRA's approval, if requested, will be given for any optional Conversion.

Topic	Summary	Further information
Optional Conversion	NAB may, with APRA's prior written approval, elect to Convert: • All or some NAB Capital Notes 3 on 17 June 2026; • All or some NAB Capital Notes 3 following the occurrence of a Tax Event or a Regulatory Event; or • All or some NAB Capital Notes 3 following the occurrence of a Potential Acquisition Event. An optional Conversion is subject to further conditions as set out below. In addition, Holders should not expect that APRA's approval, if requested, will be given for a Conversion of NAB Capital Notes 3 in these circumstances.	Clauses 6.1 and 12.1 of the Terms
Tax Event	A Tax Event will broadly occur if, on or after the Issue Date, NAB receives legal or tax advice that as a result of a change in law or regulation, judicial decision or administrative position in Australia or a challenge by the Australian Taxation Office (which NAB did not expect at the time of issue of NAB Capital Notes 3), there is a more than insubstantial risk that a Distribution would not be frankable (or would only be frankable subject to requirements which the Directors determine to be unacceptable) or that NAB would be exposed to an increase in taxes or other costs, which is not insignificant, in relation to NAB Capital Notes 3.	Clause 24.1 of the Terms
Regulatory Event	A Regulatory Event will broadly occur if: • NAB receives legal advice that, as a result of a change of law or regulation or statement of APRA on or after the Issue Date, additional requirements would be imposed on NAB in relation to NAB Capital Notes 3 (which were not expected by NAB at the Issue Date) which the Directors determine to be unacceptable; or • The Directors determine that, as a result of a change of law or regulation or statement of APRA on or after the Issue Date, NAB is not or will not be entitled to treat some or all NAB Capital Notes 3 as Additional Tier 1 Capital, except where the reason is or will be because of a limit or other restriction on the recognition of Additional Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by NAB may come into effect.	Clause 24.1 of the Terms
Potential Acquisition Event	A Potential Acquisition Event will broadly occur if: • A takeover bid is made to acquire all or some of NAB's Ordinary Shares, the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer in the absence of a higher offer; or • A court orders the holding of meetings to approve a scheme of arrangement with respect to NAB which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented.	Clause 24.1 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

For personal use only

Topic	Summary	Further information
Optional Conversion Restrictions	Broadly, in addition to APRA approval, there are two categories of restrictions that may prevent an optional Conversion from occurring: • Restrictions that may prevent NAB from sending a notice to Holders advising them that NAB wishes to Convert NAB Capital Notes 3; and • Restrictions that may prevent NAB from actually Converting NAB Capital Notes 3. **Restrictions that may prevent NAB from sending a conversion notice** NAB may not elect to Convert NAB Capital Notes 3 if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 3): • The VWAP of Ordinary Shares on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue Date VWAP; or • A Delisting Event applies. **Further restrictions that may prevent NAB from Converting NAB Capital Notes 3 on a Conversion Date** In addition, if, on the date on which Conversion is to occur ("**Optional Conversion Date**") either: • The Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) would not be satisfied; or • A Delisting Event applies, then the proposed Conversion must be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Mandatory Conversion Date (with those conditions applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition). The percentages used in the above restrictions are derived from market precedents and the cap on the number of Ordinary Shares that is permitted to be issued under applicable prudential rules.	Clauses 6.4 and 6.5 of the Terms
Conversion Number	If an optional Conversion proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see Section 2.3. However, for the purposes of the optional Conversion calculations, the Relevant Fraction is 0.2 rather than 0.5.[3]	Clause 7.1 of the Terms
If Conversion does not occur on Optional Conversion Date	If NAB elects to Convert but cannot Convert NAB Capital Notes 3 on the Optional Conversion Date, NAB will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied as if that Distribution Payment Date were a possible Mandatory Conversion Date (with those conditions applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition), unless NAB Capital Notes 3 are otherwise Converted, Written Off, Redeemed or Resold in accordance with the Terms. For the purposes of the Conversion calculations in these circumstances, the Relevant Fraction is 0.2 rather than 0.5.	Clause 6.5 of the Terms

[3] This percentage reflects the prudential regulator's requirement that the maximum number of shares issued on a Conversion of this kind does not exceed the number that would be issued if the Ordinary Share price fell from the price it was at the date of issue to 20% of that price.

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2.5 Optional Redemption and optional Resale

On 17 June 2026, NAB may elect to Redeem or Resell NAB Capital Notes 3 with APRA's prior written approval. NAB may also elect to Redeem or Resell NAB Capital Notes 3 following the occurrence of certain events (related to tax and regulation), again with APRA's prior written approval.

If a Redemption or Resale occurs, a Holder will receive the Resale Price ($100) in cash for each NAB Capital Note 3 that it holds.

There are restrictions on NAB's ability to Redeem NAB Capital Notes 3 for cash. Most importantly, NAB may only elect to Redeem NAB Capital Notes 3 if APRA is satisfied that NAB's regulatory capital position will remain adequate following the Redemption. This is intended to protect NAB's creditors (including depositors).

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

Topic	Summary	Further information
Optional Redemption	NAB may, with APRA's prior written approval, elect to Redeem: • All or some NAB Capital Notes 3 on 17 June 2026; or • All or some NAB Capital Notes 3 following the occurrence of a Tax Event or a Regulatory Event. Holders should not expect that APRA's approval, if requested, will be given for any Redemption of NAB Capital Notes 3 under the Terms. Holders do not have a right to request Redemption.	Clauses 8.1 and 12.1 of the Terms
Restrictions on Redemption	NAB may only elect to Redeem NAB Capital Notes 3 if APRA is satisfied that either: • NAB Capital Notes 3 proposed to be Redeemed are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity; or • The capital position of the NAB Level 1 Group and NAB Level 2 Group will remain adequate after NAB elects to Redeem NAB Capital Notes 3.	Clause 8.4 of the Terms
Optional Resale	NAB may also, with APRA's prior written approval, elect to Resell: • All or some NAB Capital Notes 3 on 17 June 2026; or • All or some NAB Capital Notes 3 following the occurrence of a Tax Event or a Regulatory Event. Holders should not expect that APRA's approval, if requested, will be given for any Resale of NAB Capital Notes 3 under the Terms. Holders do not have a right to request Resale. In the event of a Resale, each Holder is bound under the Terms to sell NAB Capital Notes 3 to one or more third party purchasers at the Resale Price ($100 per NAB Capital Note 3).	Clauses 10.1, 11.4 and 12.1 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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Topic	Summary	Further information
Appointment of Nominated Purchaser	If NAB elects to Resell NAB Capital Notes 3, it must appoint one or more third party purchasers ("**Nominated Purchaser**") to purchase NAB Capital Notes 3 offered for Resale (on such terms as may be agreed between NAB and the Nominated Purchaser). The terms of appointment may include terms: • as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the notice given by NAB to the Registrar, ASX and the Holders in connection with such Resale are amended; • as to the substitution of another entity as Nominated Purchaser (in accordance with the Terms); and • on which any Notes acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with. To the extent any of the terms on which the Nominated Purchaser is appointed causes the NAB Capital Notes 3 to cease to be Additional Tier 1 Capital then the prior written approval of APRA is required before the Nominated Purchaser is appointed on those terms. If NAB appoints more than one Nominated Purchaser in respect of a Resale, all or any NAB Capital Notes 3 held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by NAB for the Resale Price. The Nominated Purchaser must not be NAB or any Related Entity of NAB.	Clauses 11.2 and 11.3 of the Terms
Failure by Nominated Purchaser to pay Resale Price	If a Nominated Purchaser does not pay the Resale Price when the Resale Price is due, the Resale to that Nominated Purchaser will not occur and Holders will continue to hold NAB Capital Notes 3 in accordance with the Terms until NAB Capital Notes 3 are otherwise Redeemed, Converted or Resold in accordance with the Terms.	Clause 11.6 of the Terms

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2.6 Conversion following an Acquisition Event

NAB is also required to Convert NAB Capital Notes 3 into Ordinary Shares where NAB is taken over by way of takeover bid or scheme of arrangement which meets certain requirements (which are described below).

As with other types of Conversion, there are conditions to Conversion in these circumstances which are designed to ensure that Holders receive no less than approximately $101 worth of Ordinary Shares for each NAB Capital Note 3 they hold, and that Holders receive Ordinary Shares that are capable of being sold on the ASX.

There is a risk that these conditions may never be satisfied. Accordingly, NAB Capital Notes 3 may never Convert into Ordinary Shares.

Topic	Summary	Further information
Acquisition Event	In summary, an Acquisition Event means either: • A takeover bid is made to acquire all or some of NAB's Ordinary Shares and the offer is, or becomes, unconditional, all necessary regulatory approvals have been obtained and either: – The bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – A majority of Directors recommend acceptance of such offer (in the absence of a higher offer); or • A court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which when implemented would result in a person having a relevant interest in more than 50% of NAB's Ordinary Shares on issue, and: – All classes of members of NAB pass all resolutions required to approve the scheme by the majorities required under the Corporations Act; and – All conditions to the implementation of the scheme, including any necessary regulatory approval (other than the approval of the scheme by the court), have been satisfied or waived. An Acquisition Event will not occur where NAB is acquired by an Approved NOHC. An Approved NOHC is described in Section 2.9.	Clauses 5 and 24.1 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

For personal use only

Topic	Summary	Further information
Conversion following an Acquisition Event	If an Acquisition Event occurs, NAB must (by giving an Acquisition Conversion Notice) Convert all (but not some only) NAB Capital Notes 3 into a number of Ordinary Shares with a value of approximately $101 per NAB Capital Note 3 (based on the VWAP during a period, usually 20 Business Days, before the Acquisition Conversion Date but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days) provided that certain conditions are met. The number of Ordinary Shares that Holders will receive on a Conversion will not be greater than the Maximum Conversion Number. Broadly, there are two categories of restrictions that may prevent a Conversion following an Acquisition Event from occurring: • Restrictions that may prevent NAB from sending an Acquisition Conversion Notice to Holders; and • Restrictions that may prevent NAB from actually Converting NAB Capital Notes 3. **Restrictions that may prevent NAB from sending a conversion notice** NAB is not required to give an Acquisition Conversion Notice to Holders and will not be required to Convert NAB Capital Notes 3 if on the Non-Conversion Test Date (broadly, the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 3 as a result of an Acquisition Event): • The VWAP of Ordinary Shares on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue Date VWAP; or • A Delisting Event applies. **Further restrictions that may prevent NAB from Converting NAB Capital Notes 3 on a Conversion Date** In addition, NAB may not proceed to Convert NAB Capital Notes 3 if, on the date on which Conversion is to occur ("**Acquisition Conversion Date**") either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date. The percentages used in the above restrictions are derived from market precedents and the cap on the number of Ordinary Shares that is permitted to be issued under applicable prudential rules.	Clauses 5 and 7 of the Terms
Conversion Number	If Conversion proceeds, the Conversion Number of Ordinary Shares will be calculated in the same manner as for a Mandatory Conversion – see Section 2.3. However, for the purposes of the Conversion calculations in these circumstances the Relevant Fraction is 0.2 rather than 0.5.	Clause 7.1 of the Terms
If Conversion does not occur on Acquisition Conversion Date	If NAB is not required to give an Acquisition Conversion Notice or the further restrictions prevent Conversion on the Acquisition Conversion Date, NAB will give a new Acquisition Conversion Notice on or before the 25th Business Day prior to the immediately succeeding scheduled quarterly Distribution Payment Date, unless the restrictions to the giving of an Acquisition Conversion Notice also apply at that time. The new Acquisition Conversion Notice will give notice of a new Acquisition Conversion Date. Conversion will not occur on the new Acquisition Conversion Date if the further Conversion restrictions apply on that date. This process will be repeated until Conversion occurs.	Clause 5.4 of the Terms

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2.7 Conversion following a Loss Absorption Event

NAB Capital Notes 3 have certain loss absorption features, which may be triggered where NAB encounters severe financial difficulty. These features are required to be included in the Terms of NAB Capital Notes 3 for prudential regulation purposes.

The occurrence of a "Loss Absorption Event" requires the Conversion of NAB Capital Notes 3 into Ordinary Shares. A Loss Absorption Event may occur at any time and on any day, whether or not the day is a Business Day. The Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event. The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

As a Conversion in these circumstances is likely to occur during a time of financial difficulty for NAB, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive significantly less than $101 worth of Ordinary Shares per NAB Capital Note 3 and a Holder may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence. The calculations in this Section 2.7 are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Holder would receive on a Conversion where there is a Loss Absorption Event.

Where NAB Capital Notes 3 are not Converted into Ordinary Shares for any reason, those NAB Capital Notes 3 will be Written Off. In the event of a Write Off, the rights of Holders to Distributions and returns of capital will be terminated, and Holders will not have their capital repaid.

Topic	Summary	Further information
Loss Absorption Events	A Loss Absorption Event is each of: • A Common Equity Trigger Event; and • A Non-Viability Trigger Event.	Clause 4.1 of the Terms
Common Equity Trigger Event	A Common Equity Trigger Event occurs when the ratio of NAB's Common Equity Tier 1 Capital to RWA (the "**Common Equity Tier 1 Ratio**") as determined by NAB or APRA at any time is equal to or less than **5.125%**, calculated on the basis of either or both of the NAB Level 1 Group and the NAB Level 2 Group. NAB must immediately notify APRA in writing if it makes such a determination. If a Common Equity Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off all Relevant Tier 1 Capital Instruments, which includes NAB Capital Notes 3, or a proportion of Relevant Tier 1 Capital Instruments with the result that each of the Common Equity Tier 1 Ratio in respect of the NAB Level 1 Group and the Common Equity Tier 1 Ratio in respect of the NAB Level 2 Group is at a percentage above 5.125% determined by NAB for that ratio.	Clause 4.2 of the Terms
Non-Viability Trigger Event	A Non-Viability Trigger Event means APRA has provided a written determination to NAB that: • The conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments (which includes NAB Capital Notes 3) is necessary because without the conversion or write off, APRA considers that NAB would become non-viable; or • Without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable. If a Non-Viability Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off: • All Relevant Tier 1 Capital Instruments; or • If a Non-Viability Trigger Event occurs which does not involve a determination by APRA that a public sector injection of capital would be required and APRA is satisfied that conversion or write off of a proportion of Relevant Tier 1 Capital Instruments will be sufficient to ensure that NAB will not become non-viable, that proportion of Relevant Tier 1 Capital Instruments.	Clause 4.3 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

For personal use only

Topic	Summary	Further information
Conversion or Write Off of Relevant Tier 1 Capital Instruments (including NAB Capital Notes 3)	If a Loss Absorption Event were to occur, depending on how much Common Equity Tier 1 Capital NAB needs, NAB may be: • Permitted by APRA to convert or write off only a proportion of NAB Capital Notes 3 and other Relevant Tier 1 Capital Instruments; or • Required to either convert or write off all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 3). All Relevant Tier 1 Capital Instruments must be converted or written off where the Loss Absorption Event is a Non-Viability Trigger Event involving a determination by APRA that a public sector injection of capital would be required. If NAB is permitted to convert or write off only a proportion of NAB Capital Notes 3 and other Relevant Tier 1 Capital Instruments: • NAB must endeavour to treat Holders on an approximately proportionate basis, but may make adjustments among Holders to take account of the effect on marketable parcels of NAB Capital Notes 3 and other logistical considerations; and • Where the Relevant Tier 1 Capital Instruments are not all in the same currency, NAB may treat them as if converted into a single currency of NAB's choice at such rate of exchange as NAB considers reasonable. NAB may make adjustments among Holders and holders of other Relevant Tier 1 Capital Instruments having regard to the need to effect conversion immediately. If NAB is required to convert or write off Relevant Tier 1 Capital Instruments, Holders should be aware that all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 3) will be converted or written off before any Relevant Tier 2 Capital Instruments are converted or written off. NAB has no obligation to maintain any Relevant Tier 1 Capital Instruments on issue and gives no assurance that it will do so.	Clauses 4.2, 4.3 and 4.4 of the Terms
Conversion as a result of a Loss Absorption Event	• On the date on which a Loss Absorption Event occurs (the "**Loss Absorption Event Conversion Date**"), NAB must immediately determine the number of NAB Capital Notes 3 that will Convert and the number of other Relevant Tier 1 Capital Instruments which will convert into Ordinary Shares or be written off. • On the Loss Absorption Event Conversion Date, the relevant number of NAB Capital Notes 3 will then Convert immediately and irrevocably. Holders will not receive prior notice of Conversion or have any rights to vote or right of approval in respect of any Conversion. • The Mandatory Conversion Conditions do not apply and Conversion may occur automatically without the need for any further act or step by NAB. In that case, NAB will treat a Holder in respect of its NAB Capital Notes 3 as having been issued the Conversion Number of Ordinary Shares. • NAB expects that any ASX trades in NAB Capital Notes 3 that have not settled on the date a Loss Absorption Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although NAB expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which NAB Capital Notes 3 have been Converted as a result of the occurrence of the Loss Absorption Event. • NAB may make such decisions with respect to the identity of Holders whose NAB Capital Notes 3 will Convert on the Loss Absorption Event Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of NAB Capital Notes 3 that have not been settled or registered at that time.	Clause 4.4 of the Terms

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Topic	Summary	Further information
Number of Ordinary Shares Holders will receive on Loss Absorption Event Conversion Date	As with any Conversion under the Terms, Holders will receive the lesser of the Conversion Number and the Maximum Conversion Number. The Conversion Number is calculated in accordance with the same formula as for a Mandatory Conversion – see Section 2.3, except that: • The **VWAP Period** used to determine the VWAP in this case is the 5 Business Days on which trading in Ordinary Shares took place immediately preceding the Loss Absorption Event Conversion Date; and • The **Relevant Fraction** will, in all circumstances, be **0.2**. The VWAP of Ordinary Shares at the time of a Loss Absorption Event may vary according to the severity of the Loss Absorption Event. This may impact the number and value of Ordinary Shares that will be received by a Holder under a Conversion following a Loss Absorption Event. In addition, since the Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event, the Ordinary Shares a Holder may receive on account of such a Conversion are likely to be worth significantly less than $101 per NAB Capital Note 3 and a Holder may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence. On a Conversion following a Loss Absorption Event, Holders will receive **the lesser of**: • **The number (N) calculated according to the following formula:** $$N = \frac{\$100}{99\% \times VWAP}$$ and • **The Maximum Conversion Number (MCN), calculated in accordance with the following formula:** $$MCN = \frac{\$100}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$$	Clause 7.1 of the Terms

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Topic	Summary	Further information
Worked examples of Conversion following Loss Absorption Event	Below are two worked examples of Conversion following a Loss Absorption Event using: • A VWAP of $1.00 (i.e. in extreme circumstances); and • A VWAP of $10.00 (i.e. in less severe circumstances). Both examples assume an Issue Date VWAP of $25.00. **Using a VWAP of $1.00** Assume that on 31 July 2023 a Loss Absorption Event occurs, and that the VWAP in the VWAP Period is $1.00. Holders would receive **the lesser of**: $$\mathbf{N} = \frac{\$100}{99\% \times \$1.00} = 101.0101 \text{ Ordinary Shares per NAB Capital Note 3;}$$ and $$\textbf{the MCN} = \frac{\$100}{\$25 \times 0.2} = 20.0000 \text{ Ordinary Shares per NAB Capital Note 3.}$$ **Since the MCN is less than N, the total number of Ordinary Shares to which a holder of 100 NAB Capital Notes 3 would be entitled would be the MCN, that is 2,000 (i.e. 100 x 20, rounded down to the nearest whole Ordinary Share).** The market value of the Ordinary Shares received based on the MCN and a prevailing market price equal to the VWAP of $1.00 is $2,000 (i.e. 2,000 x $1.00), which is considerably less than $10,000 (the Face Value of 100 NAB Capital Notes 3). Consequently, Holders would lose a significant amount of the money they invested in NAB Capital Notes 3. **Using a VWAP of $10.00** In this example, assume that the VWAP in the VWAP Period is $10.00. "**N**" calculated according to the above formula would be 10.1010 and the MCN would again be 20.0000. **Since N is less than the MCN, the total number of Ordinary Shares to which a holder of 100 NAB Capital Notes 3 would be entitled would be N, that is 1,010 (i.e. 100 x 10.1010 rounded down to the nearest whole Ordinary Share).** The market value of the Ordinary Shares received in this case based on a prevailing market price equal to the VWAP of $10.00 would be $10,100 (i.e. 1,010 x $10.00), which is slightly more than $10,000 (the Face Value of 100 NAB Capital Notes 3). The above examples are for illustrative purposes only. The figures in it are not forward looking statements and do not indicate, guarantee or forecast the Issue Date VWAP or future VWAP or other price of Ordinary Shares.	

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Topic	Summary	Further information
Write Off of NAB Capital Notes 3 where NAB Capital Notes 3 are not Converted on Loss Absorption Event Conversion Date	If, following a Loss Absorption Event, Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date for any reason (including where NAB is prevented by applicable law or court order or for any other reason from Converting NAB Capital Notes 3 (broadly an "**Inability Event**")), those NAB Capital Notes 3 will not be Converted but instead will be Written Off. Broadly, Written Off means that the relevant Holders' rights (including to payments of Distributions and Face Value) in relation to a NAB Capital Note 3 are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date and the NAB Capital Note 3 will not be Converted, Redeemed or Resold on any subsequent date. The laws under which an Inability Event may arise include laws relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity. The laws and other grounds on which an Inability Event may arise may change and the change may be adverse to the interests of Holders. Recent changes to the law have given statutory recognition to conversion and write-off provisions in regulatory capital instruments such as NAB Capital Notes 3, subject to limited exceptions.	Clause 4.5 of the Terms
Notice of Loss Absorption Event and resulting Conversion or Write Off	NAB must give Holders notice as soon as practicable following the occurrence of a Loss Absorption Event, including the number of NAB Capital Notes 3 Converted or Written Off and the relevant number of Relevant Tier 1 Capital Instruments converted into Ordinary Shares or written off.	Clause 4.6 of the Terms

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2.8 Quotation, ranking and regulatory treatment

Topic	Summary	Further information
Quotation	NAB has applied for NAB Capital Notes 3 to be quoted on ASX and NAB Capital Notes 3 are expected to be quoted under code 'NABPF'.	
Ranking	NAB Capital Notes 3 are unsecured. NAB Capital Notes 3 do not constitute Protected Accounts and are not deposit liabilities for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other party.	Clause 16.5 of the Terms Clause 1.6 of the Terms
	Ranking in a winding up In a winding up of NAB, NAB Capital Notes 3 rank in priority to Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments, and junior to Senior Creditors (which include depositors and holders of Tier 2 Capital Instruments). This means that, on a winding up, there is a risk that Holders will lose all or some of their investment. If NAB Capital Notes 3 have been Converted into Ordinary Shares prior to a winding up of NAB, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares and rank lower than they would have had they still remained NAB Capital Notes 3. If NAB Capital Notes 3 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.	Clause 16.2 of the Terms
	Ranking in relation to Distributions In respect of payment of Distributions, NAB Capital Notes 3 rank in priority to Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments, and junior to Senior Creditors (which includes depositors and holders of Tier 2 Capital Instruments). However, if NAB Capital Notes 3 have been Converted into Ordinary Shares, any rights to any distributions will be as holders of Ordinary Shares. If NAB Capital Notes 3 are Written Off, Holders will not be entitled to any Distributions. Holders should also understand that on the Issue Date NAB will have on issue Relevant Tier 1 Capital Instruments (such as NAB CPS II) that take the form of convertible preference shares. Due to the requirements of the Corporations Act, if convertible preference shares are written-off, the rights of holders of these securities are not terminated but are instead varied so as to give a holder rights equivalent to the rights in respect of Ordinary Shares it would have received if conversion had occurred. Accordingly, if NAB Capital Notes 3 are Written-Off, Holders will have lesser rights and will likely be worse off than holders of convertible preference shares such as NAB CPS II, even though those securities rank equally with NAB Capital Notes 3.	Clause 16.1 of the Terms

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Topic	Summary	Further information
Regulatory capital of ADIs	• APRA classifies the regulatory capital of ADIs into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. From the perspective of the ADI, Tier 1 Capital generally has better loss-absorbing qualities than Tier 2 Capital, due to features such as discretionary distributions, lower ranking in a winding up than Tier 2 Capital and being subject to conversion and write-off in broader circumstances than Tier 2 Capital. • Under the Basel III Prudential Standards, Tier 1 Capital is comprised of: – Common Equity Tier 1 Capital; and – Additional Tier 1 Capital. • Common Equity Tier 1 Capital is recognised as the highest quality component of regulatory capital for ADIs. Common Equity Tier 1 Capital for ADIs (and their non-operating holding companies) comprises paid-up ordinary shares, retained earnings, other disclosed reserves permitted for inclusion by APRA and certain other items permitted by APRA, adjusted for regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital. • The non-common equity components of Tier 1 Capital which do not satisfy all of the criteria for inclusion in Common Equity Tier 1 Capital are referred to as Additional Tier 1 Capital. These instruments must be able to absorb losses on a going-concern basis, and can include both instruments that are classified as equity and instruments that are classified as liabilities for accounting purposes.	
Regulatory treatment of NAB Capital Notes 3	• APRA has provided confirmation that NAB Capital Notes 3, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB's regulatory capital requirements. • NAB Capital Notes 3 and NAB's other regulatory capital help to protect NAB's depositors and other creditors by providing a loss absorbing capital buffer which supports losses that may be incurred on NAB's assets. • Recent changes to the law have given statutory recognition to conversion and write-off provisions in regulatory capital instruments such as NAB Capital Notes 3, subject to limited exceptions.	

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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2.9 Other

Topic	Summary	Further information
NAB may issue further NAB Capital Notes 3 or other instruments	NAB has the right to issue additional convertible notes on the same or different terms as NAB Capital Notes 3 offered under this Prospectus. NAB also has the right to issue further debt, deposits or other obligations (including the incurring or guaranteeing by it of any indebtedness) or securities of any kind. These debt, deposits or other obligations or securities may have the same or different terms to NAB Capital Notes 3. For example, they may rank for payment of face value, interest or other amounts (including on an insolvency of NAB) after, equally with, ahead of, or behind NAB Capital Notes 3. NAB Capital Notes 3 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time. Holding NAB Capital Notes 3 does not confer any right to participate in further issues of securities by NAB.	Clause 20 of the Terms
Voting rights	A NAB Capital Note 3 does not entitle its Holder to vote at a general meeting of NAB. Ordinary Shares issued on Conversion would have all the usual rights conferred by Ordinary Shares.	Clause 17.3 of the Terms
Amendment of Terms	NAB may make certain amendments to the Terms and the NAB Capital Notes 3 Deed Poll without the approval of Holders including changes: • of a formal, minor or technical nature; • made to cure any ambiguity or correct any manifest error; • to facilitate the listing, clearing or offering for sale of the NAB Capital Notes 3; • necessary or expedient for the purposes of complying with applicable laws (including the provisions of any statute, requirements of any statutory authority or the listing or quotation requirements of securities exchanges); • necessary or appropriate to effect substitution of an Approved NOHC (as described below); • to dates or time periods stated, required or permitted in connection with any Conversion, Redemption or Resale; • to the Terms to align with the terms of any Relevant Tier 1 Capital Instruments issued after the Issue Date; and • that are not materially prejudicial to the interests of Holders as a whole. NAB's right to make these changes is subject to NAB complying with all applicable laws, the amendment being, in NAB's opinion, not materially prejudicial to Holders as a whole, and APRA's prior written approval (where required).	Clause 18.1 of the Terms
	NAB may also, with APRA's prior written approval where required, amend the Terms if the amendment has been approved by a Special Resolution. An amendment that will be materially prejudicial to Holders requires approval by Special Resolution.	Clause 18.2 of the Terms
	APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of NAB Capital Notes 3 as Additional Tier 1 Capital.	Clause 18.4 of the Terms
Notices	While NAB Capital Notes 3 are quoted on ASX, all notices by NAB to Holders may be given by publication to ASX. The Terms also permit notices to be given by newspaper advertisement or by post. Notices to NAB and the Registrar may be given by post.	Clause 21 of the Terms

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Topic	Summary	Further information
Approved NOHC	An Approved NOHC is a non-operating holding company within the meaning of the Banking Act ("**NOHC**"), which acquires NAB as a result of an event initiated by the Directors, where the ordinary shares of the NOHC are listed on an internationally recognised stock exchange and the NOHC undertakes to: • convert NAB Capital Notes 3 into ordinary shares in the Approved NOHC whenever NAB would otherwise have been required to deliver Ordinary Shares and upon the occurrence of an Acquisition Event with respect to the Approved NOHC; and • use all reasonable endeavours to procure quotation of all ordinary shares in its capital issued on Conversion on the securities exchange on which its ordinary shares are quoted at that time. If a NOHC Event occurs, NAB may amend the Terms with APRA's prior written approval (but without the consent of Holders) to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion. The occurrence of a NOHC Event does not allow NAB to elect to Convert, Redeem or Resell NAB Capital Notes 3. Holders do not have any right to vote on a NOHC Event. Where a NOHC Event is accompanied by a transfer of assets from NAB to the Approved NOHC or another subsidiary of the Approved NOHC, NAB may as a result have reduced assets to meet the claims of its creditors (including Holders) and Shareholders. Following the substitution of an Approved NOHC as issuer of the ordinary shares on Conversion but prior to any Conversion, Holders continue to hold a note issued by NAB which ranks for payment of distributions and in a winding up of NAB as described in Section 2.8 and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in NAB. There is no restriction on an Approved NOHC declaring or paying a dividend on, or buying back or reducing capital on its ordinary shares if NAB does not pay a Distribution on a NAB Capital Note 3. If NAB does not pay a Distribution NAB would remain subject to the restriction on it declaring or paying dividends on Ordinary Shares or buying back or reducing capital on its Ordinary Shares as described in Section 2.1. NAB expects that the rights attaching to the Approved NOHC shares would be substantially equivalent to the rights attaching to Ordinary Shares.	Clauses 19 and 24.1 of the Terms
Payments to bank accounts	Subject to the Terms, payments will be made to the person shown as the Holder in the Register at the Relevant Time on the Record Date. In order to receive payment, a Holder will need to notify the Registrar by close of business on the Record Date (or in any other manner NAB determines) of an Australian dollar bank account in Australia to which payment should be made. If the Holder does not so notify the Registrar, or the payment does not complete for any reason, NAB will send a notice to the address most recently notified by the Holder advising them of the uncompleted payment and the amount will be held as a non-interest bearing deposit until such an account is nominated, claims may no longer be made in respect of that amount or NAB is entitled or obliged to deal with the amount in accordance with the laws relating to unclaimed monies.	Clauses 14.1 – 14.3 of the Terms
Time limit on claims	Holders should be aware that a claim against NAB for a payment in respect of a NAB Capital Note 3 is void unless made within 5 years from the date on which the payment first became due.	Clause 14.4 of the Terms

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

For personal use only

Topic	Summary	Further information
Determination and calculation final	Except where there is fraud or a manifest error, any determination or calculation which NAB makes in accordance with the Terms (including with respect to the calculation of payments under a NAB Capital Note 3) is final and binds NAB, the Registrar and each Holder.	Clause 14.5 of the Terms
No set-off	A Holder does not have any right to set-off any amounts owing to it by NAB in connection with the NAB Capital Notes 3 against any amount owing by it to NAB in connection with the NAB Capital Notes 3 or otherwise. NAB does not have any right to set-off any amounts owing to it by a Holder against any amount owing by it to the Holder in connection with the NAB Capital Notes 3.	Clause 14.8 of the Terms
Power of attorney	Each Holder agrees to appoint NAB, its Authorised Officers and any External Administrator of NAB (each an "**Attorney**") severally to be the attorney of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under the Terms including, but not limited to, effecting any transfers of Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.	Clause 23(a) of the Terms
Issues to an Eligible Nominee	In certain circumstances NAB will issue the Ordinary Shares which a Holder is obliged to accept on Conversion to an Eligible Nominee. Ordinary Shares will be issued to an Eligible Nominee: • where the Holder does not wish to receive Ordinary Shares as a result of a Conversion and notifies NAB of this at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date; • where the Holder is a Foreign Holder, unless NAB is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder, subject to certain conditions; or • to the extent that a FATCA Withholding is required to be made in respect of Ordinary Shares. At the first reasonable opportunity to sell the Ordinary Shares, the Eligible Nominee will arrange for their sale and pay to the relevant Holder a cash amount equal to the proceeds of the sale (less brokerage and other costs). No guarantee is given in relation to the timing or price at which any sale will occur. Neither NAB nor the Eligible Nominee has any duty to Holders in relation to the price at which Ordinary Shares are sold, nor any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares where required in the circumstances described above. NAB will treat you as a Foreign Holder if your address in the Register is a place outside of Australia or NAB otherwise believes you may not be a resident of Australia.	Clause 7.12 of the Terms

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Topic	Summary	Further information
What is the NAB Capital Notes 3 Deed Poll?	A trustee has not been appointed for NAB Capital Notes 3. Instead, there is a NAB Capital Notes 3 Deed Poll made by NAB in favour of each person who is from time to time a Holder. The NAB Capital Notes 3 Deed Poll gives legal effect to NAB's obligations in the Terms. Under the NAB Capital Notes 3 Deed Poll, NAB also undertakes to appoint the Registrar and procure the Registrar to establish and maintain a principal Register. The NAB Capital Notes 3 Deed Poll also includes provisions for meetings of Holders. Holders will be bound by the terms of the NAB Capital Notes 3 Deed Poll, the Terms and this Prospectus when NAB Capital Notes 3 are issued or transferred to them or they purchase NAB Capital Notes 3. The Registrar will hold the original executed NAB Capital Notes 3 Deed Poll on behalf of Holders. Each Holder can enforce NAB's obligations under the NAB Capital Notes 3 Deed Poll, including the Terms and the provisions for meetings, independently of the Registrar and each other. A copy of the NAB Capital Notes 3 Deed Poll can be obtained from **nab.com.au/ncn3offer**	NAB Capital Notes 3 Deed Poll
Tax implications	Information about the Australian tax consequences of investing in NAB Capital Notes 3 is set out in Section 8. The taxation implications of investing in NAB Capital Notes 3 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.	
Brokerage, commission and stamp duty	No brokerage, commission or stamp duty is payable on Applications for NAB Capital Notes 3. Holders may have to pay subsequent brokerage on any subsequent transfer of NAB Capital Notes 3 on ASX after quotation.	

2.10 Comparison of NAB Capital Notes 3 to other NAB instruments

Differences between term deposits, NAB Capital Notes 3 and other NAB instruments.

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

	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3	Ordinary Shares
Protection under the Financial Claims Scheme [1]	Yes	No	No	No	No
Term	Often between 1 month and 5 years	11½ years [2]	Perpetual [2]	Perpetual [3]	Perpetual (no maturity date)

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3	Ordinary Shares
Margin	Varies from product to product	2.20%	1.25%	NAB Capital Notes: 3.50% NAB Capital Notes 2: 4.95% NAB Capital Notes 3: 4.00%	N/A
Interest / distribution / dividend rate	Fixed	Floating	Floating	Floating	Variable dividends as determined by Directors
Interest / distribution / dividend payment dates	Often at the end of term or per annum	Quarterly	Quarterly	Quarterly	Twice yearly [4]
Rights if interest / distributions / dividends not fully franked	N/A – interest payments are not franked	N/A – interest payments are not franked	N/A – distributions are not currently franked [5]	Distribution adjusted to reflect applicable franking rate	None
Conditions to payment of interest / distributions / dividends	None, subject to applicable laws and any specific conditions	Subject to the "solvency condition" [6]	Subject to conditions including the availability of distributable profits and other prudential regulatory tests Non-cumulative	Subject to the discretion of the Directors, and also only payable if a Payment Condition does not exist on the Distribution Payment Date Non-cumulative	Subject to the discretion of Directors and applicable laws and regulations
Dividend restriction if interest / dividend / distribution not paid	N/A	No	Yes – applies to Ordinary Shares and equally ranking securities until a year's distribution is paid	Yes – applies to Ordinary Shares only, until the next Distribution Payment Date – see Section 2.1 for NAB Capital Notes 3 [7]	N/A

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	Term deposit	NAB Subordinated Notes 2	National Income Securities	NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3	Ordinary Shares
Transferable	No	Yes – quoted on ASX under the code 'NABPE'	Yes – quoted on ASX under the code 'NABHA'	NAB Capital Notes are quoted on ASX under the code 'NABPC' NAB Capital Notes 2 are quoted on ASX under the code 'NABPD' NAB Capital Notes 3 are expected to be quoted on ASX under the code 'NABPF'	Yes – quoted on ASX under the code 'NAB'
Mandatory Conversion into Ordinary Shares	No	No	No	Yes [3]	N/A
Issuer's early conversion option	No	No	No	Yes – with the prior approval of APRA — see Section 2.4 for NAB Capital Notes 3	N/A
Issuer's early redemption option	No	Yes – with the prior written approval of APRA	Yes – with the prior written approval of APRA, at any time on 30 days' notice	Yes – with the prior written approval of APRA – see Section 2.5 for NAB Capital Notes 3	No
Loss absorption event [8]	No	Yes	No	Yes – see Section 2.7 for NAB Capital Notes 3	No
Capital classification	None	Tier 2 Capital [9]	Additional Tier 1 Capital [9]	Additional Tier 1 Capital	Common Equity Tier 1 Capital
Voting rights	N/A	No right to vote at general meetings of holders of Ordinary Shares	No right to vote at general meetings of holders of Ordinary Shares, except in certain limited circumstances	No right to vote at general meetings of holders of Ordinary Shares	Right to vote at general meetings of holders of Ordinary Shares
Ranking	See Table 2: Illustration of ranking on winding up on page 14				

SECTION TWO:
ABOUT NAB CAPITAL NOTES 3

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

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

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

3 NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3 are scheduled to convert into Ordinary Shares on 23 March 2022, 8 July 2024 and 19 June 2028 respectively, or on the occurrence of certain acquisition events. NAB may also be required to convert NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3 as a result of a loss absorption event. In addition, NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3 may be converted, redeemed or resold with the prior written approval of APRA. NAB Capital Notes, NAB Capital Notes 2 and NAB Capital Notes 3 may also be written off in certain circumstances.

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

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

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

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

8 If NAB is required to convert or write off Relevant Tier 1 Capital Instruments, Holders should be aware that all Relevant Tier 1 Capital Instruments such as NAB Capital Notes 3 will be converted or written off before any Tier 2 Capital Instruments are converted or written off — see Section 2.7.

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

SECTION THREE

ABOUT THE REINVESTMENT OFFER

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SECTION THREE:
ABOUT THE REINVESTMENT OFFER

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3.1 Overview of the Reinvestment Offer

Topic	Summary
What are CPS?	CPS are fully paid convertible preference shares issued by NAB in 2013. CPS trade on the ASX under the code 'NABPA'.
What is happening to CPS?	On 11 February 2019, NAB issued a resale notice in accordance with the CPS Terms. That notice confirms that on 20 March 2019 the CPS Nominated Purchaser will mandatorily purchase all CPS for $100 per CPS ("**CPS Resale Proceeds**"). The resale notice is irrevocable, except as provided by the CPS Terms. The CPS Resale may not occur for a number of reasons, including if a loss absorption event occurs, the CPS Nominated Purchaser does not for any reason pay the CPS Resale Proceeds in full on 20 March 2019, APRA revokes its approval of the CPS Resale or the CPS cannot be transferred for any reason. If the CPS Resale does not occur, except where a loss absorption event occurs in respect of CPS, CPS holders will continue to hold CPS. A final dividend of $1.2976 per CPS is also scheduled to be paid by NAB on 20 March 2019, subject to the satisfaction of the dividend payment conditions in the CPS Terms. If those conditions are satisfied, CPS holders on the record date for the final dividend (including Eligible CPS Holders who participate in the Reinvestment Offer) will receive a cash payment of $0.9083 per CPS on 20 March 2019.
What is the Reinvestment Offer?	The Reinvestment Offer is an invitation to Eligible CPS Holders to: • apply to NAB to have the CPS Resale Proceeds relating to all or some of their CPS reinvested in NAB Capital Notes 3; and • direct the CPS Nominated Purchaser to pay the relevant CPS Resale Proceeds to NAB as Application Monies for that number of NAB Capital Notes 3. **There are important differences between CPS and NAB Capital Notes 3 that Eligible CPS Holders should consider before deciding whether to apply to participate in the Reinvestment Offer. See Section 3.2 for more information.**
Am I eligible to participate in the Reinvestment Offer?	You are eligible to participate in the Reinvestment Offer if you: • were registered as a holder of CPS at 7.00pm on 7 February 2019; • are shown on the CPS register as having an address in Australia; • are not an individual residing in a member state of the European Union; and • are not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person or not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 3 under the laws of any jurisdiction.
Who is the CPS Nominated Purchaser?	UBS AG, Australia Branch
What is the purpose of the Reinvestment Offer?	The purpose of the Reinvestment Offer is to give Eligible CPS Holders the opportunity to reinvest their CPS Resale Proceeds in NAB Capital Notes 3 and maintain an ongoing investment in securities issued by NAB. The funds raised through the Reinvestment Offer will be used for general corporate purposes.
How do I apply to participate?	See Section 3.3 and Section 4 for information on how to apply to participate in the Reinvestment Offer.

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Topic	Summary
Do I need to apply for a minimum number of NAB Capital Notes 3?	There is no minimum number of CPS that you must hold to be able to participate in the Reinvestment Offer. However, if you are an Eligible CPS Holder and hold 50 CPS or fewer, you must apply to reinvest the CPS Resale Proceeds relating to all of your CPS in NAB Capital Notes 3 if you wish to participate in the Reinvestment Offer. If you are an Eligible CPS Holder and own more than 50 CPS, you can: • reinvest the CPS Resale Proceeds relating to all of your CPS; or • apply for a minimum number of 50 NAB Capital Notes 3 ($5,000) and increments of 10 NAB Capital Notes 3 ($1,000) thereafter.
Can I sell my CPS after I have completed and returned my Application Form?	No – once your Application has been received, a holding lock will be placed on the CPS the subject of your Application and you will not be able to successfully deal with those CPS. If you receive less CPS Resale Proceeds than the amount you have elected to reinvest because you sold some of your CPS, you will be taken to have applied for the number of NAB Capital Notes 3 that you can pay for using the CPS Resale Proceeds you received. An Application to participate in the Reinvestment Offer is irrevocable once submitted but will only be effective so long as it is accepted and the Offer proceeds.
Can I apply for additional NAB Capital Notes 3?	Eligible CPS Holders may apply for more NAB Capital Notes 3 than the number of CPS registered in their name at 7.00pm on 7 February 2019. The minimum number of additional NAB Capital Notes 3 you can apply for is 50 NAB Capital Notes 3 ($5,000) and thereafter your Application must be in increments of 10 NAB Capital Notes 3 ($1,000).
Can the Offer be scaled back?	If there is excess demand for the Offer, Applications from CPS Reinvestment Applicants and Securityholder Applicants may be scaled back. If this occurs, NAB's current intention is to give preference to CPS Reinvestment Applicants over Securityholder Applicants, while still providing for a proportion of the available NAB Capital Notes 3 to be allocated to Securityholder Applicants. See Section 4.5 for further information.
When will the CPS cease trading on ASX?	The last day of trading of CPS on ASX will be 1 March 2019. If you hold CPS on 20 March 2019 those CPS will be mandatorily purchased by the CPS Nominated Purchaser on that date and you will receive $100 per CPS unless you participate in the Reinvestment Offer.
What will happen to the CPS once acquired by the CPS Nominated Purchaser?	Once acquired by the CPS Nominated Purchaser, NAB intends to convert up to $750 million of CPS into Ordinary Shares and redeem the balance. The issue price of any Ordinary Shares issued to the CPS Nominated Purchaser on conversion of the CPS will be based on the volume weighted average price of Ordinary Shares over certain days between 11 February 2019 and 19 March 2019. The number of CPS converted into Ordinary Shares may be reduced in certain circumstances (or the conversion may not proceed at all). If the number of CPS converted is reduced (or the conversion does not proceed at all), there will be a corresponding increase to the number of CPS redeemed.
What are the tax implications of participating in the Reinvestment Offer and will any brokerage or stamp duty be payable?	A general outline of the taxation implications for certain Australian investors participating in the Offer (including through the Reinvestment Offer) can be found in the Australian taxation summary in Section 8. No brokerage or stamp duty is payable on the sale of your CPS to the CPS Nominated Purchaser, or your Application for NAB Capital Notes 3. CPS holders who choose to sell their CPS on market through their broker may be required to pay applicable brokerage.

SECTION THREE:
ABOUT THE REINVESTMENT OFFER

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3.2 What are the key differences between NAB Capital Notes 3 and CPS?

There are certain differences between NAB Capital Notes 3 and CPS which you should be aware of before deciding to apply to participate in the Reinvestment Offer. The following table describes the key features of the NAB Capital Notes 3 and CPS and highlights the main differences between them. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for NAB Capital Notes 3.

Topic	CPS	NAB Capital Notes 3
Protected under the Financial Claims Scheme	No	No
Term	Perpetual [1]	Perpetual [1]
Margin	3.20%	4.00%
Dividend / distribution rate	Floating	Floating
Dividend / distribution payment dates	Quarterly	Quarterly
Rights if distributions / dividends not fully franked	Dividend adjusted to reflect applicable franking rate	Distribution adjusted to reflect applicable franking rate
Conditions to payment of dividend / distribution	Subject to the discretion of the Directors, and also only payable if a "payment condition" (as defined in the CPS Terms) does not exist on the dividend payment date. Dividends are not cumulative	Subject to the discretion of the Directors, and also only payable if a Payment Condition does not exist on the Distribution Payment Date. Distributions are not cumulative
Dividend restriction if dividend / distribution not paid	Yes – applies to Ordinary Shares only, until the next dividend payment date	Yes – applies to Ordinary Shares only, until the next Distribution Payment Date – see Section 2.1[2]
Transferable	Yes – quoted on ASX under the code 'NABPA'	Expected to be quoted on ASX under the code 'NABPF'
Mandatory conversion into ordinary shares	Yes [1]	Yes [1]
NAB's early conversion option	Yes – with the prior approval of APRA	Yes – with the prior approval of APRA — see Section 2.4
NAB's early redemption option	Yes – with the prior approval of APRA	Yes – with the prior written approval of APRA — see Section 2.5

1 On 11 February 2019, NAB issued a resale notice in accordance with the CPS Terms. That notice confirms that on 20 March 2019, the Nominated Purchaser will mandatorily purchase all CPS for $100 per CPS. Therefore, NAB will now only be required to convert CPS if a loss absorption event occurs in respect of CPS, otherwise they will be acquired by the Nominated Purchaser on 20 March 2019 (unless a circumstance arises which results in the CPS Resale not occurring). NAB Capital Notes 3 are scheduled to Convert into Ordinary Shares on 19 June 2028, or on the occurrence of certain Acquisition Events. NAB may also be required to Convert NAB Capital Notes 3 as a result of a Loss Absorption Event. In addition, NAB Capital Notes 3 may be Converted, Redeemed or Resold with the prior written approval of APRA. NAB Capital Notes 3 may also be Written Off in certain circumstances.

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

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Topic	CPS	NAB Capital Notes 3
Loss absorption event	Yes	Yes — see Section 2.7[3]
Capital classification	Additional Tier 1 Capital	Additional Tier 1 Capital
Voting rights	No right to vote at general meetings of holders of Ordinary Shares, except in certain limited circumstances	No right to vote at general meetings of holders of Ordinary Shares

[3] If NAB Capital Notes 3 are not Converted when required following a Loss Absorption Event, those NAB Capital Notes 3 are Written Off and all obligations are terminated. In this scenario, holders of NAB Capital Notes 3 will likely be worse off than holders of CPS as further described in Sections 2.8 and 7.1.15. Accordingly, if NAB Capital Notes 3 are written off, holders of NAB Capital Notes 3 will have lesser rights than holders of CPS even though they rank equally.

SECTION THREE:
ABOUT THE REINVESTMENT OFFER

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3.3 What are the options available for Eligible CPS Holders?

Option	Summary
Option 1 – Apply directly to NAB	• If you are an Eligible CPS Holder, you may apply to participate in the Reinvestment Offer by completing an Application Form and choosing Alternative A or B below. • The Application Form must be received online or by the Registry by 5.00pm on the Closing Date which is expected to be 14 March 2019. See Section 4 for further information on how to make an Application. • If you make an Application under the Reinvestment Offer, your CPS Resale Proceeds will be used as the Application Monies and you will not be required to pay any additional amount in respect of your Application. • If you participate in the Reinvestment Offer, you will receive a final dividend of $1.2976 per CPS that is scheduled to be paid by NAB on 20 March 2019, subject to the satisfaction of the dividend payment conditions in the CPS Terms. That final dividend cannot be reinvested. **Alternative A. Reinvest all of your CPS Resale Proceeds in NAB Capital Notes 3** • You may apply to reinvest the CPS Resale Proceeds relating to ALL of the CPS registered in your name at 7.00pm on 7 February 2019 in NAB Capital Notes 3. • To choose this alternative, you must indicate "Reinvest all my CPS in NAB Capital Notes 3" on your Reinvestment Offer Application Form. • If you wish to participate in the Reinvestment Offer and own 50 CPS or fewer you must choose this alternative, and not alternative B. **Alternative B. Reinvest some CPS Resale Proceeds in NAB Capital Notes 3** • You may reinvest the CPS Resale Proceeds relating to only some of the CPS registered in your name at 7.00pm on 7 February 2019 in NAB Capital Notes 3. • To choose this alternative, you must specify the amount of your CPS Resale Proceeds which you wish to reinvest on your Reinvestment Offer Application Form. • You must apply to reinvest at least $5,000 (being your CPS Resale Proceeds relating to at least 50 CPS). **Alternative C. Apply for additional NAB Capital Notes 3** • You may also apply for more NAB Capital Notes 3 than the number of CPS registered in your name at 7.00pm on 7 February 2019. The application for additional NAB Capital Notes 3 will be made under the Securityholder Offer. • The minimum number of additional NAB Capital Notes 3 you can apply for is 50 NAB Capital Notes 3 ($5,000). • To choose this alternative, you must specify the number of additional NAB Capital Notes 3 you wish to apply for under the Securityholder Offer on your Reinvestment Offer Application Form. • You are required to enclose the Application Monies for the additional NAB Capital Notes 3 applied for under the Securityholder Offer. Application Monies must be paid by cheque, money order or BPAY®[4] — see Section 4 for further details.

[4] Registered to BPAY® Pty Limited ABN 69 079 137 518

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Option	Summary
Option 2 – Apply through your Syndicate Broker	• If you are an Eligible CPS Holder and you are an Australian resident client of a Syndicate Broker, you may apply to participate in the Reinvestment Offer through your Syndicate Broker. • You may apply to reinvest the CPS Resale Proceeds relating to all or some of the CPS registered in your name at 7.00pm on 7 February 2019 in NAB Capital Notes 3. If you do this, your CPS Resale Proceeds will be used as the Application Monies for your Application, and you will not be required to pay any additional amount in respect of your Application. You may also choose to apply for more NAB Capital Notes 3. • You should contact your Syndicate Broker for instructions on how to submit an Application Form and, if applicable, the Application Monies. • If you participate in the Reinvestment Offer, you will receive a final dividend of $1.2976 per CPS that is scheduled to be paid by NAB on 20 March 2019, subject to the satisfaction of the dividend payment conditions in the CPS Terms. That final dividend cannot be reinvested.
Option 3 – sell your CPS on market through your broker	• You may choose to sell your CPS on market through your broker or otherwise at the prevailing market price in the usual course. • The market price of CPS is subject to change from time to time. Up-to-date information about the market price of CPS can be obtained from **asx.com.au** (ASX code 'NABPA'). • If selling through your broker, you should contact your broker before the last trading day for CPS. • If you sell your CPS on market, you may have to pay brokerage and may receive a price greater or less than the face value of $100 per CPS.
Option 4 – take no action – Your CPS will be compulsorily purchased for $100 per CPS on 20 March 2019	• Eligible CPS Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action. • On 11 February 2019, NAB issued a resale notice in accordance with the CPS Terms. That notice confirms that the CPS Nominated Purchaser will mandatorily purchase all CPS on 20 March 2019 and you will receive $100 per CPS from the CPS Nominated Purchaser (unless a circumstance arises which results in the CPS Resale not occurring). You will also receive a final dividend of $1.2976 per CPS that is scheduled to be paid by NAB on that date, subject to the satisfaction of the dividend payment conditions in the CPS Terms.

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

If you are an Eligible CPS Holder and you apply under the Reinvestment Offer, you may receive an allocation of NAB Capital Notes 3. As such, you will be subject to the risks associated with an investment in NAB Capital Notes 3 and in NAB, many of which are outside the control of NAB and its Directors. These risks are outlined in Section 7 and should be considered before you apply under the Reinvestment Offer.

The Reinvestment Offer is not a simple rollover into a similar investment. NAB Capital Notes 3 and CPS have different benefits and risks, which must be evaluated separately (see Section 3.2).

Additionally, instead of participating in the Reinvestment Offer, Eligible CPS Holders may obtain a better financial outcome by selling their CPS on market or receiving the CPS Resale Proceeds in cash, and subsequently acquiring NAB Capital Notes 3 on market.

SECTION FOUR

APPLYING FOR NAB CAPITAL NOTES 3

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SECTION FOUR:
APPLYING FOR NAB CAPITAL NOTES 3

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4.1 Who can apply for NAB Capital Notes 3?

Type of Offer	Who is eligible to participate?	When to apply	How to apply online	How to apply using a paper Application Form
Reinvestment Offer	You are eligible to apply under the Reinvestment Offer if you are an Eligible CPS Holder. You are an Eligible CPS Holder if you: • were registered as a holder of CPS at 7.00pm on 7 February 2019; • are shown on the CPS register as having an address in Australia; • are not an individual residing in a member state of the European Union; and • are not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person or not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 3 under the laws of any jurisdiction. NAB has sent a pre-registration brochure to each Eligible CPS Holder to inform them of the Offer.	Applications will only be accepted during the Offer Period, which opened on 19 February 2019. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 14 March 2019.	Eligible CPS Holders applying directly to NAB may apply online by following the instructions at **nab.com.au/ncn3offer** Eligible CPS Holders who are Australian resident clients of a Syndicate Broker should contact their Syndicate Broker for instructions on how to apply. If you are only applying under the Reinvestment Offer, your CPS Resale Proceeds will be used as the Application Monies and you will not be required to pay any additional amount in respect of your Application. However, if you also apply for additional NAB Capital Notes 3 under the Securityholder Offer you will be required to pay Application Monies for those additional NAB Capital Notes 3.	Eligible CPS Holders applying directly to NAB may apply by completing the Reinvestment Offer Application Form accompanying this Prospectus, and lodging that Application Form with the Registry in accordance with the instructions in Section 4.2. Eligible CPS Holders who are Australian resident clients of a Syndicate Broker should contact their Syndicate Broker for instructions on how to apply. If you are only applying under the Reinvestment Offer, your CPS Resale Proceeds will be used as the Application Monies and you will not be required to pay any additional amount in respect of your Application. However, if you also apply for additional NAB Capital Notes 3 under the Securityholder Offer you will be required to pay Application Monies for those additional NAB Capital Notes 3.

SECTION FOUR:
APPLYING FOR NAB CAPITAL NOTES 3

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Type of Offer	Who is eligible to participate?	When to apply	How to apply online	How to apply using a paper Application Form
Securityholder Offer	You are eligible to apply under the Securityholder Offer if you are an Eligible Securityholder. You are an Eligible Securityholder if you were a registered holder of Ordinary Shares, National Income Securities, NAB Subordinated Notes 2, CPS, CPS II, NAB Capital Notes or NAB Capital Notes 2 as at 7.00pm on 7 February 2019, with a registered address in Australia. NAB has sent a pre-registration brochure to each Eligible Securityholder to inform them of the Offer.	Applications will only be accepted during the Offer Period, which opened on 19 February 2019. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 14 March 2019.	Eligible Securityholders may apply online by following the instructions at **nab.com.au/ncn3offer** and completing a BPAY® payment. Follow the instructions in Section 4.3 to complete your BPAY® payment. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted. Your online Application Form and BPAY® payment must be completed and received by the Registry before the Closing Date, which is expected to be 5.00pm on 14 March 2019.	Eligible Securityholders may apply by completing the Application Form accompanying this Prospectus, and lodging that Application Form and accompanying cheque or money order with the Registry. Follow the instructions in Section 4.2 to complete your payment by cheque or money order.
Institutional Offer	If you are an Institutional Investor, you must apply to participate by contacting the Arranger.	Applications will only be accepted during the Offer Period, which opened on 19 February 2019. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 14 March 2019.	If you are an Institutional Investor, you must apply to participate in the Institutional Offer by contacting the Arranger. NAB reserves the right not to accept Applications from Institutional Investors where they have not been received through the Arranger.	
Broker Firm Offer	The Broker Firm Offer is available to clients of a Syndicate Broker, including Eligible Securityholders and Eligible CPS Holders, who are Australian resident retail investors.	Applications will only be accepted during the Offer Period, which opened on 19 February 2019. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 14 March 2019.	If you are applying under the Broker Firm Offer (including to reinvest your CPS Resale Proceeds), you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to lodge your Application and accompanying cheque(s) and/or money order(s) (if required). Generally, your Application will be lodged with the Syndicate Broker.	

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4.2 How to pay by cheque or money order

Cheques and money orders must be in Australian dollars and drawn on an Australian branch of a financial institution. They should be made payable to "NAB Capital Notes 3 Offer" and be crossed "not negotiable".

Completed Application Forms and accompanying cheques and/or money orders can be lodged with the Registry by either:

(a) mailing them using the reply-paid envelope to:

National Australia Bank Limited
C/– Computershare Investor Services Pty Limited
Reply Paid 52
Melbourne VIC 8060

(b) mailing them using any other envelope to:

NAB Capital Notes 3 Offer
C/– Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001

(c) lodging them by hand at the following address:

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

Application Forms and Application Monies will not be accepted at any other address or office (including NAB's registered office or any other NAB office or branch, or other branches or offices of the Registrar).

Application Forms and accompanying cheques / money orders must be received at the above addresses by no later than the Closing Date, which is expected to be 5.00pm on 14 March 2019.

4.3 How to pay by BPAY

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

Using these BPAY® details, you must:

- access your participating BPAY® financial institution either through telephone or internet banking;
- select to use BPAY® and follow the prompts;
- enter the supplied biller code and unique customer reference number;
- enter the total amount to be paid which corresponds to how many NAB Capital Notes 3 you wish to apply for under each Application;
- select which account you would like your payment to come from;
- schedule your payment to occur on the same day that you complete your online Application Form. Applications without payment will not be accepted; and
- record and retain the BPAY® receipt number and date paid.

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

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

4.4 Application Monies and Refunds

All Application Monies received before NAB Capital Notes 3 are issued will be held by NAB on trust in an account established solely for the purposes of depositing Application Monies received. Any interest that accrues in that account will be retained by NAB. After NAB Capital Notes 3 are issued to successful Applicants, the Application Payments held on trust will be payable to NAB.

Where the number of NAB Capital Notes 3 allocated is less than the number applied for, or where no allocation is made, surplus Application Monies will be refunded (without interest) as soon as practicable following finalisation of the Offer.

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

4.5 Allocation policy

4.5.1 Reinvestment Offer and Securityholder Offer

Allocations to CPS Reinvestment Applicants and Securityholder Applicants will be determined by NAB in consultation with the Joint Lead Managers.

Applications from CPS Reinvestment Applicants and Securityholder Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, NAB's current intention is to give preference to CPS Reinvestment Applicants over the Securityholder Applicants while still providing for a proportion of the available NAB Capital Notes 3 to be allocated to Securityholder Applicants. How NAB scales back Applications will depend on the extent of Applications from CPS Reinvestment Applicants and Securityholder Applicants. In the event of excess demand, it is possible that the proportionate scale back applied to Securityholder Applicants will be greater than that applied to CPS Reinvestment Applicants.

Any scale back and the basis of Allocation will be announced on 20 March 2019 on ASX and through advertisements in The Australian and Australian Financial Review newspapers.

NAB, at its discretion and in consultation with the Joint Lead Managers, reserves the right to:

- allocate to any CPS Reinvestment Applicant or Securityholder Applicant all NAB Capital Notes 3 for which they have applied;
- reject any Application by a CPS Reinvestment Applicant or a Securityholder Applicant; or
- allocate to any CPS Reinvestment Applicant or Securityholder Applicant a lesser number of NAB Capital Notes 3 than that applied for, including less than the minimum Application of NAB Capital Notes 3 or none at all.

SECTION FOUR: APPLYING FOR NAB CAPITAL NOTES 3

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

4.5.2 Broker Firm Offer

Allocations to Institutional Investors and Syndicate Brokers were determined by NAB following completion of the Bookbuild and reflected expected demand under the Reinvestment Offer.

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

4.6 ASX quotation and Holding Statements

NAB has applied for NAB Capital Notes 3 to be quoted on ASX. Quotation of NAB Capital Notes 3 is not guaranteed.

Deferred settlement trading of NAB Capital Notes 3 is expected to commence on 21 March 2019 under ASX code 'NABPF'. Trading of NAB Capital Notes 3 on a normal settlement basis is expected to commence on 27 March 2019.

NAB has applied for NAB Capital Notes 3 to participate in CHESS, and if accepted, no certificates will be issued. NAB expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 26 March 2019.

A Holder must determine their allocation before trading NAB Capital Notes 3 to avoid the risk of selling NAB Capital Notes 3 the Holder does not own.

4.7 Provision of bank account details for Distribution payments

Under the Terms, payments in respect of each NAB Capital Note 3 will be made on the due date for payment (or if that day is not a Business Day, then the following Business Day).

To receive payments, Holders must notify the Registrar of an Australian dollar bank account maintained in Australia with a financial institution to which payments in respect of NAB Capital Notes 3 may be credited. On the relevant payment date, NAB will directly credit the payment amount to the Australian financial institution account specified by the Holder.

If you have not notified an appropriate account by close of business on the Record Date, or the transfer of any amount for payment to the credit of the nominated account does not complete for any reason, then NAB will send a notice to the address most recently notified by you advising of the uncompleted payment. In that case, the amount of the uncompleted payment will be held as a deposit in a non-interest bearing, special purpose account maintained by NAB or the Registry until the first to occur of the following:

- you nominate a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited;
- claims may no longer be made in respect of that amount, in which case the monies shall be paid to and be the property of NAB; or
- NAB is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed monies.

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

SECTION FIVE

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OVERVIEW OF NAB

The Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with more than 592,000 shareholders and serving approximately 9 million customers.

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

SECTION FIVE: OVERVIEW OF NAB

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5.1 Overview

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

The Group's purpose is to back the bold who move Australia forward and its strategic focus supports its recently refreshed vision to be Australia's leading bank, trusted by customers for exceptional service. Achieving this vision is underpinned by four key long term objectives:

1. To have a positive net promoter score[1] and be the number one major Australian bank in priority segments.[2]
2. Bringing NAB's cost to income ratio towards 35%.
3. Having the number one return on equity of major Australian banks.
4. To have top quartile employee engagement.

Critical to the Group's ability to achieve its vision and objectives is the maintenance of strong foundations with respect to its balance sheet (including capital, funding and liquidity), risk (including credit and operational risk) and technology.

5.2 Our services

The Group operates the following divisions:

- **Business & Private Banking**, which focuses on serving the needs of three of the Group's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising, Professional Services and Commercial Real Estate. The division also serves high net worth customers through JBWere Limited.
- **Consumer Banking and Wealth**, which comprises the NAB and UBank consumer banking divisions, and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to independent advisers, including mortgage brokers and a financial planning network of self-employed, aligned and salaried advisers in Australia.
- **Corporate and Institutional Banking**, which provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including through branches in the US, UK and Asia with specialised industry relationships and product teams.
- **NZ Banking**, which comprises the Consumer Banking, Wealth, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the "Bank of New Zealand" brand. It excludes Bank of New Zealand's Markets Trading operations.

5.3 Recent Developments

Departure of CEO and Chairman

On 7 February 2019, NAB Group CEO Andrew Thorburn and Chairman Dr Ken Henry advised they would leave the bank. The NAB Board will initiate a global search process for the Group CEO role while actively considering a range of quality internal candidates.

Mr Thorburn will finish at NAB on 28 February 2019. Dr Henry indicated he would retire from the NAB Board once a new permanent Group CEO has been appointed. The NAB Board has asked Philip Chronican, a current NAB Director with extensive domestic banking experience, to serve as acting Group CEO effective 1 March (subject to relevant regulatory approvals) until a permanent appointment is made.

First Quarter Trading Update

On 7 February 2019, NAB released its 2019 first quarter trading update. A copy of that update can be obtained from **asx.com.au** and **nab.com.au/shareholder**

Royal Commission

On 4 February 2019, the Final Report of the Royal Commission and the Federal Government's response were publicly released. NAB is continuing to review the report, which contains 76 recommendations, and the Government's response, to fully understand the implications for the Group.

Further information regarding the Royal Commission is set out in Section 7.2.1(b).

Wealth Management update

On 3 May 2018, NAB announced its intention to reshape its Wealth Management offering, consistent with its plan to become simpler and faster. A detailed review, conducted over nine months, determined the Group could best serve the needs of its customers and deliver long term value for its shareholders by retaining and investing in a more focussed Wealth Management offering. This involves retaining JBWere, part of the Group's leading Business and Private Banking franchise, to help high net worth customers manage their personal wealth alongside their business interests, combined with nabtrade, the Group's fast growing online investing platform, supporting self-directed customers.

The Group intends to exit its Advice, Superannuation & Investment Platforms and Asset Management businesses, currently operating under MLC and other brands ("**MLC**"). Separate ownership will allow this business to determine its own strategy and investment priorities to better deliver for customers and enhance its competitive position. It is expected there will be ongoing arrangements between NAB and MLC, to offer NAB customers continued access to advice and products to meet their wealth management needs.

[1] Net Promoter Score is a trademark of Bain & Company, Satmetrix Systems and Fred Reichheld.

[2] The priority segments are: Home Owners, Investors, Small Business (A$0.1m<A$5m) and Medium Business (A$5m<A$50m).

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The Group's plans to exit MLC have good momentum under new leadership, with recent fee reductions one of many steps underway to reposition the business. Internal separation is progressing well to give MLC management increased autonomy to execute a new strategy, continue to invest in a program of modernisation, continue to focus on customer remediation, and operate as a standalone business within the Group as it prepares to exit.

While there is more detail to come via proposed regulatory changes, the recommendations of the Royal Commission bring more clarity to the proposed divestment of MLC. However, the current regulatory and operating environment for wealth businesses remains challenging and a delay of the intended public markets exit of MLC to the 2020 financial year is now likely. NAB retains the flexibility to consider trade sale options. NAB will take a disciplined approach to the exit of MLC and will execute a transaction at the appropriate time.

The proposed exit remains subject to market conditions, regulatory and other approvals. A further update will be provided with NAB's first half 2019 results announcement.

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FINANCIAL INFORMATION

The summary financial information presented in this section has been extracted from the Group's Annual Financial Report 2018.

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

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

SECTION SIX: FINANCIAL INFORMATION

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6.1 Consolidated Income Statement

The following table sets out the Group's historical consolidated income statement for the years ended 30 September 2017 and 30 September 2018.

For the year ended 30 September	2018 [1] $m	2017 [1] $m
Interest income	**28,543**	27,403
Interest expense	**(15,038)**	(14,221)
Net interest income	**13,505**	13,182
Other income	**5,596**	4,842
Operating expenses	**(9,910)**	(8,539)
Credit impairment charge	**(791)**	(824)
Profit before income tax	**8,400**	8,661
Income tax expense	**(2,455)**	(2,480)
Net profit for the year from continuing operations	**5,945**	6,181
Net (loss) after tax for the year from discontinued operations	**(388)**	(893)
Net profit for the year	**5,557**	5,288
Proft attributable to non-controlling interests	**3**	3
Net profit attributable to owners of NAB	**5,554**	5,285
Earnings per share	**cents**	cents
Basic	**201.3**	194.7
Diluted	**194.0**	189.1
Basic from continuing operations	**215.6**	228.2
Diluted from continuing operations	**207.2**	220.1

(1) Information is presented on a continuing operations basis.

6.2 Pro-forma Consolidated Balance Sheet

The following table sets out the Group's historical consolidated balance sheet as at 30 September 2018 (in the column headed 'Reported Group 30 September 2018'), and the consolidated pro-forma balance sheet assuming the Offer was completed at this date.

The column headed 'Group Pro-forma 30 September 2018' outlines the impact of:

- $1,650m of NAB Capital Notes 3 being issued and external issue costs of $17m being incurred; and
- the conversion of $750m of the $1,514m outstanding CPS, and the redemption of the balance once the CPS have been acquired by the CPS Nominated Purchaser under the CPS Resale.[1]

The pro-forma consolidated balance sheet is unaudited and has been prepared in accordance with the basis of preparation outlined on page 68.

[1] The issue price of any Ordinary Shares issued on conversion of the CPS will be based on the volume weighted average price of Ordinary Shares over certain days between 11 February 2019 and 19 March 2019. The number of CPS converted into Ordinary Shares may be reduced in certain circumstances (or the conversion may not proceed at all). If the number of CPS converted is reduced (or the Conversion does not proceed at all) there will be a corresponding increase to the number of CPS redeemed and a corresponding reduction in contributed equity and cash assets.

SECTION SIX:
FINANCIAL INFORMATION

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	Reported Group 30 September 2018 $m	Pro-forma adjustment related to the Offer $m	Group Pro-forma 30 September 2018 $m
Assets			
Cash and liquid assets	50,188	869	51,057
Due from other banks	30,568		30,568
Trading instruments	78,228		78,228
Debt instruments	42,056		42,056
Other financial assets	10,041		10,041
Hedging derivatives	3,840		3,840
Loans and advances	567,981		567,981
Due from customers on acceptances	3,816		3,816
Property, plant and equipment	1,199		1,199
Goodwill and other intangible assets	5,787		5,787
Deferred tax assets	2,083		2,083
Other assets	10,723		10,723
Total assets	806,510	869	807,379
Liabilities			
Due to other banks	38,192		38,192
Trading instruments	22,422		22,422
Other financial liabilities	30,437		30,437
Hedging derivatives	2,547		2,547
Deposits and other borrowings	503,145		503,145
Current tax liabilities	103		103
Provisions	2,196		2,196
Bonds, notes and subordinated debt	140,222		140,222
Other debt issues	6,158	119	6,277
Other liabilities	8,376		8,376
Total liabilities	753,798	119	753,917
Net assets	52,712	750	53,462
Equity			
Contributed equity	35,982	750	36,732
Reserves	46		46
Retained profits	16,673		16,673
Total equity (parent entity interest)	52,701	750	53,451
Non-controlling interest in controlled entities	11		11
Total equity	52,712	750	53,462

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6.3 Capital Management

6.3.1 Capital Adequacy Framework

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

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

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

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

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

Common Equity Tier 1 Capital comprises paid-up ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of such capital to RWA is called the Common Equity Tier 1 Capital Ratio. Additional Tier 1 Capital comprises certain securities (such as NAB Capital Notes 3) with required loss absorbing characteristics. Together these components of capital make up Tier 1 Capital and the ratio of such capital to RWA is called the Tier 1 Capital Ratio.

Tier 2 Capital mainly comprises subordinated instruments (such as NAB Subordinated Notes 2). Tier 2 Capital is of a lesser quality than Tier 1 Capital, and contributes to the overall capital framework.

Common Equity Tier 1 Capital contains the highest quality and most loss absorbent components of capital, followed by Additional Tier 1 Capital and then followed by Tier 2 Capital.

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

APRA has provided confirmation that NAB Capital Notes 3, once issued, will qualify as Additional Tier 1 Capital for the purposes of the regulatory capital requirements that apply to NAB.

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

Broadly, the key features of this framework include:

- An increase in the amounts of capital ADIs must hold against the risks they face with minimum Common Equity Tier 1 Capital of at least 4.5% of RWA and Tier 1 Capital of at least 6.0% of RWA;
- A capital conservation buffer ("**CCB**") of 2.5% of RWA required to be made up of Common Equity Tier 1 Capital that places restrictions on capital distributions if an ADI's capital level falls within the buffer range; and
- A countercyclical capital buffer of between 0% and 2.5% of total RWA, which is calculated as the weighted average of the countercyclical capital buffers that are applied by the regulatory authorities in jurisdictions in which the ADI has private sector credit exposures. APRA determines the countercyclical capital buffer for the Australian jurisdiction at the appropriate level when excessive credit growth and other indicators point to a system-wide build-up of risk.

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

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

APRA has currently set the countercyclical capital buffer for the Australian exposures of locally incorporated ADIs at 0%. The weighted average of the jurisdictional countercyclical capital buffers that are applied by the regulatory authorities in jurisdictions to which NAB has private sector credit exposures as at 30 September 2018 is 3 basis points, leading to an approximately 0% overall countercyclical capital buffer as at 30 September 2018.

The D-SIB HLA requirement and countercyclical capital buffer have been implemented through an extension of the capital conservation buffer, effective 1 January 2016. As at 30 September 2018, the capital conservation buffer inclusive of the D-SIB HLA requirement and countercyclical capital buffer, was approximately 3.5% of RWA, resulting in a Common Equity Tier 1 Capital requirement inclusive of buffers of approximately 8% of RWA.

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

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6.3.2 Regulatory Capital Developments

'Unquestionably Strong' and Basel III Revisions

In December 2017, the BCBS finalised the Basel III capital framework. APRA subsequently commenced consultation on revisions to the domestic capital framework in February 2018 and reaffirmed its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. APRA expects major Australian banks to achieve Common Equity Tier 1 capital ratios of at least 10.5% by 1 January 2020 based on existing RWA methodologies.

APRA's consultation on revisions to the capital framework includes consideration of 'benchmarks for capital strength', 'risk sensitivity of the capital framework' and 'transparency, comparability and flexibility of the capital framework'. Consultation will continue in 2019 and APRA is currently proposing an implementation date of 1 January 2022. To calibrate the various aspects of the proposals including the potential application of overlays, APRA is undertaking a quantitative impact study.

In November 2018, APRA released a draft amended Prudential Standard APS 110 Capital Adequacy and a new reporting standard in relation to updates to an ADI's leverage ratio requirements for consultation. APRA's proposals include a minimum leverage ratio requirement for ADIs using the internal ratings-based approach to determine capital adequacy at 3.5%, methodology to calculate the leverage ratio largely aligned to the Basel III capital framework and an extended implementation timeline of 1 January 2022.

APRA has finalised its prudential requirements for the standardised approach to counterparty credit risk ("**SA-CCR**"), which are introduced in the new Prudential Standard APS 180 Counterparty Credit Risk. These requirements will take effect from 1 July 2019.

Increased Loss-absorbing Capacity for ADIs

On 8 November 2018, APRA released a discussion paper outlining its proposals for increasing the loss-absorbing capacity of ADIs. The proposals are consistent with the Financial System Inquiry recommendation to implement a framework sufficient to facilitate the orderly resolution of Australian ADIs and minimise taxpayer support. The paper outlines for D-SIBs an increase in the Total Capital requirement of between 4% and 5% of RWA. It is anticipated that D-SIBs would satisfy this requirement predominantly with the issue of additional Tier 2 capital, which is expected to increase the Group's ongoing cost of funds. APRA's consultation process is expected to be completed during 2019, with adjusted capital requirements to apply by 2023.

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6.3.3 The Group's Capital Management Strategy

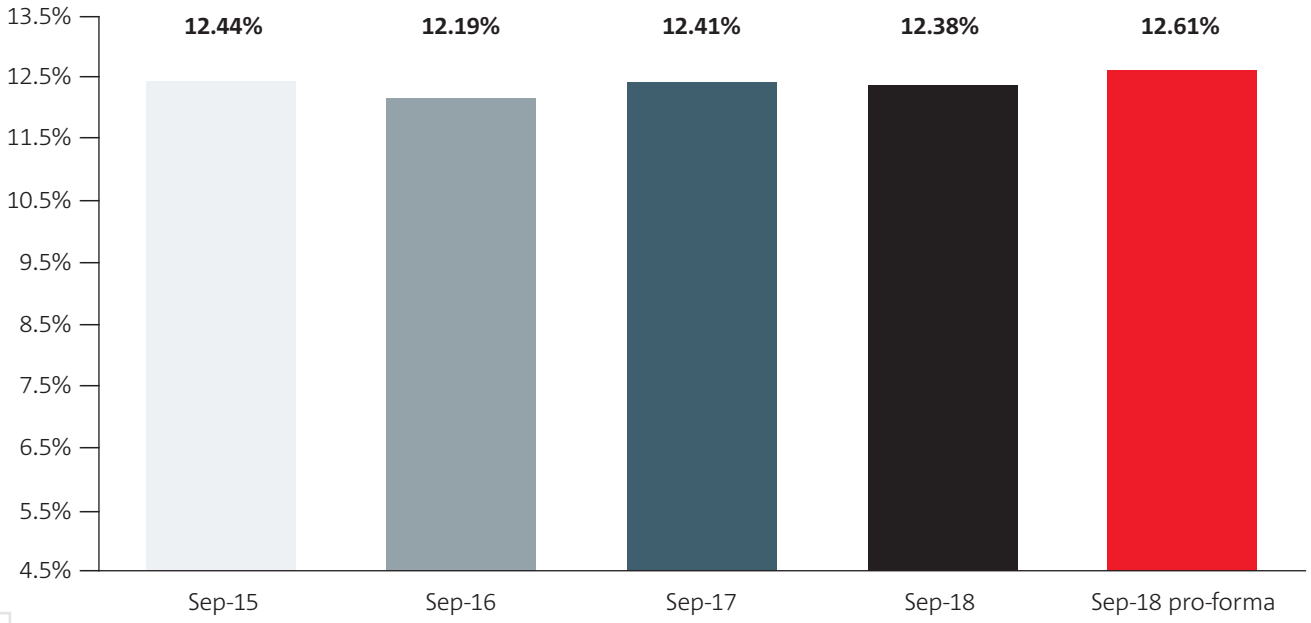
The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective ensures sufficient capital is held in excess of internal risk-based required capital assessments and regulatory requirements, and is maintained in line with the Group's balance sheet risk appetite and investor expectations. This approach is consistent across the Group's subsidiaries.

6.3.4 NAB's Tier 1 Capital position as at 30 September 2018 (unaudited)

Figure 2 illustrates NAB's historical Tier 1 Capital position under APRA's Basel III Prudential Standards. The column labelled "Sep-18 pro-forma" illustrates the impact of the Offer and the CPS Resale, showing NAB's pro-forma Tier 1 Capital position as at 30 September 2018 assuming:

- $1,650m of NAB Capital Notes 3 were issued and external issue costs of $17m were incurred; and
- the conversion of $750m of the $1,514m outstanding CPS into Ordinary Shares and the redemption of the balance following the acquisition of the CPS by the CPS Nominated Purchaser under the CPS Resale.[2]

Figure 2: NAB Level 2 Tier 1 Capital Ratio



[2] The issue price of any Ordinary Shares issued on conversion of the CPS will be based on the volume weighted average price of Ordinary Shares over certain days between 11 February 2019 and 19 March 2019. The number of CPS converted into Ordinary Shares may be reduced in certain circumstances (or the conversion may not proceed at all). If the number of CPS converted is reduced (or the Conversion does not proceed at all) there will be a corresponding increase to the number of CPS redeemed.

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6.3.5 NAB's Common Equity Tier 1 Ratio (unaudited)

The Terms contain a Common Equity Trigger Event as required under APRA's Basel III Prudential Standards for NAB Capital Notes 3 to be eligible for inclusion as Additional Tier 1 Capital.

A Common Equity Trigger Event occurs when the Common Equity Tier 1 Ratio of either or both of the NAB Level 1 Group or the NAB Level 2 Group is equal to or less than 5.125% (see clause 24.1 of the Terms). Upon the occurrence of a Common Equity Trigger Event, some or all NAB Capital Notes 3 will immediately Convert into a number of Ordinary Shares (or if they are not Converted at that time, they will be Written Off).

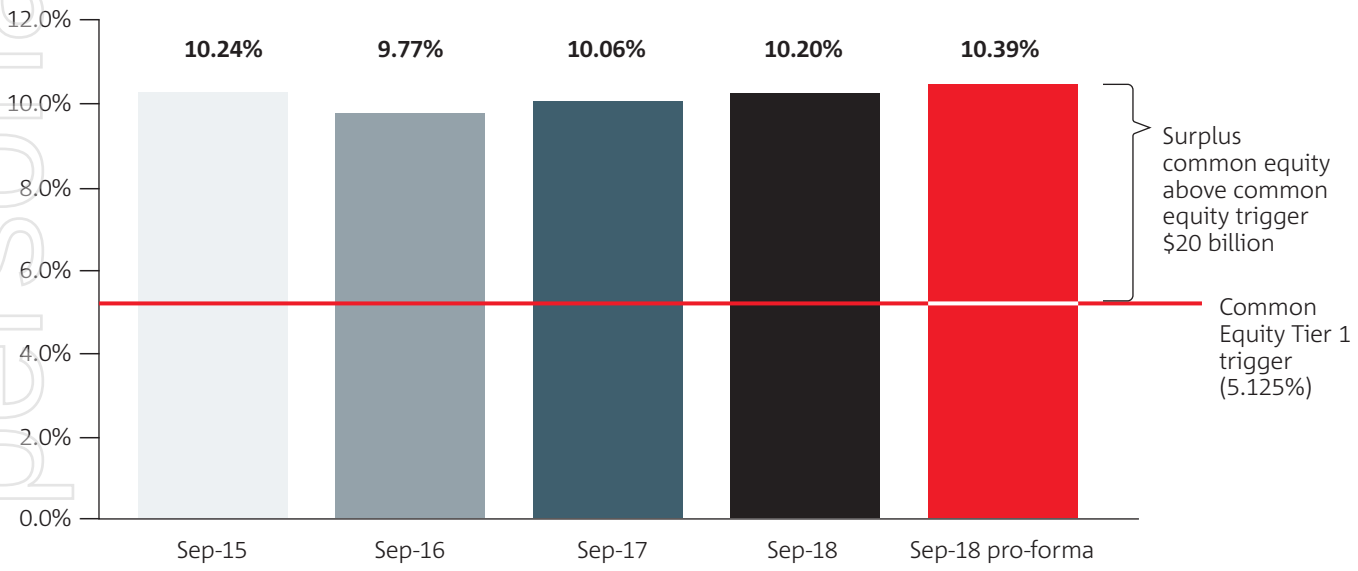
The differences between NAB's Level 1 and Level 2 Common Equity Tier 1 Capital Ratios relate principally to the level of capital held by, and RWA of, BNZ and Wealth subsidiaries (excluding superannuation and funds management).

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

The NAB Level 2 Group Common Equity Tier 1 Ratio was 10.20% as at 30 September 2018, and is approximately $20bn[3] in excess of the Common Equity Tier 1 Ratio that would result in a Common Equity Trigger Event, being 5.125%.

Figure 3 illustrates NAB's historical Common Equity Tier 1 ratio based on APRA's Basel III Prudential Standards. The column labelled "Sep-18 pro-forma" illustrates the impact of the Offer and the CPS Resale, showing NAB's pro-forma Common Equity Tier 1 ratio as at 30 September 2018 assuming the matters outlined in Section 6.3.4.

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



6.3.6 Impacts on NAB's Common Equity Tier 1 Capital Ratio during the 2019 Financial Year

NAB expects to meet APRA's 'unquestionably strong' target Common Equity Tier 1 Capital Ratio of at least 10.5% in an orderly manner by January 2020.

6.3.7 Potential impacts on NAB Capital Notes 3

If NAB's Level 2 Tier 1 Capital Ratio or Level 2 Common Equity Tier 1 Capital Ratio are too low, it may indicate that NAB may not be able to elect to Redeem NAB Capital Notes 3 or pay Distributions.

[3] This dollar amount and the dollar amounts shown in Figure 3 are indicative only as at 30 September 2018 and will vary with movements in NAB's earnings, NAB's RWA and other movements in NAB's capital. The restrictions in the prudential standards and in the Common Equity Trigger Event are expressed in terms of ratios and not fixed amounts of capital.

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6.4 Funding and liquidity

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

Funding

The Group monitors the composition and stability of funding and liquidity through the Board approved risk appetite which includes compliance with regulatory requirements of APRA's Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"). LCR and NSFR are relevant measures in assessing balance sheet strength and if either of them is too low, it may indicate that NAB may not be able to elect to redeem NAB Capital Notes 3 or pay Distributions. The Group continues to pursue opportunities to further enhance and diversify its liquid asset holdings and funding sources.

Compliance with the NSFR became effective on 1 January 2018 and establishes a minimum acceptable amount of stable funding based on the liquidity characteristics of an ADI's assets and activities over a one-year horizon. At 30 September 2018 the Group's NSFR was 113%, above the regulatory minimum of 100%. This position was supported by term wholesale funding issuance being executed in excess of term wholesale funding maturities and an increase in the proportion of stable customer deposits over the September 2018 full year.

Liquidity

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. The market value of total on balance sheet liquid assets held as at 30 September 2018 was $126 billion excluding contingent liquidity. This represents an increase of $2 billion from 30 September 2017.

Liquid asset holdings include $111 billion of regulatory liquid assets (consisting of both High Quality Liquid Assets ("**HQLA**") and Committed Liquidity Facility ("**CLF**") eligible assets) as at 30 September 2018. The CLF is a facility provided by the Reserve Bank of Australia to commercial banks to assist them in meeting the Basel III liquidity requirements. The Group had an available CLF of $59.3 billion during the period 1 January 2018 to 31 December 2018.

In addition, the Group holds internal Residential Mortgage Backed Securities ("**RMBS**") as a source of contingent liquidity and to support the CLF. Unencumbered internal RMBS held at 30 September 2018 was $40 billion (post applicable central bank deduction).

Liquid assets and internal RMBS (net of applicable regulatory deductions) that qualify for inclusion in the Group's LCR were on average $142 billion for the quarter ending 30 September 2018 resulting in an average Group LCR of 129%, above the regulatory minimum of 100%.

6.5 Impact of the Offer

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

6.6 Further information

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

Copies of:

- the Annual Financial Report 2018; and
- all documents lodged with the ASX since the date of the Annual Financial Report 2018,

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

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KEY RISKS OF NAB CAPITAL NOTES 3

This section describes key potential risks that you should consider in deciding whether to invest in NAB Capital Notes 3, including risks that may affect NAB's business and financial performance.

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

Before applying for NAB Capital Notes 3, you should consider whether NAB Capital Notes 3 are a suitable investment for you. There are risks associated with an investment in NAB Capital Notes 3 and in NAB, many of which are outside the control of NAB and its Directors. These risks include those referred to in this section and other matters referred to in this Prospectus.

SECTION SEVEN: KEY RISKS OF NAB CAPITAL NOTES 3

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7.1 Risks associated with investing in NAB Capital Notes 3

7.1.1 Investments in NAB Capital Notes 3 are not Protected Accounts under the Banking Act or any other accounts or deposit liabilities of NAB

NAB Capital Notes 3 are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not insured or guaranteed by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other party.

7.1.2 Distributions may not be paid

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

The payment of Distributions on NAB Capital Notes 3 is subject to the discretion of the Directors, which means they may not be paid and failure to pay a Distribution when scheduled will not constitute an event of default.

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

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

- has no right to apply for NAB to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of NAB; and
- has no right to set-off any amount owing to it by NAB in connection with NAB Capital Notes 3 against any amount owing by it to NAB.

Distributions are non-cumulative, and therefore if a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment.

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

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

7.1.3 Changes in Distribution Rate

The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will go up or down over time as a result of movements in the Bank Bill Rate – see Section 2.1. As the Distribution Rate goes up or down, there is a risk that an investment in NAB Capital Notes 3 may become less attractive when compared to other investments issued by NAB or other entities.

NAB does not guarantee any particular rate of return on NAB Capital Notes 3. Changes in the corporate tax rate will also affect the Distribution Rate. If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

7.1.4 Market price of NAB Capital Notes 3 and Ordinary Shares

The market price of NAB Capital Notes 3 may go up or down due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, impacts of regulatory change (including intervention by ASIC in the market for NAB Capital Notes 3 or similar securities), changes in the laws relating to the availability of franking, movements in the market price of Ordinary Shares or senior or subordinated debt, the availability of better rates of return on other securities and factors that may affect NAB's financial performance and position. NAB Capital Notes 3 may trade at a market price below the Face Value.

In recent years, markets have become more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before deciding whether to make an investment in NAB Capital Notes 3.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which NAB Capital Notes 3 are Converted. The market price of Ordinary Shares is also subject to the factors outlined above and may also be volatile.

The market price of NAB Capital Notes 3 (as well as the Ordinary Shares) may go up or down as a result of the information disclosed to the market by NAB in order to comply with its continuous disclosure requirements.

7.1.5 Liquidity

There may be no liquid market for NAB Capital Notes 3. Additionally, the market for NAB Capital Notes 3 may be less liquid than the market for Ordinary Shares or comparable securities issued by NAB or other entities.

The liquidity of the market for NAB Capital Notes 3 may be negatively impacted by a number of factors, including changes in law, including

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laws relating to franking credits or other laws, or if the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 (as outlined in Section 9.9) is enacted and ASIC exercises its product intervention powers in relation to the NAB Capital Notes 3 or comparable securities issued by NAB or other entities.

Holders who wish to sell their NAB Capital Notes 3 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for NAB Capital Notes 3. NAB Capital Notes 3 are expected to Convert into Ordinary Shares on 19 June 2028 (subject to certain conditions being satisfied) unless NAB Capital Notes 3 are otherwise Converted, Written Off, Redeemed or Resold on or before that date. Where NAB Capital Notes 3 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

In addition, there is no guarantee that NAB Capital Notes 3 will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

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

Upon Conversion, Holders will receive approximately $101 worth of Ordinary Shares per NAB Capital Note 3 (based on the VWAP during a period, usually 20 Business Days, before the Mandatory Conversion Date or other date on which NAB Capital Notes 3 are Converted). The market price of Ordinary Shares may go up or down due to various factors.

For a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive significantly less than $101 worth of Ordinary Shares per NAB Capital Note 3 and may lose a significant amount of the money they invested in NAB Capital Notes 3 as a consequence – see Sections 2.7 and 7.1.14.

The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. As a result, the market value of Ordinary Shares received upon Conversion may be greater than or less than $101 per NAB Capital Note 3 when they are issued or at any time after that, and could be less than the Face Value. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.

7.1.7 Distributions may not be fully franked

NAB expects Distributions to be fully franked. However, there is no guarantee that NAB will have sufficient franking credits in the future to fully frank Distributions. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking.

If a Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate (see clause 2.5 of the Terms).

7.1.8 Use of franking credits by Holders

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

In addition, the Australian Labor Party has announced that, if elected to form the Federal Government, it proposes to introduce rules to prevent certain individuals and superannuation entities from being entitled to receive a refund for excess franking credits from 1 July 2019. Full details on how the proposal would be implemented have not been released, and implementation of the proposal is contingent on both the Australian Labor Party forming Federal Government and the proposal being enacted into law.

If this change occurs and a Holder ceases to be entitled to receive cash refunds on any excess franking credits, NAB will not be required to adjust or gross up the amount of Distributions on NAB Capital Notes 3 and implementation of the Australian Labor Party proposal would not give rise to a Tax Event. This may mean that certain investors may be unable to use franking credits in the future, which may reduce the total NAB Capital Notes 3 returns available to those investors.

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

Holders should also refer to the Australian Taxation Summary in Section 8 and seek professional advice in relation to their tax position.

7.1.9 NAB Capital Notes 3 are perpetual and Mandatory Conversion may not occur on the scheduled Mandatory Conversion Date or at all

NAB Capital Notes 3 are expected to Convert into Ordinary Shares on 19 June 2028 (subject to the NAB Capital Notes 3 being on issue at that date and certain conditions being satisfied).

However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. For example, the market price of Ordinary Shares is relevant to determining whether Conversion will occur, and the number of Ordinary Shares a Holder will receive on Conversion. Depending on the market price of Ordinary Shares at the relevant time, Conversion may not

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occur. The Ordinary Share price may be affected by transactions affecting the share capital of NAB, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of a reorganisation and pro rata bonus issues of Ordinary Shares as described in clauses 7.5 and 7.6 of the Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Terms do not limit the transactions which NAB may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless NAB Capital Notes 3 are otherwise Converted, Written Off, Redeemed or Resold on or before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and NAB Capital Notes 3 are not otherwise Converted, Written Off, Redeemed or Resold, Distributions may continue to be paid on NAB Capital Notes 3 (subject to the Directors resolving to pay a Distribution and no Payment Condition existing on the relevant Distribution Payment Date(s)).

NAB Capital Notes 3 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied. If this occurs, unless NAB Capital Notes 3 are otherwise Converted (see further Sections 7.1.10 to 7.1.14 below), NAB Capital Notes 3 may remain on issue indefinitely.

7.1.10 Conversion on an Acquisition Event

NAB Capital Notes 3 are issued by NAB, which, as an ASX-listed company, may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.

Where this corporate activity constitutes an Acquisition Event, as defined in the Terms, subject to certain conditions, NAB is required to Convert all NAB Capital Notes 3 in accordance with clauses 5 and 7 of the Terms. Conversion may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to NAB Capital Notes 3 (such as Distributions) is unknown.

7.1.11 Conversion, Redemption or Resale at NAB's option

NAB may (subject to APRA's prior written approval) elect to Convert, Redeem or Resell some or all NAB Capital Notes 3 on 17 June 2026 or following the occurrence of a Tax Event or Regulatory Event. In addition, NAB may also Convert some or all NAB Capital Notes 3 on the occurrence of a Potential Acquisition Event.

Holders have no right to request or require a Conversion, Redemption or Resale of their NAB Capital Notes 3.

Any Conversion, Redemption or Resale at NAB's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to NAB Capital Notes 3 (such as Distributions) is unknown.

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

For example, if APRA approves an election by NAB to Redeem NAB Capital Notes 3, Holders will receive cash equal to $100 per NAB Capital Note 3 rather than Ordinary Shares and accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Redemption occurs. In addition, where Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time.

Upon any Resale, it will be the Nominated Purchaser's obligation to pay the Resale Price to the Holders. NAB does not guarantee the Nominated Purchaser will pay this amount and if it does not the Holders will continue to hold NAB Capital Notes 3.

Where Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to NAB Capital Notes 3.

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

If NAB elects to Convert (other than where it is obliged to Convert), Redeem or Resell NAB Capital Notes 3, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Conversion, Redemption or Resale.

Optional Conversion

The optional Conversion of NAB Capital Notes 3 by NAB is also subject to the level of the Ordinary Share price on the second Business Day before the date on which NAB is to send a notice advising Holders that it wishes to Convert NAB Capital Notes 3 (or if trading in Ordinary Shares did not occur on that date, the Business Day prior to that date on which trading in Ordinary Shares occurred). If the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (see Section 2.4), NAB is not permitted to elect to Convert NAB Capital Notes 3. Also, if a Delisting Event applies, NAB is not permitted to elect to Convert NAB Capital Notes 3.

In addition, Conversion on an Optional Conversion Date is subject to both

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the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) and the Third Mandatory Conversion Condition being satisfied in respect of the Optional Conversion Date as if the Optional Conversion Date were a possible Mandatory Conversion Date.

If the requirements for Conversion on the Optional Conversion Date are not satisfied, NAB will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a possible Mandatory Conversion Date (with this condition applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition).

Optional Redemption

The optional Redemption of NAB Capital Notes 3 is subject to the condition that APRA is satisfied that either NAB Capital Notes 3 the subject of the Redemption are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of NAB Capital Notes 3 is done under conditions that are sustainable for NAB's income capacity, or that the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to Redeem NAB Capital Notes 3.

NAB is not permitted to elect to Redeem or Resell NAB Capital Notes 3 on account of an Acquisition Event or a Potential Acquisition Event.

7.1.13 Other events affecting Conversion

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

7.1.14 Conversion on account of a Loss Absorption Event

NAB must immediately Convert NAB Capital Notes 3 into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur at any time and on any day (whether or not the day is a Business Day). Accordingly, any such Conversion on account of a Loss Absorption Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

A Loss Absorption Event is each of:

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

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

If a Loss Absorption Event occurs:

- Conversion is not subject to the Mandatory Conversion Conditions being satisfied;
- Conversion may occur automatically without the need for any further act or step by NAB. In that case, NAB will treat a Holder in respect of its NAB Capital Notes 3 as having been issued the Conversion Number of Ordinary Shares. NAB expects that any ASX trades in NAB Capital Notes 3 that have not settled on the date a Loss Absorption Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although NAB expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which NAB Capital Notes 3 have been Converted as a result of the occurrence of the Loss Absorption Event;
- NAB may also seek a trading halt to prevent further trading in NAB Capital Notes 3 on ASX, and if ASX permits, may refuse to register transfers of NAB Capital Notes 3 that have not settled – this may result in disruption or failures in trading or dealings in NAB Capital Notes 3 (which may cause a Holder to suffer loss);
- Holders will not receive prior notice of Conversion or have any rights to vote or right of approval in respect of the Conversion; and
- the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all.

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

- permitted by APRA to convert or write off only a proportion of NAB Capital Notes 3 and other Relevant Tier 1 Capital Instruments; or
- required to either convert or write off all Relevant Tier 1 Capital Instruments (including NAB Capital Notes 3).

If NAB is required to convert or write off all Relevant Tier 1 Capital Instruments (such as NAB Capital Notes 3), Holders should be aware that all Relevant Tier 1 Capital Instruments will be converted or written off before any Relevant Tier 2 Capital Instruments are converted or written off. NAB has no obligation to maintain any Relevant Tier 1 Capital Instruments on issue and gives no assurance that it will do so.

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

APRA determinations in relation to Loss Absorption Events

Where NAB is permitted to convert or write off only a proportion of NAB Capital Notes 3 and other Relevant Tier 1 Capital Instruments following a Loss Absorption Event, NAB:

- must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of NAB Capital Notes 3 and other logistical considerations, provided that nothing in the making

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of the selection or the adjustments is to delay or impede the Conversion taking effect; and

- where Relevant Tier 1 Capital Instruments are not all in the same currency, NAB may treat them as if converted into a single currency of NAB's choice at such rate of exchange as NAB considers reasonable (but may make adjustments among Holders and holders of other Relevant Tier 1 Capital Instruments having regard to the need to effect conversion immediately).

Accordingly, should a Loss Absorption Event occur, and NAB is permitted to Convert only some and not all NAB Capital Notes 3, not all Holders may have their NAB Capital Notes 3 Converted into Ordinary Shares.

In relation to Common Equity Trigger Events, see Section 6.3 for information on NAB's current level of Common Equity Tier 1 Capital. NAB's level of Common Equity Tier 1 Capital may be affected by risks associated with its business and its ability to raise and maintain levels of capital which are outside its control.

In relation to Non-Viability Trigger Events, APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of NAB's financial position and insolvency; however, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of NAB. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of NAB.

Conversion following a Loss Absorption Event

The number of Ordinary Shares that a NAB Capital Note 3 Holder will receive on Conversion following a Loss Absorption Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted 5 Business Day VWAP but cannot be more than the Maximum Conversion Number. Accordingly, this is likely to result in a Holder receiving significantly less than $101 worth of Ordinary Shares per NAB Capital Note 3 and losing a significant amount of the money they invested in NAB Capital Notes 3 as a result.

This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares is likely to have a value of significantly less than $101;
- the number of shares is calculated by reference to the price of Ordinary Shares on the five Business Days before the Loss Absorption Event Conversion Date which may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP. In particular, VWAP prices will be based wholly or partly on trading days which occurred before the Loss Absorption Event; and
- as noted in Section 2.3, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The Terms do not limit the transactions that NAB may undertake with respect to its share capital and any such action may increase the risk that the Maximum Conversion Number is triggered if NAB Capital Notes 3 are Converted.

Failure to Convert

If, following a Loss Absorption Event, Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date for any reason (including an Inability Event), NAB Capital Notes 3 which would otherwise be Converted, will not be Converted but instead Written Off.

If a Write Off occurs following a Loss Absorption Event, the rights of Holders to Distributions and returns of capital will be terminated, the NAB Capital Notes 3 that are Written Off will not be Converted, Redeemed or Resold on any subsequent date and a Holder will not have their capital repaid. Holders will suffer loss as a result.

The laws under which an Inability Event may arise include laws relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity. The laws and other grounds on which an Inability Event may arise may change and the change may be adverse to the interests of Holders.

Recent changes to the law have given statutory recognition to conversion and write-off provisions in regulatory capital instruments such as NAB Capital Notes 3, subject to limited exceptions.

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

NAB Capital Notes 3 are issued by NAB under the NAB Capital Notes 3 Deed Poll. A Holder has no claim on NAB in respect of NAB Capital Notes 3 except as provided in the Terms and the NAB Capital Notes 3 Deed Poll. NAB Capital Notes 3 are unsecured and subordinated. In the event of a winding up of NAB, and assuming NAB Capital Notes 3 have not been Converted, Redeemed or Resold and are not required to be Written Off due to a Loss Absorption Event, investors will be entitled to claim for the Face Value ($100 for each NAB Capital Note 3) after payment of all claims ranking senior to NAB Capital Notes 3.

Claims ranking senior to NAB Capital Notes 3 are claims of holders of senior ranking securities and instruments (including Tier 2 Capital Instruments), and all other creditors, including subordinated creditors (other than creditors whose claims are subordinated so as to rank equally with NAB Capital Notes 3). Accordingly, NAB's obligations under NAB Capital Notes 3 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to NAB Capital Notes 3. Further, where NAB Capital Notes 3 are Converted, and NAB is wound up, Holders will rank equally

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with and have the claims of holders of Ordinary Shares. The Maximum Conversion Number is likely to be different from the maximum conversion number of other Relevant Tier 1 Capital Instruments so the number of Ordinary Shares received on Conversion may be more or less than the number received by holders of other Relevant Tier 1 Capital Instruments.

Where NAB Capital Notes 3 are required to be Converted on account of a Loss Absorption Event but Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date and, accordingly, NAB Capital Notes 3 have been Written Off (as described in Section 2.7 and clause 4.5 of the Terms), the relevant Holder's rights (including to Distributions) in relation to such NAB Capital Notes 3 will be immediately terminated and written off (with effect from the Loss Absorption Event Conversion Date). The Holder's investment will lose all of its value and the Holder will not receive any Ordinary Shares or other compensation.

If, on a winding up of NAB, there are insufficient funds to pay all amounts ranking senior to and equally with NAB Capital Notes 3, Holders will not receive all or some of the Face Value.

Although NAB Capital Notes 3 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should NAB become insolvent.

Holders should also understand that NAB may have on issue Relevant Tier 1 Capital Instruments (e.g., NAB CPS II) that take the form of convertible preference shares. Due to the requirements of the Corporations Act, if NAB CPS II are written-off, the rights of holders of these securities are not terminated but are instead varied so as to give a holder rights equivalent to the rights in respect of Ordinary Shares it would have received if conversion had occurred. Accordingly, if NAB Capital Notes 3 are Written-Off, Holders will have lesser rights and will likely be worse off than holders of NAB CPS II, even though NAB CPS II rank equally with NAB Capital Notes 3.

7.1.16 Future issues or redemptions of securities by NAB

NAB Capital Notes 3 do not in any way restrict NAB from issuing further securities or from incurring further indebtedness. NAB may in the future issue securities that:

- rank for distributions or payments of capital (including on the winding up of NAB) equal with, behind or ahead of NAB Capital Notes 3;
- have the same or different dividend, interest or distribution rates as those for NAB Capital Notes 3;
- have payment tests and distribution restrictions or other covenants which affect NAB Capital Notes 3 (including by restricting circumstances in which Distributions can be paid or NAB Capital Notes 3 can be Redeemed or Resold); or
- have the same or different terms and conditions as NAB Capital Notes 3.

NAB may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of NAB Capital Notes 3. An investment in NAB Capital Notes 3 carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by NAB.

No prediction can be made as to the effect, if any, which the future issue of securities by NAB may have on the market price or liquidity of NAB Capital Notes 3 or of the likelihood of NAB making payments on NAB Capital Notes 3. Similarly, NAB Capital Notes 3 do not restrict any member of the Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or those that may be issued in the future).

An investment in NAB Capital Notes 3 carries no right to be redeemed or otherwise repaid at the same time as NAB redeems, or otherwise repays, holders of other securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

7.1.17 Exposure to the Group's financial performance and position

If the Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in NAB Capital Notes 3 may decline in value. Accordingly, when you evaluate whether to invest in NAB Capital Notes 3 you should carefully evaluate the investment risks associated with an investment in NAB – see Section 7.2.

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

The restriction on dividend payments where Distributions on NAB Capital Notes 3 are not paid only applies in respect of Ordinary Shares and not distributions in respect of any other securities, including those ranking equally with or senior to NAB Capital Notes 3.

Accordingly, a failure to make a scheduled payment on NAB Capital Notes 3 may not restrict the making of payments in respect of instruments that may in the future rank equally with NAB Capital Notes 3.

Further, the restriction in NAB Capital Notes 3 only applies until the next Distribution Payment Date and is subject to certain exceptions. The dates for distribution with respect to Ordinary Shares are determined by NAB in its discretion and do not bear a fixed relationship to the Distribution Payment Dates for NAB Capital Notes 3. Accordingly, as soon as the restriction ceases to apply (as will be the case if the next scheduled Distribution on NAB Capital Notes 3 is paid) NAB will not be restricted from paying a dividend on its Ordinary Shares.

7.1.19 Changes to credit ratings

NAB's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit

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rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Following the release of the Final Report of the Royal Commission, it is likely that credit rating agencies may review the credit ratings assigned to the Group and may revise credit ratings or credit rating outlooks. Even though NAB Capital Notes 3 will not be rated, such changes may adversely affect the market price, liquidity and performance of NAB Capital Notes 3 or Ordinary Shares received on Conversion.

7.1.20 Regulatory classification

APRA has provided confirmation that NAB Capital Notes 3 qualify as Additional Tier 1 Capital under the Basel III Prudential Standards. However, if NAB subsequently determines that, as a result of a Regulatory Change, some or all NAB Capital Notes 3 are not or will not qualify in that category of regulatory capital (and NAB did not expect this prior to the Issue Date), NAB may decide that a Regulatory Event has occurred. This will allow Conversion, Redemption or Resale (subject to certain conditions, including APRA approval) at NAB's discretion.

7.1.21 Australian tax consequences

A general outline of the tax consequences of investing in NAB Capital Notes 3 for certain potential investors who are Australian residents for tax purposes is set out in the Australian taxation summary in Section 8. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

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

Broadly, NAB is entitled to Convert, Redeem or Resell all or some NAB Capital Notes 3 (subject to certain conditions, including APRA's prior written approval), if as a result of a change in law or practice on or after the Issue Date in Australia (which NAB did not expect at the time of issue of NAB Capital Notes 3), there is a more than insubstantial risk that a Distribution would not be frankable (or would only be frankable subject to requirements which the Directors determine to be unacceptable) or that NAB would be exposed to an increase in taxes or other costs, which is not insignificant, in relation to NAB Capital Notes 3. See the description of a Tax Event in Section 2.4 for more information.

7.1.22 Shareholding limits and Eligible Nominee sales

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of an Australian bank, such as NAB, to a 15% stake (which will be increased to 20% from 1 April 2019). A Shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

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

Holders should take care to ensure that by acquiring any NAB Capital Notes 3 (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

Holders who do not wish to receive Ordinary Shares on Conversion may notify NAB of this no less than 15 Business Days prior to the Conversion Date. In addition, if you are a Foreign Holder, you will not receive Ordinary Shares on Conversion (unless NAB is satisfied that it may issue them to you). If you are not to receive Ordinary Shares, the relevant number of Ordinary Shares will be issued to an Eligible Nominee (which must not be NAB or a Related Entity to NAB), on terms that the Eligible Nominee will sell the Ordinary Shares at the first reasonable opportunity and pay the net proceeds of any sale to you. No guarantee is given in relation to the timing or price at which any sale will occur. Neither NAB nor the Eligible Nominee has any duty to Holders in relation to the price at which Ordinary Shares are sold, nor any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares where required in the circumstances described above. NAB will treat you as a Foreign Holder if your address in the Register is a place outside of Australia or NAB otherwise believes you may not be a resident of Australia. Further, if a FATCA Withholding is required to be made in respect of Ordinary Shares to be issued on Conversion, NAB will only issue those Ordinary Shares to the Holder to the extent (if at all) that the issue of Ordinary Shares is net of FATCA Withholding. To the extent that a FATCA Withholding is required, NAB will issue the Ordinary Shares to an Eligible Nominee who will sell those Ordinary Shares on the basis outlined above and will deal with the proceeds of sale in accordance with FATCA. See Section 7.1.26 for an explanation of circumstances in which a FATCA Withholding may be required.

7.1.23 NOHC Event

As described in Section 7.1.10, certain merger and acquisition activity in relation to NAB will constitute an Acquisition Event, as defined in the Terms. In this case, subject to certain conditions, NAB is required to Convert all NAB Capital Notes 3 in accordance with clauses 5 and 7 of the Terms.

However, certain events which would otherwise constitute Acquisition Events are categorised under the Terms as NOHC Events. Where a NOHC Event occurs and certain other conditions are satisfied, the NOHC Event will not trigger a Conversion of NAB Capital Notes 3. Instead, NAB will be permitted to make certain amendments to

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the Terms in order to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion.

Accordingly, potential investors should be aware that, if a NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the Terms, Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares of NAB on Conversion. Potential investors should also be aware that Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event.

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

In the event that a NOHC Event were to occur, NAB would continue to be regulated by APRA. However, depending on the structure of the acquirer following a NOHC Event and the capital framework which APRA determines to apply to it, the composition of NAB's capital measurement levels may be affected, which in turn may affect NAB's ability to pay Distributions on NAB Capital Notes 3.

After a NOHC Event Holders will remain note holders in NAB with the same rights to distributions and to payment in a winding up of NAB as before the NOHC Event, but on Conversion Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in NAB. NAB Capital Notes 3 should remain quoted on ASX, but NAB's Ordinary Shares will cease to be quoted.

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

Where an Approved NOHC is substituted as the issuer of ordinary shares on Conversion, there is no restriction on the Approved NOHC declaring or paying a dividend on or, buying back or reducing capital on its ordinary shares if NAB does not pay a Distribution on a NAB Capital Note 3 (see Section 7.1.23).

7.1.24 Relevant provisions of the Banking Act, powers of a statutory manager and APRA secrecy rules

In certain circumstances APRA may appoint a statutory manager (a Banking Act statutory manager) to take control of the business of an ADI, such as NAB. Those circumstances are defined in the Banking Act to include:

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

The powers of a Banking Act statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. A Banking Act statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. The Banking Act statutory manager may also dispose of the whole or part of an ADI's business. In the event that a Banking Act statutory manager is appointed to NAB in the future, these broad powers of a Banking Act statutory manager may be exercised in a way which adversely affects the rights attaching to NAB Capital Notes 3 and the position of Holders. APRA may, in certain circumstances, require NAB to transfer all or part of its business to another entity under the Financial Sector (Transfer and Restructure) Act 1999 (Cth) ("**FSTR Act**").

A transfer under the FSTR Act overrides anything in any contract or agreement to which NAB is party and thus may have an adverse effect on NAB's ability to comply with its obligations under NAB Capital Notes 3 and the position of Holders.

In addition, Holders should be aware that secrecy obligations may apply to action taken by APRA. This means that information about action taken by APRA (including in exercise of its powers under the Banking Act) may not be publicly disclosed.

7.1.25 Amendment of Terms

NAB may, with APRA's prior written approval where required, amend the Terms and the NAB Capital Notes 3 Deed Poll without the approval of Holders. These include necessary or expedient amendments to dates and time periods to facilitate any Mandatory Conversion, Loss Absorption Event Conversion, optional Conversion, Redemption or Resale or any change which NAB considers will not be materially prejudicial to the interests of Holders as a whole. See Section 2.9 "Amendment of Terms" and clause 18.1 of the Terms for a more detailed list of the types of amendments NAB may make to the Terms without the approval of Holders. NAB may also, with APRA's prior written approval where required, amend the Terms if the amendment has been approved by a Special Resolution of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not

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agree with the amendment. APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of NAB Capital Notes 3 as Additional Tier 1 Capital. The Holders may not by any resolution take any action which affects the eligibility of NAB Capital Notes 3 as Additional Tier 1 Capital without APRA's prior written approval.

7.1.26 Holders may be subject to FATCA withholding and information reporting

It is possible that, in order to comply with FATCA, NAB (or if NAB Capital Notes 3 are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service ("**IRS**") or under applicable law) to request certain information from Holders or beneficial owners of NAB Capital Notes 3, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after the implementation date of the relevant U.S. regulations with respect to NAB Capital Notes 3 if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If NAB or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of NAB Capital Notes 3, Holders and beneficial owners of NAB Capital Notes 3 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This description is based on guidance issued to date by the IRS, including recently issued regulations. Future guidance may affect the application of FATCA to NAB Capital Notes 3.

7.2 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 the Group. These risks and uncertainties are not listed in order of significance and it is not possible to determine the likelihood of these risks occurring. In the event that one or more of these risks materialise, the Group's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

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 impact the cost of funding its operations or its financial condition. It may also result in regulators requiring the Group to hold additional capital, pay fines or incur additional costs, including costs to undertake remedial action. These impacts may affect the viability of some or all of the Group's business activities.

The Group's risk management framework and internal controls may not be adequate or effective in accurately identifying, evaluating or addressing risks faced by the Group. There may be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known or material. These may individually or in aggregate adversely impact the Group. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Group.

7.2.1 Risks specific to the banking and financial services industry

The nature and impact of these external risks are generally unpredictable and are beyond the Group's direct control.

(a) The Group may be adversely impacted by macro-economic and geopolitical risks and financial market conditions.

The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches in Asia, the United Kingdom ("**UK**") and the United States of America ("**US**"). The business activities of the Group are dependent on the nature and extent 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 other economic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates, and market volatility and uncertainty. Deterioration in any of these factors 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.
- An increase of customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings. In particular, the Group's wealth business earnings are highly dependent on asset values, mainly the value of listed equities.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

Economic conditions may also be impacted by climate change and major shock events, such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

SECTION SEVEN:
KEY RISKS OF NAB CAPITAL NOTES 3

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

- Continued above-trend global growth is leading to lower unemployment rates and reductions in spare productive capacity. Modest inflation, which has allowed key central banks to keep their policy interest rates low by historical standards, is starting to reverse. Policy rates have risen most rapidly in the US, but have also increased in Canada and the UK. While not yet raising rates, the European Central Bank has reduced monetary stimulus by ending its asset purchase program at the end of 2018. Further increases in policy rates are expected going forward as global monetary policy is gradually normalised.
- Sustained low central bank policy rates, combined with unconventional monetary policy in a number of regions, have created considerable financial vulnerabilities across the globe with high debt levels and elevated asset prices in many regions (although prices for some assets have declined since late 2018). Potentially significant risks are associated with rising interest rates, both in terms of asset repricing and mismatches in asset and debt maturities. If the rise in US inflation and interest rates is above the gradual pace currently expected by markets, these risks will be magnified. Increases in global bond yields could also affect Australian and New Zealand markets. The increased spread between bank bill rates and overnight indexed swap rates adds to potential funding costs, and it remains unclear how long market pricing will continue at these higher spreads.
- Government debt is exceptionally high across large advanced economies, impacting on sovereign credit ratings and funding costs. While Australian and New Zealand government debt remains low by advanced economy benchmarks, any decreases in their sovereign credit ratings could have an adverse effect on the Group's businesses located in both countries. The global economy is highly leveraged and as bond rates increase, it adds business risks in key export markets. Household debt is also at elevated levels across a range of emerging and advanced economies, including Australia and New Zealand.
- Regulators have warned that many valuations look stretched by either historical or conventional valuation standards. Prices for US equities, commercial real estate in the US and UK, and residential property in Pacific Rim metropolitan centres appear elevated. An increase in interest rates or a decrease in income could trigger declines in some of the collateral values.
- Low central bank policy rates and compressed risk premiums led investors to take on more risk in their search for yield. This has resulted in capital flowing towards a range of riskier government and corporate borrowers who are more vulnerable to default as interest rates start to rise.
- Emerging market currencies have fallen sharply since the first quarter of 2018, as have equity markets in these regions. Although concerns are currently localised in a few countries, negative sentiment could result in contagion across the regions, driving capital outflows that could place strain on financial markets. Countries with large foreign currency denominated debts are particularly exposed.
- Capital flows into the US, stimulated by strong investment flows, emerging market concerns and tax incentives for US multi-nationals repatriating profits back to the US, could lead to exchange rate volatility and to higher interest rates and credit downgrades in borrowing countries, particularly those with current account deficits and net foreign debt. Countries across Latin America, Africa, Asia and Eastern Europe appear vulnerable to movements in capital back toward the US as yields increase.
- Concerns around the stability of emerging market economies have risen in recent months. While largely related to specific domestic issues in a limited number of economies (most notably Turkey, Argentina and Brazil), credit default swap spreads across a broad range of emerging market economies have risen considerably since early 2018. These measures are often an early warning indicator of financial stress in economies.
- Risks are increasing across the banking sector in East Asia. China's banks are exposed to highly geared corporates and real estate, and there is uncertainty over the outlook for Chinese non-performing loans. The high property prices and positive credit growth to gross domestic product gaps that exist in Hong Kong, Singapore and China illustrate potential problems in the event of a negative shock to the region's economies. China's extensive and complex shadow banking sector presents added risks.
- There are still pockets of concern throughout the global banking sector. In addition to emerging markets and East Asia, bank stresses still remain in parts of the Eurozone, especially in Italy, Spain and Portugal.
- Trade tensions between the US and major trading partners, most notably China, continue to escalate following the introduction of a series of tariff measures in both countries. Although China is the primary target of US trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. China's policy response to these trade measures also presents a degree of uncertainty. There is some evidence of China's monetary policy easing and the potential for greater fiscal spending, which could worsen existing imbalances in its economy. This could undermine efforts to address already high debt levels, and increase medium-term risks.
- Continued economic growth in China is important to Australia and New Zealand, with ongoing trade and investment exposure to any sharp slowdown in the rapid pace of Chinese economic growth. China's high and growing debt burden presents a risk to its medium-term growth prospects. Due to its export mix, Australia's economy is especially exposed to a sudden downturn in Chinese investment in business,

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infrastructure or housing. The ongoing trade tensions with the US present some additional uncertainty.

- As commodity exporting economies, Australia and New Zealand are exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income, tax receipts and exchange rates. Previous sharp declines in commodity prices in Australia and New Zealand were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and the Group has sizeable exposures to commodity producing and trading businesses.
- Residential property prices in certain major metropolitan areas in Australia and New Zealand are high relative to standard affordability metrics. High levels of immigration have underpinned elevated levels of housing demand, supporting these property market values. A range of factors could contribute to lower residential property prices. This includes regulatory changes which may impact the availability of credit, shifts in political platforms that are less favourable to immigration and overseas investment, changes to policy regarding negative gearing and capital gains tax, and rising unemployment.

Geopolitical risks continue to present uncertainty to the economic outlook. An increasing fragmentation and a rise in populism in many major democratic economies have led to difficulties in policy implementation. The likelihood of the UK leaving the European Union without a withdrawal agreement has increased, posing greater economic uncertainty for the European region. In addition, the changing nature of US foreign policy has contributed to higher geopolitical risk, particularly given the ongoing uncertainty around the Korean Peninsula, South China Sea and Iran nuclear sanctions. The potential for a change in government in Australia presents a degree of policy uncertainty across a range of asset classes.

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

The Group is highly regulated in jurisdictions in which it operates, trades or raises funds, and is subject to supervision by a number of regulatory authorities and industry codes of practice. Regulations vary across jurisdictions and are designed to protect the interests of customers, 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. This may also result in changes in the viability of the Group's participation in certain markets, or the need to divest components of its operations.

The financial services and banking industries in Australia and New Zealand are currently operating in an environment of heightened regulatory and political scrutiny. Recommendations from reviews and inquiries, and regulatory and legislative changes, may result in significant reforms to the financial services and banking industry.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry'. A Royal Commission is a formal public inquiry that can only be instigated by the executive branch of the Australian Government and is directed by terms of reference. Broadly, the Royal Commission was directed to inquire into, and report on, whether any conduct of financial service entities (including the Group) might have amounted to misconduct and whether any conduct, practices, behaviour or business activities fell below community standards and expectations. During 2018, the Royal Commission conducted public hearings on a wide range of matters that relate to the business and operations of the Group, including consumer and business lending, provision of financial advice, superannuation, insurance, the conduct of the financial regulators, and issues of culture, governance and remuneration. The Final Report of the Royal Commission was released publicly on 4 February 2019. In the Final Report, the Commissioner identified conduct by financial service entities, including the Group, that may have amounted to misconduct or has fallen short of community standards and expectations. The Royal Commission has made 76 recommendations including:

- the creation of a registration, disciplinary and conduct reporting system for financial advisers and financial services licensees;
- that ongoing fee arrangements with financial advisers be reviewed annually, with clearer disclosure of adviser conflicts required;
- the introduction of a duty on mortgage brokers to act in the best interests of borrowers, and a phased prohibition on trailing and other commissions being paid by lenders to mortgage brokers;
- the repeal of grandfathering provisions, and reviews of other exemptions, in relation to conflicted remuneration – with a view ultimately to banning conflicted remuneration;
- the introduction of a single default superannuation fund for all workers, a prohibition on the deduction of advice fees from MySuper superannuation accounts, and limiting the deduction of advice fees from all other superannuation accounts;
- a prohibition on a superannuation trustee assuming any obligations other than those arising from or in the course of its performance of the duties of a trustee of a superannuation fund;
- amending the definition of 'small business' in the 2019 Banking Code

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of Practice to extend the protection of the Code to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than $5 million;

- the prohibition of 'hawking' or unsolicited selling of superannuation and insurance products to retail clients; and
- establishment of a national scheme to mediate distressed agricultural loans, and the introduction of other measures to protect agricultural borrowers.

A number of measures were also recommended to improve the effectiveness of, and oversight of, ASIC and APRA in deterring, and imposing appropriate penalties for, misconduct. This included a recommendation for ASIC to change its approach to enforcement, with a focus on instigating court action in relation to conduct matters that are not solely administrative.

Recommendations were also made requiring financial service entities to conduct regular ongoing reviews of the design and implementation of their employee and management remuneration systems, and their culture and governance policies and practices, with a particular focus on the management of non-financial risks and reducing the risk of misconduct.

The Federal Government has responded to the Final Report, confirming its support for 75 of the 76 recommendations. The Government will seek further review of the implications of the recommendation that borrowers rather than lenders pay mortgage broker fees. The opposition Australian Labor Party has confirmed its support for all of the recommendations.

The Royal Commission's recommendations are likely to result in significant legislative and regulatory change. The detail of any changes and the timeframe for implementation is not certain. When implemented, these changes may result in significant compliance costs, and may have an adverse impact on the Group's business, operations, financial performance and prospects.

The Commissioner has referred a number of instances of potential misconduct to ASIC and APRA for consideration. Where these matters relate to the Group, it may result in proceedings being brought against Group entities, which could result in the imposition of civil or criminal penalties on the Group. The scale of penalties is not known.

NAB is continuing to review the Final Report, and the Federal Government's response, to fully understand the implications for the Group.

Other reviews and inquiries

Other reviews and inquiries that may impact the financial services and banking industries include:

- In May 2018, the Reserve Bank of New Zealand ("**RBNZ**") and the New Zealand Financial Markets Authority ("**FMA**") initiated a review of conduct and culture in the New Zealand banking industry, with a number of industry-wide recommendations included in a report published 5 November 2018. Some further specific findings were provided to individual New Zealand banks (including BNZ) in November 2018. Responses to both reports are due to RBNZ and FMA by the end of March 2019. The outcome of this review may lead to further increased political or regulatory scrutiny of the banking industry in New Zealand, which could adversely impact BNZ.
- In April 2018, APRA released the Final Report of its 'Prudential Inquiry into the Commonwealth Bank of Australia'. APRA has requested that the other major banks (including NAB) conduct a self-assessment against each of the issues raised by the report. NAB submitted its self-assessment to APRA on 29 November 2018 and also made it publicly available. NAB is now addressing its findings and will report on progress. If the Group does not deliver the actions identified in its self-assessment, this may adversely impact the Group's reputation.
- Supervision, regulation and enforcement in relation to anti-bribery and corruption, anti-money laundering ("**AML**") and counter-terrorism financing ("**CTF**") laws and trade sanctions has increased. In June 2018, Australia's financial intelligence agency, AUSTRAC, reached an agreement with another major Australian bank for a $700 million penalty relating to serious breaches of AML/CTF laws.
- Legislation to implement the Banking Executive Accountability Regime ("**BEAR**") came into effect for the Group from July 2018. This legislation is intended to increase the responsibility and accountability of ADIs and their directors and senior executives. The Royal Commission has made a number of recommendations regarding BEAR, including to extend the BEAR regime to all APRA-licenced entities and to introduce a new accountable person responsible for the entire product chain of an ADI, and any necessary remediation of customers in respect of an ADI's products. The Royal Commission has also recommended that BEAR be jointly administered by ASIC and APRA with ASIC overseeing consumer protection and market conduct and APRA overseeing prudential aspects. The Government has indicated its support for this recommendation.
- In September 2018, a Bill was introduced into Parliament that would, if passed, impose additional obligations on the Group regarding the design and distribution of financial products. The Bill would also grant product intervention powers to ASIC if it believes significant consumer detriment may occur.
- ASIC announced in August 2018 that it plans to strengthen its enforcement and supervisory capabilities, including embedding dedicated supervisory staff within large financial institutions to monitor their governance and compliance with laws. This regime is now operational.
- In October 2018, the Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Bill 2018 was introduced into Parliament. If passed, the Bill would introduce a stronger penalty framework for corporate and financial sector misconduct, including

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clarifying that the courts are to give priority to victim compensation over the ordering of financial penalties.

- In March 2018, legislation was passed to extend and enhance APRA's powers to address crises affecting financial sector entities. The legislation confers broad powers on APRA to intervene in the operation of ADIs and, in some cases, their subsidiaries.
- There have been a number of other ongoing inquiries such as the House of Representatives Standing Committee on Economics' 'Review of the Four Major Banks'; the Productivity Commission's inquiry into 'Competition in the Australian Financial System'; and the Australian Competition and Consumer Commission's 'Residential mortgage products price inquiry' and 'Inquiry into foreign currency conversion services'.

Implementation of the BCBS reforms will continue in Australia and other jurisdictions relevant to the Group. In December 2017, the BCBS finalised the Basel III Standards. Regulatory changes that have followed include:

- In Australia, APRA commenced consultation on revisions to the capital framework in February 2018 and reaffirmed its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. The major Australian banks are expected to have Common Equity Tier 1 Capital ratios of at least 10.5% by January 2020. Consultation will continue throughout 2019, and has to date included consideration of 'benchmarks for capital strength', 'risk sensitivity' and 'transparency, comparability and flexibility' of the capital framework. Final revised prudential standards are expected to be released in 2020, with implementation commencing 2022.
- In New Zealand, the RBNZ is undertaking a review of the capital adequacy framework applying to registered banks incorporated in New Zealand. The aim is to identify a framework for setting capital requirements for New Zealand banks, while taking into account how the current framework has operated and international developments in bank capital requirements. In December 2018, the RBNZ proposed a significant increase in banks' required capital levels over a staged transition period of 5 years, for consultation through to May 2019. The proposed changes which aim to strengthen the New Zealand banking system and further protect depositors by reducing the likelihood of bank failures, would, if implemented, have a significant impact on Tier 1 capital levels required to be held by New Zealand banks. Tier 1 capital requirements for banks deemed systemically important (including Bank of New Zealand) are proposed to increase to 16% of RWA, consisting of a minimum Tier 1 requirement of 6% RWA and prudential capital buffers of 10% RWA. The RBNZ's proposals follow the RBNZ's previous release of 'in-principle' decisions on the definition of capital, which included the removal of contingent capital instruments, and on the calculation of RWA. It remains unclear the extent to which APRA will incorporate aspects of the RBNZ's proposals as part of its review of the capital framework.

Examples of other current and potential regulatory changes impacting the Group are:

- The Australian Government announced its support for recommendations arising from the release of the report and public consultation on the 'Review into Open Banking in Australia'. This is designed to increase access to banking products and data by customers and third parties. Consultation on the exposure draft legislation for the regime has commenced, with reforms expected to phase in from July 2019. This, in addition to the passing of legislation to relax restrictions on the use of the term 'bank', is expected to reduce the barriers to new entrants to, and increase competition in, the banking industry.
- On 8 November 2018, APRA released a discussion paper outlining its proposals for increasing the loss-absorbing capacity of ADIs. The proposals are consistent with the Financial System Inquiry recommendation to implement a framework sufficient to facilitate the orderly resolution of Australian ADIs and minimise taxpayer support. The paper outlines, for D-SIBs, an increase in the Total Capital requirement of between 4-5% of RWA. It is anticipated that D-SIBs (including the Group) would satisfy this requirement predominantly with the issue of additional Tier 2 Capital, which is expected to increase the Group's ongoing cost of funds. APRA's consultation process is expected to be completed during 2019, with adjusted capital requirements to apply by 2023.
- In July 2018, APRA commenced consultation regarding revisions to the related parties framework, including proposals to update related entity exposure limits and the extended licensed entity framework. The final framework is scheduled to be implemented from January 2020.
- The RBNZ issued its revised Outsourcing Policy in September 2017 which focuses on services outsourced by New Zealand registered banks, including services provided by parent banks offshore. Compliance with the policy is required by September 2022. Implementation of, and compliance with, the final policy may impact the Group's operations.
- Introduction of legislation to improve accountability in superannuation. There are also proposed changes to the superannuation prudential framework to lift operational governance practices of APRA-regulated superannuation trustees.
- Changes to financial benchmarks, including their supervision and regulation, payments, data protection and privacy laws, data quality, accounting and reporting requirements, tax legislation and bank specific tax levies. This includes the major bank levy which became effective in July 2017, and similar levies that Australian State and Territory Governments may introduce.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as these, or how they will be implemented (if

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at all in some cases), is not known. Depending on the specific nature of the requirements and how they are enforced, they may have an adverse impact on the Group's business, operations, structure, compliance costs or capital requirements, and ultimately its reputation, financial performance and prospects.

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

There is substantial competition across the markets in which the Group operates. Increasing competition for customers can lead to compression in profit margins or loss of market share. The Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower costs and new operating and business models. Evolving industry trends and anticipated rapid changes in technology may impact customer needs and preferences. The Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to keep pace with industry developments and meet customer expectations.

7.2.2 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 are, and in the future may continue to be, impacted by these risks, as set out below.

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

Credit risk is the potential that a 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. Other sources of credit risk also exist in banking and trading books, other financial instruments and loans, extension of commitments and guarantees, and transaction settlements.

The Group's lending portfolio includes residential housing loans, a material component of the Group's total gross loans and acceptances, and commercial real estate loans (largely in Australia and New Zealand). Credit risk may increase in response to adverse business or economic conditions (including deterioration in valuations or prices of residential and commercial property), a decline in employment levels, volatility in the political environment, or high levels of household debt in Australia and New Zealand.

The Group may also be exposed to the increased risk of counterparty or customer default should interest rates rise above the record or near record lows of recent years. In particular, the Group's portfolio of interest-only loans across retail and non-retail segments and the residential investor mortgage portfolio may be susceptible to losses in the event of a rise in interest rates or a decline in property prices. The Group may also be exposed to counterparty default in the event of deterioration in the market for apartments, through retail lending and non-retail lending to property developers.

The Group's large business lending market share in Australia and New Zealand exposes it to potential losses and reputational damage should adverse conditions be experienced by customers in the non-retail segment. Similarly, the Group has a large market share in the Australian and New Zealand agricultural sectors, particularly the dairy sector in New Zealand. Volatility in commodity prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions and other risks may adversely impact these sectors and the Group's financial performance and position.

Key sources of potential credit risk currently include:

- A decline in the value of residential property has been observed in a number of areas of Australia. Should this trend continue, the Group may be subject to an increase in credit losses from lending secured by these assets.
- The retail trade sector is confronting challenges that may impact the ability of some retail traders and owners of retail property to meet their credit obligations. These include low household income growth, international entrants, and the growth of online channels.
- Climate change may present risks arising from extreme weather events that affect property or business operations, the effect of new laws and government policies designed to mitigate climate change, and impacts on certain customer segments as the economy transitions to renewable and low-emission technology. As a result, there is a risk of the Group funding customers secured by assets in sectors experiencing structural decline and with limited liquidity.
- Parts of eastern Australia are experiencing severe drought conditions. The impact is expected to extend beyond primary producers, to customers who are suppliers to the agricultural sector, and to those who reside and operate businesses within regional and rural communities.
- The New Zealand dairy sector experienced financial pressure due to lower milk solid pay-outs in 2015/16. While milk solid pay-outs have improved, global dairy prices have eased slightly since May 2018. A significant decrease in global dairy prices or milk solid pay-outs may adversely impact the sector's ability to service debt. The Australian dairy industry has also faced lower milk prices and industry disruption.

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

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This may adversely impact the Group's financial performance and position.

(b) The Group may suffer due to its exposure to operational risks, which may adversely impact its reputation, and financial performance and position.

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

Operational risks are a core component of doing business arising 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, property or information, customer redress, litigation, or a fall in NAB's share price. In addition, the event may adversely affect the perceptions of the Group held by the public, shareholders, investors, customers, regulators or ratings agencies. Social media may also influence perceptions of the Group. Losses from operational risk events may adversely impact the Group's reputation, and financial performance and position. Examples of operational risk events include:

- Fraudulent or unauthorised acts by employees, contractors and external parties.
- Systems, technology and infrastructure failures, cyber incidents, including denial of service and malicious software attacks, or unauthorised access to customer or sensitive data.
- Process errors or failures arising from human error, including incorrect or incomplete data capture and records maintenance, or inadequate design of processes or controls.
- Operational failures by third parties, including offshored and outsourced service providers.
- Weaknesses in employment practices, including diversity, discrimination and workplace health and safety.
- Deficiencies in product design or maintenance.
- Business disruption and property damage arising from events such as natural disasters, climate change, biological hazards or acts of terrorism.

In addition, the Group is dependent on its ability to retain and attract key management and operating personnel. On 7 February 2019, the Group CEO and Chairman announced that they would be leaving the Group. The Board is initiating a search process for the Group CEO role. These changes, or the unexpected loss of further 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 compliance and conduct risk, which may adversely impact its reputation, and financial performance and position.

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives, as well as internal policies, standards, procedures and frameworks. This includes compliance with financial crime obligations in the jurisdictions in which the Group operates. Conduct risk is the risk that any action of the Group, or those acting on behalf of the Group, will result in unfair outcomes for customers. This may include detrimental practices, such as:

- Selling or unduly influencing customers to purchase products or services that do not meet their needs or are not suitable.
- Conducting inappropriate market practices or being a party to fraudulent or illegal transactions.
- Non-adherence to applicable fiduciary requirements or provision of financial advice which is inappropriate or not in the best interests of customers.
- Delays in appropriately escalating regulatory issues.
- Failure to resolve issues and remediate customers on a timely basis.

Significant regulatory change and public scrutiny of the global financial services industry by conduct-based regulators and government is driving increased standards and customer expectations.

Interpretation of, and guidance in relation to, responsible lending obligations under the National Consumer Credit Protection Act 2009 have evolved in recent years. Changes to these regulations or their interpretation, including by the courts, or the potential for increased regulatory and public scrutiny in relation to these obligations may necessitate the changing of processes or procedures in relation to consumer lending.

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

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

SECTION SEVEN:
KEY RISKS OF NAB CAPITAL NOTES 3

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- Other enforcement or administrative action or agreements, such as enforceable undertakings.

This may adversely impact the Group's reputation, and financial performance and position.

There have been a number of domestic and international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations.

From time to time, Group members are subject to regulatory reviews, which may be industry-wide or specific to the Group. In addition, the Group carries out investigations of certain conduct itself or with the assistance of a third party.

Currently, there are a number of ongoing reviews, investigations and court proceedings involving the Group. These include matters relating to: the provision of financial advice; the inappropriate charging of fees for services; selling practices and advice in relation to consumer credit insurance products; compliance with licence conditions; and the identification, notification and remediation of AML/CTF compliance issues and weaknesses. Refer to 'Notes to the Financial Statements', *Note 29 Contingent liabilities and credit commitments* on page 138 in the *2018 Annual Financial Report* for further details on some of the matters referred to above and other regulatory compliance and conduct investigations and reviews, class actions and court proceedings involving the Group. The potential outcome and total costs associated with these investigations, reviews and court proceedings remain uncertain at this time, and it is possible that further class actions, regulatory investigations or the imposition of new licence conditions could arise in relation to these matters.

The Royal Commission has referred two matters to APRA regarding conduct of the Group's superannuation trustee (NULIS Nominees (Australia) Ltd) that may have contravened the trustee's duties. It is possible that APRA may bring proceedings against NULIS in relation to these matters.

The Royal Commission has also referred other instances of potential misconduct to ASIC for consideration. If these matters relate to the Group, it may result in proceedings being brought by ASIC, which could result in the imposition of civil or criminal penalties on the Group.

Public debate continues about conduct revealed during the course of the Royal Commission and it is possible that further consequences may arise for the Group or relevant individuals.

In August 2018, plaintiff law firm Slater & Gordon announced that it will be launching a series of class actions against bank-owned superannuation funds. The actions will focus on certain financial advice fees, as well as circumstances in which superannuation trustees are alleged to have failed to act in the best interests of members (for example, by not obtaining the most competitive interest rate available on cash investments). To date, one class action of this nature has been filed against another major bank.

Where appropriate, provisions are held for conduct and litigation matters based on a number of assumptions derived from a combination of past experience, forecasts, industry comparison and the exercise of subjective judgement based on (where appropriate) external professional advice. 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 Group's reputation, and financial performance and position.

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

Most of the day-to-day operations of the Group are based on technology, 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 an array of factors including complexity within the technology environment and failure to keep technology up-to-date, a failure of the Group's systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other forms of cyber-attack or physical attack. These factors may be wholly or partially beyond the control of the Group. Such events may result in disruption to operations, customer compensation, reputational damage, adverse impact on speed and agility in the delivery of change and innovation, litigation, loss or theft of customer data, or regulatory investigations and penalties. These risks may adversely impact the Group's reputation, and 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.

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 or loss of customer data, or breach of privacy laws, all of which may adversely impact the Group's reputation, and financial performance and position.

As with other business activities, the Group uses select external providers (in Australia and overseas) to store confidential data and to also develop and provide its technology solutions, including the increasing use of cloud infrastructure. The failure of any external providers to perform their

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obligations to the Group or the failure of the Group to appropriately manage those providers, may adversely impact the Group's reputation, and financial performance and position.

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

Strategic risk is the risk associated with the pursuit of the Group's strategic objectives, and includes the risk that the Group may fail to execute the chosen strategy. There is a risk that the assumptions underlying the Group's strategic decisions are (or prove to be) incorrect, or that the conditions underpinning those strategic decisions may change. The Group may not have the resources or flexibility to adapt quickly (or at all) to such 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 considers a range of corporate opportunities including acquisitions, divestments, joint ventures and investments. Opportunities that are pursued may change the Group's risk profile and capital structure, and inherently come with transaction risks including over-valuation of an acquisition (or under-valuation of a divestment), and exposure to reputational damage and financial risks.

Risks may arise through the integration or separation of a business, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. In addition, the Group may have ongoing exposures to divested businesses, including through the provision of continued services and infrastructure (such as the transitional services being provided to MLC) or the retention of liabilities, including through warranties and indemnities in sale agreements.

In addition to the risks described above, a number of specific risks exist in connection with the sale of 80% of MLC to Nippon Life Insurance Company ("**Nippon Life**"). NAB gave certain covenants, warranties and indemnities in favour of Nippon Life, a breach or triggering of which may result in NAB being liable to Nippon Life. NAB also entered into long-term agreements in relation to the distribution of life insurance products and the continued use of the MLC brand by MLC. The duration and nature of these agreements give rise to certain risks, including that changes in the regulatory or commercial environment may impact the commercial attractiveness of these agreements and limit future opportunities for NAB through non-compete arrangements.

NAB agreed to take certain actions to establish MLC as a standalone entity, including the provision of transitional services, data migration and the development of technology systems. As this work is yet to be completed, there is a risk that implementation costs may ultimately prove higher than anticipated. NAB may also be liable to MLC if it fails to perform its obligations in accordance with the agreements relating to these matters. Refer to 'Notes to the Financial Statements', *Note 29 Contingent liabilities and credit commitments* on page 138 in the *2018 Annual Financial Report* under the heading *MLC Limited life insurance* transaction.

As announced on 3 May 2018, the Group intends to pursue a divestment of its Advice, Platform & Superannuation and Asset Management businesses ("**MLC Wealth Divestment**"). The Group's decision to proceed with, and ability to execute, the MLC Wealth Divestment is subject to a number of factors, including market conditions, the impact of regulatory change and investigations, including any findings from the Royal Commission, the cost and complexity of separation, and obtaining Board and regulatory approvals. If the Group does proceed with the MLC Wealth Divestment, the Group will incur costs associated with the transaction and the terms of the transaction and execution of separation may create risks and uncertainty for the Group and its customers, aligned advisers, employees, suppliers and other counterparties. If the Group decides not to, or is unable to, proceed with the MLC Wealth Divestment, the Group will incur costs associated with the incomplete transaction and uncertainty may be created for customers, aligned advisers, employees, suppliers and other counterparties of the Advice, Platform & Superannuation and Asset Management businesses.

(f) Transformation and change programs across the Group may not deliver some or all of their anticipated benefits and may adversely impact the Group's reputation, and financial performance and position.

The Group invests significantly in change across the organisation, including technology, infrastructure and cultural transformation. There is a risk that these programs may not realise some or all of the anticipated benefits. The Group also continues to pursue business process improvement initiatives and invest in technology to achieve its strategic objectives, meet changing customer expectations and respond to competitive pressures. These process changes may increase operational, compliance and other risks, which may adversely impact the Group's reputation, and financial performance and position.

(g) The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect, which may adversely impact the Group's reputation, and financial performance and position.

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 estimates used in the calculation of provisions (including those pertaining to conduct-related matters), the valuation of goodwill and intangible assets, and the fair value of financial instruments.

If the judgements, estimates and assumptions used by the Group in preparing consolidated financial statements are subsequently found

SECTION SEVEN:
KEY RISKS OF NAB CAPITAL NOTES 3

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to be incorrect, there could be a significant loss to the Group beyond that anticipated or provided for, which may adversely impact the Group's reputation, and financial performance and position.

(h) Litigation and contingent liabilities arising from the Group's business conduct may adversely impact its reputation, and 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 and costs in respect thereof cannot be accurately assessed.

Refer to 'Notes to the Financial Statements', *Note 29 Contingent liabilities and credit commitments* on page 138 in the *2018 Annual Financial Report* for details in relation to the Group's material legal proceedings and contingent liabilities.

(i) Insufficient capital may adversely impact the Group's reputation, operations and financial performance and position.

Capital risk is the risk that the Group does not have sufficient capital to meet prudential requirements, achieve strategic plans and objectives, cover the risks to which it is exposed, or protect against unexpected losses. The Group is required to hold minimum levels of capital relative to the balance sheet size and risk profile of its operations across jurisdictions.

Prudential capital requirements and proposed changes to these requirements may:

- Limit the Group's ability to manage capital across the entities within the Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the Group to raise or use more capital of higher quality, or to restrict balance sheet growth.

Additionally, if the information or the assumptions upon which assessments of capital requirements are made prove to be inaccurate, this may adversely impact the Group's operations, and financial performance and position.

(j) 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 Group accesses domestic and global capital markets as well as raising customer deposits to help fund its businesses. Dislocation in any of these capital markets, or reduced investor and customer appetite to hold the Group's securities or place deposit funds, may adversely affect the Group's ability to access funds or require access to funds at a higher cost or on unfavourable terms.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature and the payment of interest on borrowings. Any significant deterioration in the Group's liquidity position may lead to an increase in the Group's funding costs, constrain the volume of new lending, or result in the Group drawing upon its committed liquidity facility with the Reserve Bank of Australia. This may adversely impact the Group's reputation, and financial performance and position.

(k) A significant downgrade in the Group's credit ratings may adversely impact its cost of funds, market access and competitive position.

Credit ratings are an opinion on the general creditworthiness of a borrower and may be an important reference for market participants in evaluating the Group and its products, services and securities. Credit rating agencies conduct ongoing review activities which can result in changes to credit rating settings and outlooks for the Group, or for sovereign governments in countries in which the Group conducts business. Credit ratings may be affected by operational and market factors, and changes in the rating methodologies used by the agencies.

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 cost of funds or limit its access to the capital markets. This may also cause a deterioration of the liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the Group's credit ratings relative to peers could also adversely impact the Group's competitive position.

(l) Changes in interest rates may adversely impact the Group's financial performance and position.

Interest rate risk is the risk that changes in market interest rates adversely affect the Group's financial position in terms of earnings or the economic value 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).

(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, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

The Group's ownership structure includes investment in overseas subsidiaries and associates and exposures from known foreign currency transactions (such as repatriation of capital and dividends from offshore subsidiaries). The Group also conducts business outside of Australia and transacts with customers, banks and other counterparties in a number of different currencies. The Group's businesses may therefore be affected

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by a change in currency exchange rates, 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.

(n) The Group may suffer significant losses from its trading activities, which may adversely impact the Group's reputation, and financial performance and position.

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. This includes changes in interest rates, foreign exchange rates, commodity and equity prices, and credit spreads.

(o) Failure to sell down underwriting risk may result in losses to the Group and adversely impact its reputation, and financial performance and position.

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

(p) If there is "second strike" shareholder vote against the 2019 Renumeration Report and a spill resolution is passed at the 2019 Annual General Meeting, there is a risk of disruption to the governance and oversight of the Group.

At NAB's 2018 Annual General Meeting, 88.11% of votes cast on the resolution to adopt NAB's 2018 Remuneration Report were cast against the resolution, constituting a "first strike" under the Corporations Act. If at least 25% of the votes cast on the resolution to adopt NAB's 2019 Remuneration Report at its 2019 Annual General Meeting are cast against that resolution, NAB will receive a "second strike" and be required to put a "spill resolution" to its shareholders at that meeting. If the "spill resolution" is passed by a simple majority, then at a subsequent meeting to be held within 90 days of the 2019 Annual General Meeting, all of the NAB directors who approved the 2019 Remuneration Report (other than the Group CEO) will be required to stand for re-election at the meeting. If NAB was to receive a second strike, and the spill resolution were passed at its 2019 Annual General Meeting, there is a risk that the composition of the NAB Board may change, causing disruption to the governance and oversight of the Group.

SECTION EIGHT

AUSTRALIAN TAXATION SUMMARY

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+ HERBERT
SMITH
FREEHILLS

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The Directors
National Australia Bank Limited
Level 1, 800 Bourke Street
Docklands VIC 3008

19 February 2019

Dear Directors

Australian tax consequences of investing in NAB Capital Notes 3

We have been instructed by National Australia Bank Limited ("**NAB**") to prepare a tax summary for inclusion in the Prospectus dated on or about 19 February 2019 in relation to the offer of NAB Capital Notes 3, including a reinvestment offer which provides eligible holders of NAB Convertible Preference Shares ("**CPS**") with the opportunity to reinvest the proceeds of the sale of their CPS under the CPS Resale in NAB Capital Notes 3.

1. Scope

This letter provides a summary of the Australian income tax, capital gains tax ("**CGT**"), goods and services tax ("**GST**") and stamp duty consequences for Holders who are Australian tax residents, acquire NAB Capital Notes 3 through initial subscription under this Prospectus and who hold their NAB Capital Notes 3 on capital account for tax purposes ("**Resident Holders**"). The letter also contains information regarding Australian income tax and CGT consequences for certain Australian tax resident holders of CPS that hold their CPS on capital account for tax purposes.

This summary does not consider the tax consequences which may arise for Holders who are in the business of trading in securities or otherwise hold NAB Capital Notes 3 as trading stock or revenue assets for tax purposes, or for any Holders who are non-residents for Australian tax purposes or Australian residents who hold NAB Capital Notes 3 through a permanent establishment outside Australia.

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

The representatives of Greenwoods & Herbert Smith Freehills involved in preparing this tax summary are not licensed to provide financial product advice. Accordingly, Greenwoods & Herbert Smith Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of NAB Capital Notes 3. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Potential investors should also note that tax is only one of the matters that may need to be considered.

Unless otherwise defined, capitalised terms in this letter have the same meaning as in the Prospectus and the NAB Capital Notes 3 Terms.

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

2. Anticipated Class Ruling – applicable to certain Holders

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

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

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

- only be binding on the Commissioner of Taxation ("**Commissioner**") if the Offer is carried out in the specific manner described in the Class Ruling;
- only apply to Holders who are Australian tax residents, acquire their NAB Capital Notes 3 by initial subscription under the Prospectus and hold them on capital account for tax purposes (i.e. Resident Holders, as defined above). Accordingly, the Class Ruling will not apply to Holders who hold their NAB Capital Notes 3 as trading stock or revenue assets or who are non-residents for Australian tax purposes;

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- only rule on the tax laws as at the date the Class Ruling is issued;
- not consider the tax implications of a Redemption of NAB Capital Notes 3;
- not consider the tax treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax implications for Resident Holders for whom gains and losses from NAB Capital Notes 3 are subject to the taxation of financial arrangement ("**TOFA**") rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) ("**Tax Act**") (see section 4.7 of this letter). Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

You should also be aware that the Class Ruling will not mean that the ATO guarantees or endorses the commercial viability of investing in NAB Capital Notes 3.

3. Tax consequences expected to be addressed in the Class Ruling

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

3.1. Status of NAB Capital Notes 3 for tax purposes

Although not expected to be specifically addressed in the Class Ruling, NAB Capital Notes 3 should be characterised as non-share equity interests for Australian income tax purposes. This means that Distributions on the NAB Capital Notes 3 should be treated as "non-share dividends" that are frankable, as outlined in section 3.2 below.

The Class Ruling will confirm that NAB Capital Notes 3 are not "traditional securities" for tax purposes. The consequence of this is that gains and losses on NAB Capital Notes 3 for Resident Holders should be subject to the capital gains tax rules, as summarised further below, rather than being subject to the specific rules that apply to "traditional securities".

3.2. Distributions and franking credits

Distributions paid on NAB Capital Notes 3 must be included in the assessable income of a Resident Holder.

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

To the extent that the tax offsets attributable to franking credits attached to Distributions exceed a Resident Holder's income tax liability for an income year, the excess tax offset may be refundable to a Resident Holder that is an individual or a complying superannuation entity. However, the Labor Party has announced that, if elected to form the Federal Government, it will introduce rules to prevent certain taxpayers (such as individuals and superannuation entities) from being entitled to receive a refund for excess franking credits from 1 July 2019. Investors should monitor any potential changes on an ongoing basis.

A Resident Holder that is a company should be entitled to a franking credit and tax offset in respect of any franking credits attached to Distributions. However, the company will not be entitled to a tax refund of any excess franking credits. Rather, although not expected to be addressed in the Class Ruling, any surplus franking credits may be converted to a tax loss which may be carried forward to future years (subject to satisfaction of certain tax loss carry forward rules).

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

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

3.3. CGT cost base and acquisition date for NAB Capital Notes 3

Each Resident Holder's CGT cost base (or reduced cost base) for each NAB Capital Note 3 they acquire should include the $100 Issue Price of the NAB Capital Note 3. Although not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) for each NAB Capital Note 3 may also include certain non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of NAB Capital Notes 3.

The cost base (or reduced cost base) will be relevant in determining a Resident Holder's capital gain (or capital loss) on a subsequent disposal of NAB Capital Notes 3.

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Each NAB Capital Note 3 will be taken to have been acquired by a Resident Holder on the date that the NAB Capital Notes 3 are allotted to that Resident Holder (i.e. the Issue Date).

3.4. Conversion of NAB Capital Notes 3

Under specific capital gains tax provisions in the Tax Act dealing with convertible interests, any gain or loss that would arise for a Resident Holder on Conversion of their NAB Capital Notes 3 should be disregarded. The consequence of this is that the gain or loss on Conversion is effectively deferred, with a Resident Holder's cost base in the Ordinary Shares acquired on Conversion reflecting the pro-rata portion of the Resident Holder's cost base in their NAB Capital Notes 3.

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

3.5. Conversion of NAB Capital Notes 3 into ordinary shares in a NOHC

In the event that an Approved NOHC becomes the ultimate holding company of the NAB Group, the NAB Capital Notes 3 Terms may be amended to substitute the Approved NOHC as the issuer of ordinary shares in the event of a Conversion of NAB Capital Notes 3.

Such an amendment to the NAB Capital Notes 3 Terms should not result in Resident Holders realising a capital gain or capital loss provided they do not receive any proceeds (and do not incur any incidental costs) as a result.

No capital gain or capital loss should arise for Resident Holders where, on a subsequent Conversion of NAB Capital Notes 3, they receive shares in the Approved NOHC (in substitution for Ordinary Shares in NAB), due to the specific rules in the Tax Act that deal with convertible interests. The consequence of this is that the gain or loss on Conversion is effectively deferred, with a Resident Holder's cost base in the Approved NOHC shares acquired on Conversion reflecting the Resident Holder's cost base in their NAB Capital Notes 3.

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

Resident Holders will be required to apportion their original cost base (or reduced cost base) for their NAB Capital Notes 3 across all of the Approved NOHC shares that they acquire on Conversion.

3.6. Writing Off

In certain circumstances, NAB Capital Notes 3 may be Written Off (rather than Converted) following a Loss Absorption Event.

Writing Off NAB Capital Notes 3 would involve a Resident Holder's rights under the NAB Capital Notes 3 being terminated for no consideration. A CGT event will happen for Resident Holders if NAB Capital Notes 3 are Written Off.

It is anticipated that the Class Ruling will confirm that, for the purposes of determining whether a Resident Holder makes a capital gain or capital loss from that CGT event happening on a Write Off, a Resident Holder will be taken to have nil capital proceeds, on the basis that they will receive no consideration and the NAB Capital Notes 3 will have a market value of nil at that time. Although not expected to be addressed in the Class Ruling, in that case, Resident Holders should make a capital loss equal to the reduced cost base of their Written Off NAB Capital Notes 3.

3.7. Resale

NAB may elect to Resell NAB Capital Notes 3 in certain circumstances. For each NAB Capital Note 3 subject to a Resale, a Resident Holder will be entitled to receive the Resale Price (which is equal to the Issue Price) from the Nominated Purchaser. A Resale will constitute a disposal of NAB Capital Notes 3 by the Resident Holder for CGT purposes. Accordingly, a Resident Holder may realise a capital gain or capital loss on such disposal to the extent that the Resale proceeds are greater or less than the Resident Holder's cost base or reduced cost base for the NAB Capital Notes 3.

Although not expected to be specifically addressed in the Class Ruling, if NAB Capital Notes 3 have been held for at least 12 months prior to the Resale (excluding the days of acquisition and disposal), a Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any capital gain arising on disposal, such that a percentage of the gain is not included in their assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50% for Resident Holders who are individuals and trusts and 33⅓% for Resident Holders that are complying superannuation entities.

Companies are generally not entitled to the CGT discount.

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The Federal Government announced in the Federal Budget delivered on 8 May 2018 that from 1 July 2019 "managed investment trusts" ("**MITs**") and "attribution MITs" ("**AMITs**") will not be entitled to the CGT discount at the trust level. Under the proposal, MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries who are entitled to the CGT discount. Investors should monitor any potential changes on an ongoing basis.

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

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

4.1. Qualification for franking credits on Distributions – "qualified person"

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

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

In relation to the holding period rule, where there are no "related payment" obligations, the "primary qualification period" applies with the consequence that a Resident Holder must have held NAB Capital Notes 3 "at risk" for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident Holder acquired the NAB Capital Notes 3 and ending on the 90th day after the date on which the NAB Capital Notes 3 became ex-Distribution.

Where a Resident Holder, or an associate, is under an obligation to make a "related payment" (essentially a payment passing on the benefit of the Distribution) in respect of a Distribution, the "secondary qualification period" applies with the consequence that a Resident Holder is required to hold NAB Capital Notes 3 "at risk" for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which NAB Capital Notes 3 became ex-Distribution.

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

In determining whether a Resident Holder has held their NAB Capital Notes 3 "at risk", all "positions" in respect of NAB Capital Notes 3 must be taken into account in identifying the Holder's "net position", to determine whether there has been a material diminution of risk. In this regard, the Resale facility will not represent a separate "position" in relation to NAB Capital Notes 3 and therefore will not affect a Resident Holder's ability to satisfy the "at risk" requirement. It is anticipated that the Class Ruling will address this particular issue.

4.2. Sale of NAB Capital Notes 3

A sale of NAB Capital Notes 3 by a Resident Holder on the ASX will be a CGT event and give rise to a capital gain if the sale proceeds exceed the Resident Holder's CGT cost base of the NAB Capital Notes 3. Conversely, a capital loss will result if the sale proceeds are less than the Resident Holder's reduced cost base.

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

4.3. Redemption of NAB Capital Notes 3

NAB may also elect to Redeem NAB Capital Notes 3 in certain circumstances, in which case NAB must pay a cash amount equal to the Face Value in respect of each NAB Capital Note 3.

Redemption of NAB Capital Notes 3 will be a CGT event and give rise to a capital gain if the proceeds exceed the Resident Holder's CGT cost base of the NAB Capital Notes 3. Conversely, a capital loss will result if the proceeds are less than the Resident Holder's reduced cost base.

The Redemption proceeds will be an amount equal to the Face Value of each NAB Capital Note 3, unless the market value of a NAB Capital Note 3 on the Redemption Date (as determined as if its Redemption had not occurred or been proposed) is greater or less than the Face Value. In that case, the greater or lesser market value amount will be deemed to be the capital proceeds of the Redemption, instead of the Face Value actually received. The Redemption proceeds should not be

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treated as a dividend to the extent to which (as is expected to be the case) they are debited against an amount standing to the credit of NAB's non-share capital account. A Resident Holder (other than a company) may be entitled to CGT discount treatment for any capital gain, in the manner discussed in section 3.7 above.

4.4. Pay-as-you-go withholding tax

Resident Holders may, if they choose, notify NAB of their tax file number ("**TFN**"), Australian Business Number ("**ABN**"), or a relevant applicable exemption.

In the event that NAB is not so notified, tax will be automatically deducted at the highest marginal tax rate (including Medicare Levy) from the cash amount of the unfranked part (if any) of the Distributions. The rate of withholding is currently 47%.

NAB is required to withhold and remit to the ATO such tax until such time as it receives the relevant TFN, ABN or exemption notification.

4.5. Goods and services tax

Resident Holders should not be liable for GST in respect of acquiring NAB Capital Notes 3, or the disposal or Conversion of NAB Capital Notes 3.

Resident Holders who are registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with acquiring NAB Capital Notes 3 (e.g. advisory fees).

4.6. Stamp duty

Resident Holders should not be liable for stamp duty on the issue, sale, Redemption, Resale or Conversion of NAB Capital Notes 3.

4.7. Taxation of Financial Arrangements

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

For Resident Holders that are individuals, the TOFA regime should generally not apply to their investment in NAB Capital Notes 3.

Further, for Resident Holders that are not individuals (e.g. companies or complying superannuation entities), the TOFA regime should generally not apply in respect of their investment in NAB Capital Notes 3, even if they exceed the relevant asset/turnover thresholds, unless certain specific elective regimes under TOFA have been elected into by the Resident Holder.

However, the TOFA rules are complex and Resident Holders should, if relevant, seek their own tax advice regarding how they will apply to their investment in NAB Capital Notes 3.

5. Summary of certain Australian tax consequences for holders of CPS

The following is a summary of the Australian tax consequences for certain Australian tax resident holders of CPS who are subject to Class Ruling CR 2013/18 (which sets out certain Australian tax consequences for Australian tax residents who invested in CPS in the initial offering) and hold their CPS on capital account.

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

- acquired their CPS otherwise than under the initial offering;
- hold their CPS in their business of share trading, dealing in securities or otherwise hold their CPS on revenue account or as trading stock;
- hold their CPS through a permanent establishment outside Australia; and/or
- are or will be subject to the TOFA provisions in Division 230 of the Tax Act in relation to their holding of CPS or, in the case of Eligible CPS Holders who elect to participate in the Reinvestment Offer, the NAB Capital Notes 3 that they will acquire under the Reinvestment Offer.

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5.1. Dividend on CPS

All CPS holders are expected to receive a final dividend on their CPS, subject to the payment conditions in the CPS Terms.

The tax treatment of any final dividend should be the same as the treatment of other distributions received on the CPS, as outlined in Class Ruling CR 2013/18. On this basis, provided that a CPS holder is a "qualified person" (see the general comments in section 4.1 above and Class Ruling CR 2013/18), a CPS holder should generally include the amount of the final dividend as well as an amount equal to any franking credits attached to the dividend in their assessable income and should qualify for a tax offset equal to the franking credits.

5.2. Disposal of CPS

For CGT purposes, under the CPS Resale all CPS holders will be taken to have disposed of their CPS to the Nominated Purchaser for the CPS Resale Proceeds, being $100 per CPS.

Under the Reinvestment Offer, the CPS Resale Proceeds will be automatically reinvested in NAB Capital Notes 3. This will be effected via a payment direction by the relevant CPS holders to the Nominated Purchaser to apply the CPS Resale Proceeds as payment for NAB Capital Notes 3 on their behalf.

The Resale Proceeds not being reinvested under the Reinvestment Offer will be paid in cash directly to the relevant CPS holders.

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

A CPS holder's CGT cost base (or reduced cost base) for each CPS should include the amount they paid to acquire the CPS and may also include certain other non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of the CPS. If the CPS have been owned for at least 12 months prior to the disposal (excluding the days of acquisition and disposal), a CPS holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of the CPS (see the general comments in section 3.7 above).

5.3. Cost base of NAB Capital Notes 3 acquired under the Reinvestment Offer

The amount of a CPS holder's CPS Resale Proceeds that is applied in subscribing for NAB Capital Notes 3 under the Reinvestment Offer should be included in the CPS holder's cost base (and reduced cost base) for the purposes of determining any future capital gain or capital loss on the disposal of NAB Capital Notes 3, or through a Conversion, Redemption or Resale.

* * *

Yours faithfully
GREENWOODS & HEBERT SMITH FREEHILLS PTY LIMITED
per:

Julian Pinson
Director
Greenwoods & Herbert Smith Freehills

SECTION NINE

OTHER INFORMATION

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SECTION NINE: OTHER INFORMATION

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9.1 Interests and benefits

9.1.1 Directors

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

Director	Number of Ordinary Shares	Number of performance rights over Ordinary Shares	CPS
Kenneth Henry	10,360	—	—
Andrew Thorburn	320,929	785,288	—
David Armstrong[1]	11,699	—	—
Philip Chronican[2]	31,000	—	—
Peeyush Gupta	7,480	—	—
Anne Loveridge	10,000	—	—
Geraldine McBride	5,960	—	—
Doug McKay	10,000	—	—
Ann Sherry	7,456	—	1,500
Anthony Yuen	12,464	—	—

The directors from time to time invest in various debentures, registered schemes and securities offered by NAB and certain subsidiaries of NAB. The level of interests held directly by directors as at the date of the Original Prospectus are shown above.

The Directors (and their related parties) may acquire NAB Capital Notes 3 offered under this Prospectus subject to the ASX Listing Rules (including any waivers as described in Section 7).

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

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

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

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

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount approved is $4,500,000.

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

9.1.2 Interests of Advisers

NAB has acted as the Arranger for the Offer, and each of NAB, Morgan Stanley Australia Securities Limited, Morgans Financial Limited, Shaw and Partners Limited, UBS AG, Australia Branch and Westpac Institutional Bank have acted as Joint Lead Managers to the Offer, and Bell Potter Securities Limited, Crestone Wealth Management Limited, Evans Dixon Corporate Advisory Pty Limited, JBWere Limited and Ord Minnett Limited have acted as Co-Managers to the Offer, in respect of which they will receive fees from NAB. The fees include an arranger fee payable to the Arranger,

[1] David Armstrong also has an interest in 900 NAB CPS II.

[2] Philip Chronican also has an interest in 982 NIS.

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and the following fees payable to each Joint Lead Manager:

- a selling fee of 0.75% of the amount equal to the Face Value multiplied by the number of NAB Capital Notes 3 issued to that Joint Lead Manager and its affiliates under the Broker Firm Offer ("**Selling Fee**"); and
- a joint lead manager fee of 0.50% of the amount equal to the Face Value multiplied by the number of NAB Capital Notes 3 issued to that Joint Lead Manager and its affiliates under the Broker Firm Offer ("**JLM Fee**").

Under the terms of the OMA (see also Section 9.5), the Joint Lead Managers may pay fees on behalf of NAB to financial services licensees and representatives ("**Brokers**") for procuring subscriptions of NAB Capital Notes 3 by their clients, among other things.

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

Brokers may in turn rebate fees to other Brokers for procuring applications for NAB Capital Notes 3 by their clients, among other things. The amount of the fee paid to a Broker by another Broker may not exceed the amount of the Selling Fee.

Ernst & Young has provided due diligence services in relation to the Offer. In respect of this work, Ernst & Young will be paid approximately $150,000 (excluding disbursements and GST) for work performed by it up until the date of the Original Prospectus. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.

King & Wood Mallesons has acted as Australian legal adviser to NAB in relation to the Offer, assisting with the due diligence and verification program and performing due diligence on required legal matters. In respect of this work, NAB estimates that it will pay approximately $370,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its normal time-based charges.

Greenwoods & Herbert Smith Freehills has acted as Australian taxation adviser to NAB in relation to the Offer, obtaining ATO rulings and has provided the Australian Taxation Summary contained in Section 8. In respect of this work, NAB estimates that it will pay approximately $70,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of the Original Prospectus. Further amounts may be paid to Greenwoods & Herbert Smith Freehills in accordance with its normal time-based charges.

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

- holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
  - the formation or promotion of NAB;
  - the Offer; or
  - any property acquired or proposed to be acquired by NAB in connection with the formation or promotion of NAB or the Offer; or
- has paid or agreed to pay any amount, and no one has given or agreed to give any benefit for services provided by that person, in connection with the formation or promotion of NAB or the Offer.

9.2 Expenses of the Offer

Assuming the Offer raises $1,650 million, then the net proceeds of the Offer are expected to be $1,633 million and the total external expenses of the Offer are expected to be $17 million. The total expenses of the Offer have been, or will be, borne by NAB.

9.3 Rights and liabilities attaching to NAB Capital Notes 3

Appendix A sets out the rights and liabilities attaching to NAB Capital Notes 3. Further rights and liabilities attaching to NAB Capital Notes 3 may also arise under the Corporations Act, the ASX Listing Rules and other laws.

9.4 Rights and liabilities attaching to Ordinary Shares

On Conversion, holders of NAB Capital Notes 3 will receive Ordinary Shares. The Constitution sets out the rights and liabilities that attach to Ordinary Shares. Investors who wish to inspect the Constitution may do so at the registered address of NAB, or by requesting a copy as provided under "Availability of documents" in Section 9.10.

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

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

- on a poll, the right to one vote per fully paid Ordinary Share (or a fraction of a vote in proportion to the amount paid up on that Ordinary Share);
- the right to transfer the Ordinary Shares, in accordance with the Constitution;
- subject to the rights of holders carrying preferred rights, the right to receive dividends in proportion to the amount paid up on that Ordinary Share, if and when the Directors determine to pay them;
- the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- subject to the rights of holders carrying preferred rights, the right to participate in a surplus of assets on a winding up of NAB.

NAB's ability to pay a dividend may be restricted by Australian law and by the terms of prior ranking securities.

SECTION NINE: OTHER INFORMATION

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9.5 Summary of the Offer Management Agreement

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

Under the OMA, NAB has agreed to conduct the Offer in accordance with this Prospectus, the OMA, its Constitution, and all applicable laws, and the JLMs have agreed to use reasonable endeavours to procure applications for NAB Capital Notes 3.

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

9.5.1 Representations, warranties and undertakings

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

NAB has undertaken that it will not and will procure that members of the Group do not, without the prior written consent of the JLMs, allot or agree to allot, or announce an issue of, indicate in any way that it may or will allot, any ASX listed hybrid, debt or preference securities in Australia with Tier 1 or Tier 2 Capital status before that date which is 60 days after the settlement date detailed in the OMA (but in the case of Tier 2 Capital, that undertaking only applies to allotments or issues to retail investors). This undertaking does not apply to the Offer, an employee share or option plan, a bonus share plan, a dividend reinvestment plan or an underwriting of a dividend reinvestment plan, a share purchase plan or underwriting of a share purchase plan, the issue of Ordinary Shares on Conversion of any CPS, or in accordance with the terms of issue of securities or financial products on issue as at the date of the OMA.

9.5.2 Termination events

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

- ASIC issues a stop order or similar proceeding in relation to the Prospectus;
- ASX does not grant its approval for official quotation of NAB Capital Notes 3, or the approval is subsequently withdrawn, qualified or withheld (other than in respect of the customary conditions);
- a supplementary prospectus is, in the reasonable opinion of a JLM, required under section 719 of the Corporations Act (other than this Prospectus);
- NAB's credit rating in respect of its long term senior debt is downgraded;
- certain breaches of the OMA;
- the Ordinary Shares or any of NAB's other listed securities are delisted or suspended from quotation;
- NAB withdraws the Prospectus or the Offer;
- NAB repays any application monies or gives Applicants the right to withdraw their applications in accordance with the Corporations Act; and
- an event of insolvency occurs with respect to certain material Group members.

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

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

If at any time from the date of the OMA to 2.00pm on the settlement date there is a material adverse change in market conditions which, in the reasonable opinion of a majority of the JLMs makes it inadvisable to proceed with the Offer on the Issue Date on the terms and in the manner contemplated by this Prospectus (including because the change is likely to have a material adverse effect on the market price of the NAB Capital Notes 3 on the ASX or the success of the Offer), NAB will enter into good faith discussions with the JLMs for the purposes of discussing the viability of completing the Offer on the terms and in the manner contemplated by this Prospectus.

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

9.6 Reporting and disclosure obligations

NAB is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Under its obligations under the Corporations Act and the ASX Listing Rules, NAB prepares yearly and half yearly financial statements, reports on its operations during the relevant accounting period and receives an audit from its auditor.

These documents as well as other documents lodged with ASIC may be obtained from ASIC.

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

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

In addition, Holders should be aware

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that secrecy obligations may apply to action taken by APRA. This means that information about action taken by APRA (including in exercise of its powers under the Banking Act) may not be publicly disclosed.

9.7 Regulatory relief

ASX has classified NAB Capital Notes 3 as both "equity securities" and "convertible debt securities" for the purposes of the ASX Listing Rules and has confirmed that:

- the Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- NAB Capital Notes 3 are not preference securities for the purposes of the ASX Listing Rules 6.4, 6.5, 6.6 and 6.7;
- the "Payment Conditions", potential exercise of limited amendment powers, and a Write Off following a Loss Absorption Event does not amount to a removal of a right to a Distribution for the purposes of ASX Listing Rule 6.10;
- the divestment of NAB Capital Notes 3 from Holders as a result of Conversion, Redemption or Resale is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- under ASX Listing Rule 7.1B.1, ASX does not object to NAB calculating the number of NAB Capital Notes 3 that may be issued without prior Shareholder approval by notionally converting NAB Capital Notes 3 into Ordinary Shares based on the market price of Ordinary Shares at the time of issue of NAB Capital Notes 3;
- the issue of ordinary shares on conversion of NAB Capital Notes 3 would fall under ASX Listing Rule 7.2 (exception 4);
- ASX Listing Rule 10.11 has been waived to the extent necessary to permit Directors and their associates to participate in the Offer, without Shareholder approval, up to a maximum of 0.2% of the total number of NAB Capital Notes 3 issued under the Offer collectively provided that:
  - the participation of the Directors and their associates in the Offer is on the same terms and conditions as applicable to other subscribers for NAB Capital Notes 3;
  - NAB releases the terms of the waiver to the market when it announces the Offer; and
  - when NAB Capital Notes 3 are issued, NAB announces to the market the total number of NAB Capital Notes 3 issued to Directors and their associates in aggregate;
- the issue of Ordinary Shares on Conversion of NAB Capital Notes 3 would fall within ASX Listing Rule 10.12 (exception 7);
- the record date to identify persons entitled to receive Distributions on NAB Capital Notes 3 must be 8 calendar days before the relevant Distribution Payment Date;
- the ASX Listing Rule 3.20.2 and Appendix 3A of the ASX Listing Rules do not apply to any Conversion of NAB Capital Notes 3 following a Loss Absorption Event; and
- the timetable for the Offer is acceptable.

ASX has also provided in principle approval of the quotation of NAB Capital Notes 3 and has agreed to allow NAB Capital Notes 3 to trade on a deferred settlement basis for a short time following the issue of NAB Capital Notes 3 (subject to certain conditions).

9.8 Consents to be named

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

- has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting parties
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	Greenwoods & Herbert Smith Freehills
Auditor	Ernst & Young
Arranger and Joint Lead Manager	National Australia Bank Limited
Joint Lead Managers	Morgan Stanley Australia Securities Limited Morgans Financial Limited Shaw and Partners Limited UBS AG, Australia Branch Westpac Institutional Bank
Co-Managers	Bell Potter Securities Limited Crestone Wealth Management Limited Evans Dixon Corporate Advisory Pty Limited JBWere Limited Ord Minnett Limited
Registry	Computershare Investor Services Pty Limited

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

SECTION NINE: OTHER INFORMATION

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9.9 Potential future design and distribution obligations

In September 2018, the Australian Government introduced the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 into Parliament. The Bill will, if enacted, impose additional obligations on the Group regarding the design and distribution of financial products and grant product intervention powers to ASIC if it believes significant consumer detriment may occur.

The Bill provides for the design and distribution obligations to come into force two years after the date of Royal Assent. As Royal Assent has not yet occurred, those obligations do not apply to the Offer. The design and distribution obligations in the Bill are also limited to an initial offering of securities, which means that even if the obligations become effective while the NAB Capital Notes 3 are on issue, they will not apply to secondary market trading of the Notes. If the product intervention powers granted to ASIC under the Bill become effective during the Offer Period or while the NAB Capital Notes 3 are on issue, it is not known whether ASIC would perceive significant consumer detriment in relation to NAB Capital Notes 3 or similar securities.

9.10 Availability of documents

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

- the Annual Financial Report 2018 lodged with ASIC by NAB (also available at **asx.com.au** or at **nab.com.au/annualreports**);
- any continuous disclosure notices given by NAB since the lodgment of the financial report for the year ended 30 September 2018 and before lodgment of this Prospectus with ASIC (also available at **asx.com.au** or at **nab.com.au/shareholder**); and
- the Constitution (available at **nab.com.au/corporategovernance**)

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

Company Secretary
National Australia Bank Limited
Level 1, 800 Bourke Street,
Docklands, Victoria, 3008

9.11 Personal information

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

- processing your Application;
- administering your NAB Capital Notes 3; and
- letting you know about products or services from across the Group that might serve your financial, e-commerce and lifestyle needs or promotions or other opportunities in which you may be interested.

Company and tax laws require some of the information to be collected. You may choose not to provide your personal information or to limit the information you provide, in which case NAB may not be able to process your Application, administer your NAB Capital Notes 3, or make payments to you.

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

If you used a financial adviser who recommended your investment in NAB Capital Notes 3 (as indicated on your Application Form), NAB may disclose your personal information to that adviser and their service providers.

Where personal information is disclosed NAB will 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. In addition, if you have a complaint about a privacy issue, please tell us about it. For more information on access, corrections or complaint handling, please see our privacy policy at **nab.com.au/privacy** or by calling **13 22 65** and asking us for a copy.

9.12 Acknowledgements

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

- represented and warranted that you have read and understood this Prospectus and accompanying Application Form in full;
- declared that the Application Form has been completed and lodged according to this Prospectus and subject to the declarations, statements and acknowledgements on the Application Form;
- declared that you make the warranties, representations and acknowledgements contained in this Prospectus and the Application Form;
- represented and warranted that all details and statements on your Application Form are complete and accurate;
- declared that you (if a natural person) are at least 18 years old;
- declared that you are not an individual residing in a member state of the European Union;
- declared that you are not in the United States or other place outside Australia and you are not a U.S. Person, nor acting for the account or benefit of any U.S. Person;
- represented and warranted that you have not distributed this Prospectus or any other materials concerning the Offer in the United States or to any U.S. Person;
- declared that you understand that the NAB Capital Notes 3 have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, directly or indirectly,

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in the United States or to, or for the account or benefit of, any U.S. Person, unless an exemption from such registration applies;

- declared that you are an Australian resident;
- represented and warranted that the laws of any other place, including the restrictions set out on page 3 of this Prospectus, do not prohibit you from being given this Prospectus or any supplementary or replacement Prospectus or making an application on the Application Form or being issued with NAB Capital Notes 3;
- provided authorisation to be registered as the holder of NAB Capital Notes 3 issued to you and agreed to be bound by NAB's Constitution, this Prospectus, the Terms and the NAB Capital Notes 3 Deed Poll;
- upon Conversion in accordance with the Terms, agreed to become a member of NAB and be bound by NAB's Constitution;
- applied for the number of NAB Capital Notes 3 set out on or determined in accordance with the Application Form and agreed to be allocated that number of NAB Capital Notes 3 or a lesser number;
- acknowledged that NAB Capital Notes 3 are not Protected Accounts or deposit liabilities for the purposes of the Banking Act or any other accounts and are not guaranteed or insured by any government or other person, give Holders no claim on NAB (or any other member of the Group) except as provided in the Terms and that the investment performance of NAB Capital Notes 3 is not guaranteed by NAB;
- authorised NAB and the Joint Lead Managers to do anything on your behalf necessary for NAB Capital Notes 3 to be allocated to you;
- acknowledged that the information contained in this Prospectus (or any supplement or replacement) is not investment advice or a recommendation that NAB Capital Notes 3 are suitable for you, given your investment objectives, financial situation or particular needs;
- acknowledged that your application to acquire NAB Capital Notes 3 is irrevocable and may not be varied or withdrawn except as allowed by law;
- acknowledged that an application may be rejected without giving any reason, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured or for the wrong amount; and
- acknowledged that if you are not Issued any NAB Capital Notes 3 or Issued fewer NAB Capital Notes 3 than the number that you applied and paid for as a result of the scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

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

- represented and warranted to NAB and the CPS Nominated Purchaser that you are an Eligible CPS Holder;
- represented and warranted to NAB and the CPS Nominated Purchaser that you have good title to the CPS the subject of your Application, and that the CPS Nominated Purchaser will receive good title to those CPS free from any encumbrance of security interests on paying the CPS Resale Proceeds to you;
- directed the CPS Nominated Purchaser to pay the CPS Resale Proceeds for each of CPS the subject of your Application to NAB as the Application Monies for NAB Capital Notes 3;
- applied to NAB for a corresponding number of NAB Capital Notes 3, at $100 per NAB Capital Note 3;
- agreed not to transfer your CPS and authorise NAB and its related bodies corporate and their respective officers to request the application of a holding lock on those CPS;
- appointed NAB (or its officers) as your attorney and agent to execute a master transfer form to transfer to the CPS Nominated Purchaser the CPS the subject of your Application, in such form as NAB (or its officers) determines, and to transfer those CPS to the CPS Nominated Purchaser; and
- authorised NAB to take all necessary steps to give effect to the reinvestment of their CPS Resale Proceeds the subject of your application.

9.13 Meetings

The NAB Capital Notes 3 Deed Poll includes provisions for convening meetings of the Holders to consider any matter affecting their interests, including any variation of the Terms. Any action which may affect the eligibility of NAB Capital Notes 3 as Additional Tier 1 Capital of NAB cannot be sanctioned or approved by Holders without the prior written approval of APRA.

An Ordinary Resolution or a Special Resolution passed at a meeting of the Holders duly called and held under the meeting provisions will be binding on all the Holders whether or not present at the meeting. Each Holder will be entitled to one vote on a show of hands. On a poll, each Holder will be entitled to one vote for each NAB Capital Note 3 with respect to which it is the registered holder.

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

APPENDIX A

TERMS OF NAB CAPITAL NOTES 3

Terms of NAB Capital Notes 3 issued by National Australia Bank Limited (ABN 12 004 044 937)

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APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

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1. Form and Issue Price

1.1. Form

NAB Capital Notes 3 are fully paid mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB ("**NAB Capital Notes 3**" or "**Notes**"). NAB Capital Notes 3 are issued in registered form by entry in the Register. They may be Redeemed, Converted or Resold by NAB according to these Terms.

1.2. Face Value and Issue Price

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

1.3. CHESS

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

(a) the rights and obligations of a person holding the Notes; and

(b) all dealings (including transfers, transmissions and payments) in relation to the Notes within CHESS,

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

No certificates will be issued to Holders unless NAB determines that certificates should be available or if certificates are required by any applicable law or directive.

1.4. Quotation

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

1.5. Independent obligations

Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Holder of the obligations of NAB to the relevant Holder under these Terms. Without prejudice to any provision requiring a Special Resolution or an Ordinary Resolution, the Holder to whom those obligations are owed is entitled to enforce them without having to join any other Holder or any predecessor in title of a Holder.

1.6. Nature of obligations

The Notes do not constitute deposit liabilities or protected accounts for the purposes of the Banking Act. In addition, the Notes are not guaranteed or insured by any government, Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group or by any other person.

2. Distributions

2.1. Entitlement to Distributions

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

2.2. Distribution Payment Dates

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

(a) each 17 March, 17 June, 17 September and 17 December commencing on 17 June 2019 until (but not including) the date on which the Note is Converted or Redeemed in accordance with these Terms; and

(b) each date on which a Conversion, Redemption or Resale of that Note occurs in accordance with these Terms.

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

2.3. Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons Registered as Holders on the Record Date for that Distribution.

2.4. Calculation of Distribution on Notes

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

Distribution =

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

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

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

Distribution Rate =

(Bank Bill Rate + Margin) x (1 – Tax Rate)

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Distribution Period, the average rate for prime bank eligible securities having a tenor closest to the Distribution Period which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10.30am Sydney time (or such other time at which such rate is accustomed to be so published) (the **Publication Time**):

(a) in the case of the first Distribution Period, on the Issue Date; and

(b) in the case of any other Distribution Period, on the first Business Day of that Distribution Period; or

if such rate is not so published by 10.45am (or such other time that is 15 minutes after the then prevailing Publication Time) on that day, or if it does appear but NAB determines that there is an obvious error in that rate, "Bank Bill Rate" means the rate determined by NAB having regard to comparable indices then available (and provided that where a Note is Resold on a day which is not a scheduled quarterly Distribution Payment Date, the Bank Bill Rate for the Distribution Period commencing on the Resale Date in respect of the Resold Note is the Bank Bill Rate for the Distribution Period preceding the Resale Date);

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

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

Tax Rate means the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date (expressed as a decimal).

2.5 Franking adjustments

If a Distribution is not franked to 100% under Part 3-6 of the Tax Act (and any provisions that revise or replace that Part), the Distribution will be calculated according to the following formula:

Distribution =

$$\frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$$

where:

D means the Distribution calculated under clause 2.4;

Tax Rate has the meaning given in clause 2.4; and

F means the applicable Franking Rate.

2.6 Conditions to payment of Distributions

A Distribution will be paid only if:

(a) the Directors in their sole discretion resolve to pay the relevant Distribution on the relevant Distribution Payment Date; and

(b) a Payment Condition does not exist on the relevant Distribution Payment Date.

2.7 Distributions are non-cumulative

Distributions are non-cumulative. If all or any part of a Distribution is not paid in full because of the restrictions in clause 2.6 or for any other reason:

(a) NAB has no liability to pay the unpaid amount of the Distribution;

(b) Holders have no claim or entitlement in respect of such non-payment; and

(c) such non-payment does not constitute an event of default.

No interest accrues on any unpaid Distributions and the Holder has no claim or entitlement in respect of interest on any unpaid Distributions.

2.8 Restrictions in the case of non-payment

Subject to clause 2.9, if a Distribution on a Note has not been paid in full ("**Relevant Distribution**") on a Distribution Payment Date ("**Relevant Distribution Payment Date**") for any reason (including because of the restrictions in clause 2.6), NAB must not, unless approved by an Ordinary Resolution, until and including the Distribution Payment Date following the Relevant Distribution Payment Date:

(a) declare, determine to pay or pay any Ordinary Share Dividend; or

(b) undertake any Buy-Back or Capital Reduction,

unless the Relevant Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

2.9 Exceptions to restrictions

The restrictions in clause 2.8 do not apply:

(a) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of NAB or any member of the Group;

(b) in connection with NAB or any of its Controlled Entities purchasing shares in NAB:

  (i) in connection with transactions for the account of customers of NAB or customers of any of its Controlled Entities; or

  (ii) subject to APRA's prior written approval, in connection with the distribution or trading of shares in NAB in the ordinary course of business; or

(c) to the extent that at the time a Distribution has not been paid on the Relevant Distribution Payment Date, NAB is legally obliged to pay on or after that date an Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

2.10 Notification of Distribution, Distribution Rate and other items

(a) In respect of each Distribution Period, NAB must:

  (i) determine the Distribution Rate and the Distribution for that Distribution Period in respect of any Note; and

  (ii) notify the Registrar and ASX as soon as practicable after its determination but, in any event, no later than the fourth Business Day of the Distribution Period.

(b) NAB must notify the Registrar and ASX at least 5 Business Days before the relevant Record Date (or, if later, as soon as it decides not to pay a Distribution or as soon as a Payment Condition exists) if payment of the Distribution will not be made because of clause 2.6.

(c) NAB may amend its calculation or determination of any date, rate or amount (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of the Distribution Period or calculation period without prior notice but must notify the Registrar and ASX promptly after doing so.

3. Mandatory Conversion on Mandatory Conversion Date

3.1. Mandatory Conversion

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

3.2. Mandatory Conversion Date

The **Mandatory Conversion Date** will be the first to occur of the following dates (each a "**Relevant Mandatory Conversion Date**") on which the Mandatory Conversion Conditions are satisfied:

(a) 19 June 2028 (the "**Scheduled Mandatory Conversion Date**"); or

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(b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date (a "**Subsequent Mandatory Conversion Date**").

3.3. Mandatory Conversion Conditions

The **Mandatory Conversion Conditions** for each Relevant Mandatory Conversion Date are:

(a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Conversion Date on which trading in Ordinary Shares took place) is greater than 56% of the Issue Date VWAP (the "**First Mandatory Conversion Condition**");

(b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP (the "**Second Mandatory Conversion Condition**"); and

(c) no Delisting Event applies in respect of the Relevant Mandatory Conversion Date (the "**Third Mandatory Conversion Condition**" and together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the "**Mandatory Conversion Conditions**").

3.4 Non-Conversion Notices

If:

(a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date, NAB will give notice to Holders between the 25th and the 21st Business Day before the Relevant Mandatory Conversion Date; or

(b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Mandatory Conversion Date, NAB will give notice to Holders on or as soon as practicable after the Relevant Mandatory Conversion Date,

(each such notice a "**Non-Conversion Notice**") that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Mandatory Conversion Date.

4. Mandatory Conversion on Loss Absorption Event

4.1. Loss Absorption Event

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

(a) a Common Equity Trigger Event; and

(b) a Non-Viability Trigger Event.

4.2. Common Equity Trigger Event

(a) A "**Common Equity Trigger Event**" occurs when either or both of the Common Equity Tier 1 Ratio in respect of the NAB Level 1 Group and the NAB Level 2 Group as determined by NAB or APRA at any time is equal to or less than 5.125%.

(b) NAB must immediately notify APRA in writing if it makes a determination under clause 4.2(a).

(c) If a Common Equity Trigger Event occurs, NAB must immediately convert into Ordinary Shares or write off:

(i) all Relevant Tier 1 Capital Instruments; or

(ii) a proportion of the Relevant Tier 1 Capital Instruments sufficient to return each of the Common Equity Tier 1 Ratio in respect of the NAB Level 1 Group and the Common Equity Tier 1 Ratio in respect of the NAB Level 2 Group to a percentage above 5.125% determined by NAB for that ratio.

4.3. Non-Viability Trigger Event

(a) A "**Non-Viability Trigger Event**" means APRA has provided a written determination to NAB that:

(i) the conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments in accordance with their terms or by operation of law is necessary because without the conversion or write off, APRA considers that NAB would become non-viable; or

(ii) without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable.

(b) If a Non-Viability Trigger Event occurs under clause 4.3(a)(i), NAB must immediately convert into Ordinary Shares or write off:

(i) all Relevant Tier 1 Capital Instruments; or

(ii) where APRA is satisfied that conversion or write off of a proportion of Relevant Tier 1 Capital Instruments will be sufficient to ensure that NAB will not become non-viable, that proportion of Relevant Tier 1 Capital Instruments.

(c) Where a Non-Viability Trigger Event occurs under clause 4.3(a)(ii), NAB must immediately convert or write off all Relevant Tier 1 Capital Instruments then outstanding (including the Notes).

APRA has stated that it will not approve partial conversion or partial write off in those exceptional circumstances where a public sector injection of funds is deemed necessary.

4.4. Loss Absorption Event Conversion

(a) On the date on which a Loss Absorption Event occurs (the "**Loss Absorption Event Conversion Date**") NAB must immediately determine:

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(i) the number of Notes that will Convert and the number of other Relevant Tier 1 Capital Instruments which will convert into Ordinary Shares or be written off (in accordance with clause 4.2 or clause 4.3, as applicable); and

(ii) the identity of Holders whose Notes will Convert on the Loss Absorption Event Conversion Date and in making that determination may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Notes that have not been settled or registered at that time.

(b) Where clause 4.3(b)(ii) applies:

(i) NAB must endeavour to select the Notes of Holders to be Converted on an approximately proportionate basis among all Holders, but may make adjustments among Holders to take account of the effect on marketable parcels and other logistical considerations, provided always that nothing in the making of the selection or the adjustments is to delay or impede the Conversion taking effect on the Loss Absorption Event Conversion Date; and

(ii) where the specified currency of Relevant Tier 1 Capital Instruments is not the same for all Relevant Tier 1 Capital Instruments, NAB may treat them as if converted into a single currency of NAB's choice at such rate of exchange as NAB considers reasonable but may make adjustments among Holders and holders of other Relevant Tier 1 Capital Instruments having regard to the need to effect conversion immediately.

(c) Despite any other provision in these Terms, on the Loss Absorption Event Conversion Date the relevant number (as determined under this clause 4.4) of Notes will Convert immediately and irrevocably.

(d) A Loss Absorption Event occurs immediately on the day when NAB determines or is notified by APRA of the event whether or not the day is a Business Day and NAB must perform the obligations in respect of it on that day accordingly.

(e) None of the following shall prevent, impede or delay the Conversion of Notes as required by this clause 4.4:

(i) any failure to convert into Ordinary Shares or write off, or delay in the conversion into Ordinary Shares or write off of, other Relevant Tier 1 Capital Instruments;

(ii) any failure or delay in giving a Loss Absorption Event Notice;

(iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;

(iv) any obligation to treat Holders proportionately or to make the determinations or adjustments in accordance with clause 4.4(b); or

(v) any decision as to the identity of Holders whose Notes are to be Converted or Written Off.

(f) From the Loss Absorption Event Conversion Date NAB shall treat the Holder in respect of its Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

4.5. Write Off following failure to Convert

If Conversion has not been effected within 5 days after the Loss Absorption Event Conversion Date for any reason (including an Inability Event), then Conversion will not occur and each Note of a Holder which, but for this clause 4.5, would be required to be Converted, will be Written Off with effect on and from the Loss Absorption Event Conversion Date.

"**Written Off**" means that, in respect of a Note and a Loss Absorption Event Conversion Date:

(a) the Note will not be Converted in respect of the Loss Absorption Event Conversion Date and will not be Converted, Redeemed or Resold under these Terms on any subsequent date;

(b) the relevant Holders' rights (including to payments of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date.

4.6. Loss Absorption Event Notice

As soon as practicable following the occurrence of a Loss Absorption Event, NAB must give notice of the Loss Absorption Event (a "**Loss Absorption Event Notice**") to the Registrar, ASX and the Holders which states the Loss Absorption Event Conversion Date, the number of Notes Converted or Written Off and the relevant number of Relevant Tier 1 Capital Instruments converted into Ordinary Shares or written off.

4.7. Priority of Conversion obligations

(a) Conversion on account of the occurrence of a Loss Absorption Event is not subject to the matters described in clause 3.3 as Mandatory Conversion Conditions.

(b) Conversion required on account of a Loss Absorption Event takes place on the date, and in the manner, required by clause 4.4, notwithstanding any other provision for Conversion, Redemption or Resale in these Terms.

(c) In the event of any conflict between the requirements of clauses 4.3 and 4.2, clause 4.3 prevails.

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5. Mandatory Conversion on Acquisition Event

5.1. Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, NAB must Convert all (but not some only) Notes on the Acquisition Conversion Date by notice (an "**Acquisition Conversion Notice**") to the Registrar, ASX and the Holders in accordance with this clause 5 and clause 7.

5.2. Acquisition Conversion Notice

Subject to clause 5.3, NAB must give an Acquisition Conversion Notice to the Registrar, ASX and the Holders as soon as practicable and in any event within 10 Business Days after becoming aware of an Acquisition Event.

An Acquisition Conversion Notice must specify:

(a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;

(b) the date on which Conversion is to occur (the "**Acquisition Conversion Date**"), which must be:

  (i) the Business Day prior to the date reasonably determined by NAB to be the last date on which holders of Ordinary Shares are likely to be able to participate in the bid or scheme concerned or such other earlier date as NAB may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or

  (ii) such later date as APRA may require; and

(c) whether any Distribution will be paid in respect of the Notes on the Acquisition Conversion Date.

5.3. Where Acquisition Conversion Notice not required

Notwithstanding any provision of clause 5.1 or clause 5.2, NAB is not required to give an Acquisition Conversion Notice if either or both of the Optional Conversion Restrictions would apply (reading those restrictions as if a reference to an Optional Conversion Notice were a reference to an Acquisition Conversion Notice). In those circumstances, clause 5.4 will apply.

5.4. Deferred Conversion on Acquisition Event

If clause 5.3 applies or NAB has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Mandatory Conversion Date for the purposes of clause 3.2, either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Terms (but without limitation to the operation of clause 4.7):

(a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;

(b) NAB will notify the Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a "**Deferred Acquisition Conversion Notice**"); and

(c) NAB must, unless clause 5.3 then applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in clause 5.2.

If this clause 5.4 applies but:

  (i) clause 5.3 applies in respect of the Distribution Payment Date referred to in paragraph (c) such that no Acquisition Conversion Notice (or, as the case may be, no new Acquisition Conversion Notice) is given under this clause 5.4; or

  (ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 5.4 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Mandatory Conversion Date for the purpose of clause 3.2, either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 5.4 will be reapplied in respect of each subsequent scheduled quarterly Distribution Payment Date until a Conversion occurs.

6. Optional Conversion

6.1. Optional Conversion by NAB

NAB may, with APRA's prior written approval, by notice to the Registrar, ASX and the Holders (an "**Optional Conversion Notice**") elect to Convert:

(a) all or some Notes on an Optional Conversion Date following the occurrence of a Tax Event or a Regulatory Event;

(b) all or some Notes on an Optional Conversion Date following the occurrence of a Potential Acquisition Event; or

(c) all or some Notes on 17 June 2026.

Holders should not expect that APRA's approval will be given for a Conversion of Notes under these Terms.

6.2. When an Optional Conversion Notice may be given

An Optional Conversion Notice under this clause 6 may be given:

(a) in the case of clause 6.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Conversion Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

Relevant Mandatory Conversion Date;

(b) in the case of clause 6.1(b), on any day following the occurrence of the Potential Acquisition Event;

(c) in the case of clause 6.1(c), no earlier than 50 Business Days and no later than 25 Business Days before 17 June 2026.

Subject to clause 4.7, an Optional Conversion Notice once given is irrevocable.

6.3. Contents of Optional Conversion Notice

An Optional Conversion Notice must specify:

(a) in the case of clause 6.1(a) or clause 6.1(b), the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Optional Conversion Notice relates;

(b) the date on which Conversion is to occur (the "**Optional Conversion Date**") which:

(i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; or

(ii) in the case of a Potential Acquisition Event, is:

(A) the Business Day prior to the date reasonably determined by NAB to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned; or

(B) such other earlier date as NAB may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or

(C) such later date as APRA may require; or

(iii) in the case of clause 6.1(c), is 17 June 2026.

(c) if less than all Notes are subject to Conversion, the proportion of the Notes that are to be Converted; and

(d) whether any Distribution will be paid in respect of the Notes to be Converted on the Optional Conversion Date.

6.4. Restrictions on election of Conversion

NAB may not elect to Convert the Notes under this clause 6 if:

(a) on the second Business Day before the date on which an Optional Conversion Notice is to be sent by NAB (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the "**Non-Conversion Test Date**") the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the "**First Optional Conversion Restriction**"); or

(b) a Delisting Event applies in respect of the Non-Conversion Test Date (the "**Second Optional Conversion Restriction**" and together with the First Optional Conversion Restriction, the "**Optional Conversion Restrictions**").

6.5. Deferred Conversion on Optional Conversion Date

If NAB has given an Optional Conversion Notice but, if the Conversion Date were a Relevant Mandatory Conversion Date for the purposes of clause 3.2, either the Second Mandatory Conversion Condition (applied as if it referred to 20.20% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Terms:

(a) the Optional Conversion Date will be deferred until the first Distribution Payment Date on which the Mandatory Conversion Conditions (applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.20% for the Second Mandatory Conversion Condition) would be satisfied if that Distribution Payment Date were a Relevant Mandatory Conversion Date for the purposes of clause 3.2 (the "**Deferred Conversion Date**");

(b) NAB must Convert the Notes on the Deferred Conversion Date (unless the Notes are Converted, Written Off, Redeemed or Resold earlier in accordance with these Terms); and

(c) until the Deferred Conversion Date, all rights attaching to the Notes will continue as if the Optional Conversion Notice had not been given.

NAB will notify the Holders on or as soon as practicable after an Optional Conversion Date in respect of which this clause 6.5 applies that Conversion did not occur on that Conversion Date.

7. Conversion mechanics

7.1. Conversion

If NAB elects to Convert Notes (with APRA's prior written approval) or must Convert Notes in accordance with these Terms, then, subject to this clause 7, the following provisions shall apply:

(a) each Holder will be issued a number of Ordinary Shares for each Note that is being Converted on the Conversion Date equal to the Conversion Number, where the **Conversion Number** is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$\frac{\textbf{Face Value}}{\textbf{99\%} \times \textbf{VWAP}}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period;

Maximum Conversion Number means a number calculated according to the following formula:

Maximum Conversion Number =

$$\frac{\textbf{Face Value}}{(\textbf{Issue Date VWAP} \times \textbf{Relevant Fraction})}$$

where:

Relevant Fraction means:

(A) if Conversion is occurring on a Mandatory Conversion Date, 0.5; and

(B) if Conversion is occurring for any other reason, 0.2.

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(b) each Holder's rights (including to payment of Distributions, other than the Distribution if any, payable on a Conversion Date that is not a Loss Absorption Event Conversion Date) in relation to each Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value of that Note and NAB will apply the Face Value by way of payment for subscription for the Conversion Number of Ordinary Shares to be issued under clause 7.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 7.1(b) is to be applied as provided for in this clause 7.1(b) and no Holder has any right to payment in any other way;

(c) if the total number of Ordinary Shares to be issued to a Holder in respect of their aggregate holding of Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and

(d) the rights attaching to the Ordinary Shares issued upon Conversion do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, Acquisition Conversion Date or the Optional Conversion Date (as the case may be) or, in the case of a Conversion on the Loss Absorption Event Conversion Date, the time at which such Conversion occurs on that date. At that time:

(i) all other rights conferred or restrictions imposed on that Note under these Terms will no longer have effect (except for rights relating to a Distribution which has been determined to be payable on a Conversion Date (that is not a Loss Absorption Event Conversion Date), which rights will continue); and

(ii) the Ordinary Shares issued upon the Conversion will rank equally with all other Ordinary Shares.

7.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Terms:

(a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the "**Cum Value**") equal to:

(i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;

(ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or

(iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Notes will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

7.3 Adjustments to VWAP for divisions and similar transactions

(a) Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for that VWAP Period the VWAP on each Business Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by multiplying it by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

(b) Any adjustment made by NAB in accordance with clause 7.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to the Holders.

7.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to the VWAP will be made in accordance with clauses 7.2 and 7.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

(a) may be made in accordance with clauses 7.5 to 7.7 (inclusive); and

(b) if so made, will correspondingly:

(i) affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions; and

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

(ii) cause an adjustment to the Maximum Conversion Number.

(c) Any adjustment made by NAB in accordance with clause 7.5(a) or 7.6(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

7.5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to clause 7.5(b), if NAB makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_o \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

Vo means the Issue Date VWAP applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN means the number of Ordinary Shares issued pursuant to the bonus issue.

(b) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

(c) For the purpose of clause 7.5(a), an issue will be regarded as a pro rata issue notwithstanding that NAB does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing NAB is not in contravention of the ASX Listing Rules.

(d) No adjustments to the Issue Date VWAP will be made under this clause 7.5 for any offer of Ordinary Shares not covered by clause 7.5(a), including a rights issue or other essentially pro rata issue.

(e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 7.5(a) shall not in any way restrict NAB from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

7.6 Adjustment to Issue Date VWAP for divisions and similar transactions

(a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, NAB shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

(b) Each Holder acknowledges that NAB may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

7.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 7.5 and 7.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.

7.8 Announcement of adjustments

NAB will notify the Registrar, ASX and the Holders (an "**Adjustment Notice**") of any adjustment to the Issue Date VWAP under this clause 7 within 10 Business Days of NAB determining the adjustment.

7.9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion ranks equally with all other fully paid Ordinary Shares.

7.10 Listing Ordinary Shares issued on Conversion

NAB shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of Notes on ASX.

7.11 Failure to Convert (other than on account of a Loss Absorption Event)

If on a Conversion Date (other than a Loss Absorption Event Conversion Date), an Ordinary Share is not issued or delivered in respect of a Note, that Note remains on issue (and will continue to entitle the Holder to Distributions in accordance with clause 2) until the Ordinary Share is issued to the Holder (which date shall be the Conversion Date in respect of that Note) or the Note is Redeemed (which date shall be the Redemption Date in respect of that Note) or Resold (which date shall be the Resale Date in respect of that Note), and a Holder shall have no claim in respect of that failure other than for specific performance of the obligation to issue or deliver the Ordinary Shares. This clause 7.11 does not affect the obligation of NAB to issue or deliver the Ordinary Shares when required in accordance with these Terms.

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7.12 Issue to an Eligible Nominee

(a) Where Notes are required to be Converted and:

(i) the Notes are held by a Foreign Holder, unless NAB is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder, either unconditionally or after compliance with conditions which NAB in its absolute discretion regards as acceptable and not unduly onerous; or

(ii) the Holder has notified NAB that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date;

the Ordinary Shares which the Holder is obliged to accept will be issued to a nominee (which must not be NAB or any Related Entity of NAB) ("**Eligible Nominee**") but otherwise in accordance with clause 7.1 and on terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Eligible Nominee will arrange for their sale and pay to the relevant Holder on a date determined by the Eligible Nominee a cash amount equal to the Attributable Proceeds of the relevant Holder.

(b) Where Notes are required to be Converted and a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of the Notes, the Ordinary Shares which the Holder is obliged to accept will be issued to the Holder only to the extent (if at all) that the issue is net of FATCA Withholding and NAB will issue the balance of the Ordinary Shares (if any) to an Eligible Nominee who will sell those Ordinary Shares and deal with any proceeds of their disposal in accordance with FATCA.

(c) The issue of Ordinary Shares in accordance with clause 7.12(a) or clause 7.12(b) above (as applicable) will satisfy all obligations of NAB in connection with the Conversion, the Notes will be deemed Converted and will be dealt with in accordance with clause 7.1 and, on and from the issue of Ordinary Shares, the rights of a Holder the subject of clause 7.12(a) or clause 7.12(b) above are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in those clauses.

(d) Without prejudice to the express obligations of NAB and the Eligible Nominee under this clause 7.12:

(i) NAB has no duty to enquire into the law of a Foreign Holder's country of residence; and

(ii) neither NAB nor any Eligible Nominee owes any obligations or duties to Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares where required by this clause 7.12.

(e) If Conversion is occurring because of the occurrence of a Loss Absorption Event and has not been effected within 5 days after the Conversion Date for any reason (including an Inability Event), then clause 4.5 will apply.

8. Optional Redemption

8.1. Optional Redemption by NAB

NAB may, with APRA's prior written approval, by notice to the Registrar, ASX and the Holders (an "**Optional Redemption Notice**"), elect to Redeem:

(a) all or some Notes on a Redemption Date following the occurrence of a Tax Event or a Regulatory Event; or

(b) all or some Notes on 17 June 2026.

Holders should not expect that APRA's approval will be given for any Redemption of Notes under these Terms.

8.2. When Optional Redemption Notice may be given

An Optional Redemption Notice under this clause 8 may be given:

(a) in the case of clause 8.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Redemption Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date; and

(b) in the case of clause 8.1(b), no earlier than 60 Business Days and no later than 5 Business Days before 17 June 2026.

Subject to clause 4.7, an Optional Redemption Notice once given is irrevocable.

8.3. Contents of Optional Redemption Notice

An Optional Redemption Notice must specify:

(a) in the case of clause 8.1(a), the details of the Tax Event or Regulatory Event to which the Optional Redemption Notice relates;

(b) the date on which Redemption is to occur (the "**Redemption Date**"), which:

(i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier Redemption Date having regard to the best interests of Holders as a whole and the relevant event; or

(ii) in the case of clause 8.1(b), 17 June 2026;

(c) if less than all Notes are subject to Redemption, the proportion of the Notes that are to be Redeemed; and

(d) whether any Distribution will be paid in respect of the Notes to be Redeemed on the Redemption Date.

8.4. Restrictions on election by NAB of Redemption

NAB may only elect to Redeem the Notes if APRA is satisfied that either:

(a) Notes the subject of the Redemption are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of the instrument is done under

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

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conditions that are sustainable for NAB's income capacity; or

(b) the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to Redeem the Notes.

9. Redemption mechanics

9.1. Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 8.4, NAB elects to Redeem a Note in accordance with these Terms, the provisions of this clause 9 apply to that Redemption.

9.2. Redemption

Notes will be redeemed by payment on the Redemption Date of an amount equal to the Face Value to the Holder.

9.3. Effect of Redemption on Holders

On the Redemption Date the only right Holders will have in respect of Notes will be to obtain the Face Value payable in accordance with these Terms and any Distribution NAB has determined is payable on that date. Upon the Face Value being paid (or taken to be paid in accordance with clause 14), all other rights conferred, or restrictions imposed, by Notes will no longer have effect.

10. Optional Resale

10.1. Optional Resale by NAB

NAB may, with APRA's prior written approval, by notice to the Registrar, ASX and the Holders (an "**Optional Resale Notice**"), elect to Resell:

(a) all or some Notes on a Resale Date following the occurrence of a Tax Event or a Regulatory Event; or

(b) all or some Notes on 17 June 2026.

Holders should not expect that APRA's approval will be given for any Resale of Notes under these Terms.

10.2. When Optional Resale Notice may be given

An Optional Resale Notice under this clause 10 may be given:

(a) in the case of clause 10.1(a), on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Optional Resale Notice cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Mandatory Conversion Date; or

(b) in the case of clause 10.1(b), no earlier than 60 Business Days and no later than 5 Business Days before 17 June 2026.

Subject to clauses 4.7, 11.2 and 11.6, an Optional Resale Notice once given is irrevocable.

10.3. Contents of Optional Resale Notice

An Optional Resale Notice must specify:

(a) in the case of clause 10.1(a), the details of the Tax Event or Regulatory Event to which the Optional Resale Notice relates;

(b) the date on which Resale is to occur (the "**Resale Date**"), which:

  (i) in the case of a Tax Event or a Regulatory Event, is the Next Distribution Payment Date, unless NAB determines an earlier Resale Date having regard to the best interests of Holders as a whole and the relevant event; or

  (ii) in the case of clause 10.1(b), 17 June 2026;

(c) if less than all Notes are subject to Resale, the proportion of the Notes that are to be Resold;

(d) the identity of the Nominated Purchasers for that Resale and the Resale Price; and

(e) whether any Distribution will be paid in respect of the Notes to be Resold on the Resale Date.

11. Resale mechanics

11.1. Resale mechanics

If NAB elects to Resell Notes in accordance with these Terms, subject to clause 11.2, the provisions of this clause 11 apply to that Resale.

11.2. Appointment of Nominated Purchaser

(a) NAB must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between NAB and the Nominated Purchasers (and, to the extent any such conditions may cause the Notes to cease to be Additional Tier 1 Capital, with the prior written approval of APRA) including:

  (i) as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the Optional Resale Notice may be amended, modified, added to or restated;

  (ii) as to the substitution of another entity (not being NAB or a Related Entity of NAB) as Nominated Purchaser if, for any reason, NAB is not satisfied that the Nominated Purchaser will perform its obligations under this clause 11; and

  (iii) as to the terms (if any) on which any Notes acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with.

(b) If NAB appoints more than one Nominated Purchaser in respect of a Resale, all or any of the Notes held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by NAB for the Resale Price.

11.3. Identity of Nominated Purchasers

NAB may not appoint a person as a Nominated Purchaser unless that person is not NAB or any Related Entity of NAB.

11.4. Irrevocable offer to sell Notes

Each Holder on the Resale Date is taken irrevocably to offer to sell Notes the subject of an Optional Resale Notice to the Nominated Purchaser or Nominated Purchasers on the Resale Date for the Resale Price.

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11.5. Effect of Resale

On the Resale Date subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such Notes (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

11.6. Effect of failure by Nominated Purchaser or Nominated Purchasers to pay

If a Nominated Purchaser does not pay the Resale Price to the Holders on the Resale Date (a "**Defaulting Nominated Purchaser**"):

(a) the Optional Resale Notice as it relates to the Defaulting Nominated Purchaser will be void;

(b) Notes will not be transferred to the Defaulting Nominated Purchaser on the Resale Date; and

(c) Holders will continue to hold the Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Terms.

12. General provisions relating to optional Conversion, Redemption and Resale

12.1. Treatment of Holders

At any time that NAB may elect for the Notes to be Converted, Redeemed or Resold, NAB may specify which of Conversion, Redemption and Resale applies to a particular Note. Without limitation to the foregoing:

(a) NAB may select any one or more of Conversion, Redemption or Resale to apply to the Note held by a Holder; and

(b) NAB may select a different combination of Conversion, Redemption and Resale in respect of Notes held by different Holders,

but otherwise NAB must endeavour to treat Holders in approximate proportion to their holdings of Notes (except that NAB may discriminate to take account of the effect on marketable parcels and other logistical considerations).

12.2. Holder acknowledgements relating to Conversion

Each Holder irrevocably:

(a) upon Conversion of Notes in accordance with these Terms, consents to becoming a member of NAB and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;

(b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of Notes including:

  (i) any change in the financial position of NAB since the Issue Date;

  (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or

  (iii) any breach by NAB of any obligation in connection with the Notes;

(c) acknowledges and agrees that:

  (i) where clause 4.4 applies:

    (A) there are no other conditions to a Loss Absorption Event occurring as and when provided in clauses 4.2, 4.3 and 4.4;

    (B) Conversion must occur immediately on the Loss Absorption Event and that may result in disruption or failures in trading or dealings in the Notes;

    (C) it will not have any rights to vote or right of approval in respect of any Loss Absorption Event Conversion; and

    (D) the Ordinary Shares issued on Loss Absorption Event Conversion may not be quoted at the time of issue, or at all;

  (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;

  (iii) the only conditions to a Conversion under clause 5 or a Conversion under clause 6 are the conditions expressly applicable to such Conversion as provided in clauses 5 and 6 and no other conditions or events will affect Conversion;

  (iv) clause 4.5 is a fundamental term of the Notes and where this applies, no other conditions or events will affect its operation; and

  (v) a Holder has no right to request a Conversion, Redemption or Resale of any Note or to determine whether (or in what combination) Notes are Converted, Redeemed or Resold; and

(d) agrees to provide to NAB any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to Notes on the occurrence of the Conversion.

12.3. Purchases

NAB or any Related Entity of NAB may at any time purchase the Notes in the open market or otherwise and at any price or consideration, subject to the prior written approval of APRA.

Holders should not expect that APRA's approval will be given for any purchase of Notes under these Terms.

13. Title and transfer

13.1. Title

Title to a Note passes when details of the transfer are entered in the Register.

13.2. Register conclusive as to ownership

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note subject to correction for fraud or error.

13.3. Non-recognition of interests

(a) Except as required by law or directive and as provided in these Terms, NAB and the Registrar must treat the person whose name is entered in the Register as the holder of a Note as the absolute owner of that Note.

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

(b) No notice of any trust, Encumbrance or other interest in, or claim to, any Notes will be entered in the Register. Neither NAB nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any Notes, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Notes will in any way affect any provision of these Terms (including without limitation any transfer of the Notes contemplated by this clause 13).

(c) This clause 13.3 applies whether or not a payment has been made when scheduled on a Note and despite any notice of ownership, trust or interest in the Note.

13.4. Joint Holders

Where two or more persons are entered in the Register as joint Holders of a Note, they are taken to hold the Note as joint tenants with a right of survivorship, but the Registrar is not bound to register more than three persons as joint Holders of a Note.

13.5. Dealings in whole

At all times, the Notes may be held or transferred only in whole Notes.

13.6. Transfer

Subject to the ASX Listing Rules, the Notes will be transferable only in accordance with these Terms and the rules and regulations of CHESS.

13.7. Instruments of transfer

A Holder may transfer a Note:

(a) by a proper transfer according to the rules and regulations of CHESS;

(b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act;

(c) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which the Notes are quoted or which is applicable to NAB; or

(d) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

13.8. Transfer on the occurrence of certain events

The Registrar must register a transfer of a Note to or by a person who is entitled to make or receive the transfer as a consequence of:

(a) death, bankruptcy, liquidation or winding up of a Holder; or

(b) a vesting order by a court or other body with power to make the order,

on receipt of such evidence of entitlement that the Registrar or NAB requires.

13.9. Power to refuse to register

If permitted by the ASX Listing Rules, NAB may:

(a) request any applicable CS Facility Operator to apply a holding lock to prevent a transfer of Notes from being registered on the CS Facility's sub-register; or

(b) refuse to register a transfer of Notes to which paragraph (a) does not apply.

13.10. Obligation to refuse to register

NAB must:

(a) request any applicable CS Facility Operator to apply a holding lock to prevent a transfer of Notes from being registered on the CS Facility's sub-register; or

(b) refuse to register a transfer of Notes to which paragraph (a) does not apply;

if:

(c) the ASX Listing Rules require NAB to do so; or

(d) the transfer is in breach of the ASX Listing Rules.

13.11. Written notice to Holder of holding lock or refusal

If in the exercise of its rights under clause 13.9 or 13.10, NAB requests the application of a holding lock to prevent a transfer of Notes or refuses to register a transfer of Notes, NAB must give written notice of the request or refusal to the Holder of the Notes, the transferee and the broker lodging the transfer, if any. Failure to give such notice does not invalidate NAB's decision.

14. Payments

14.1. Payments to Holders

Each payment in respect of a Note will be made to the person that is recorded in the Register as the Holder of that Note as at the Relevant Time on the Record Date for that payment.

14.2. Payments to accounts

Payments will be made by crediting on the relevant payment date the amount due to an Australian Dollar bank account maintained in Australia with a financial institution, specified by the Holder to the Registrar by close of business on the Record Date for that payment, or in any other manner NAB determines.

14.3. Uncompleted payments

If:

(a) a Holder has not notified the Registrar by close of business on the Record Date of an Australian Dollar bank account maintained in Australia with a financial institution to which payments in respect of the Note may be credited; or

(b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason,

NAB will send a notice to the address most recently notified by the Holder advising of the uncompleted payment and the amount of the uncompleted payment will be held as a deposit in a non-interest bearing, special purpose account maintained by NAB or the Registrar until the first to occur of the following:

(i) the Holder nominates a suitable Australian Dollar account maintained in Australia with a financial institution to which the payment may be credited;

(ii) claims may no longer be made in respect of that amount, in which case the monies shall be paid to and be the property of NAB; or

(iii) NAB becomes entitled or obliged to deal with the amount in accordance with the law relating to unclaimed monies.

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When this clause 14.3 applies the amount payable in respect of the Notes shall be treated as having been paid on the date scheduled for payment and no interest is payable in respect of any delay in payment.

14.4. Time limit on claims

A claim against NAB for a payment under a Note is void unless made within 5 years from the date on which payment first became due.

14.5. Determination and calculation final

Except where there is fraud or a manifest error, any determination or calculation which NAB makes in accordance with these Terms is final and binds NAB, the Registrar and each Holder.

14.6. Rounding

For the purposes of any calculations required under these Terms:

(a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent being rounded up to 0.00001 per cent);

(b) all figures must be rounded to four decimal places (with halves being rounded up); and

(c) all amounts that are due and payable in respect of a Holder's aggregate holding of Notes must be rounded to the nearest cent (with halves being rounded up).

14.7. Joint Holders

A payment to any one joint Holder of a Note will discharge NAB's liability in respect of the payment.

14.8. No set-off

A Holder does not have any right to set-off any amounts owing to it by NAB in connection with the Notes against any amount owing by it to NAB in connection with the Notes or otherwise.

NAB does not have any right to set-off any amounts owing to it by a Holder against any amount owing by it to the Holder in connection with the Notes.

14.9. Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 15.

14.10. Payments on Business Days

If a payment:

(a) is due on a Note on a day which is not a Business Day, then the due date for payment will be postponed to the next day that is a Business Day; or

(b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place,

and in either case, the Holder is not entitled to any additional payment in respect of that delay.

Nothing in this clause 14.10 applies to any payment referred to in clause 7.1(b) on a Loss Absorption Event Conversion Date.

15. Taxation

15.1. Withholdings and deductions

NAB must make all payments in respect of Notes without set-off or counterclaim and without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by this clause 15.

15.2. FATCA

NAB, in its absolute discretion, may withhold or deduct from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Notes may be subject to FATCA, and may deal with such payment, the issue of Ordinary Shares and the Holder's Notes in accordance with FATCA.

NAB, in its absolute discretion, may require information from the Holder to be provided to the IRS or any other relevant authority, to determine the applicability of any withholding under or in connection with FATCA.

15.3. No gross up

If any withholding or deduction arises under or in connection with applicable law or FATCA, NAB will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Notes for or in respect of any such withholding or deduction and it will be taken to have made the payment or issue of Ordinary Shares to the Holder in full by accounting for the withholding or deduction to the relevant revenue authority and paying the balance to the Holder.

15.4. Tax file number

NAB will deduct tax from payments of Distributions on the Notes at the highest marginal tax rate plus the highest medicare levy if an Australian resident investor or a non-resident investor carrying on business in Australia at or through a permanent establishment of the non-resident in Australia has not supplied an appropriate tax file number, Australian Business Number or exemption details.

16. Ranking and subordination

16.1. Ranking of Distributions

Notes rank in respect of payment of Distributions:

(a) in priority to Ordinary Shares;

(b) equally and without any preference amongst themselves and all Equal Ranking Instruments; and

(c) junior to the claims of all Senior Creditors.

16.2. Ranking in a winding up

(a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution passed, for the winding up of NAB in Australia, the Notes are redeemable for their Face Value in accordance with this clause 16.2.

(b) In a winding up of NAB in Australia, a Note confers upon the Holder, subject to clauses 4.4 and 4.5, the right to payment in cash of the Face

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

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Value on a subordinated basis in accordance with clause 16.2(c), but no further or other claim on NAB in the winding up of NAB in Australia.

(c) Holders will rank for payment of the Face Value in a winding up of NAB in Australia:

(i) in priority to Ordinary Shares;

(ii) equally among themselves and with the claims of all Equal Ranking Instruments; and

(iii) junior to the claims of all Senior Creditors with respect to priority of payment in a winding up in that:

(A) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of Holders are paid; and

(B) until the Senior Creditors have been paid in full, the Holders must not claim in the winding up of NAB in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,

so that the Holder receives, for each Note it holds, an amount equal to the amount it would have received if, in the winding up of NAB, it had held an issued and fully paid Preference Share.

(d) Nothing in this clause 16.2:

(i) creates a charge or security interest on or over any right of the Holder; or

(ii) requires the consent of any Senior Creditor to any amendment of these Terms made in accordance with clause 18.

16.3. Agreements of Holders as to subordination

Each Holder irrevocably agrees that:

(a) clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;

(b) it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;

(c) not to exercise any voting or other rights as a creditor in the winding up of NAB in any jurisdictions:

(i) until after all Senior Creditors have been paid in full; or

(ii) otherwise in a manner inconsistent with the subordination contemplated by clause 16.2;

(d) it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding up of NAB in respect of a Note in excess of its entitlement under clause 16.2; and

(e) the debt subordination effected by clause 16.2 is not affected by any act or omission of NAB or a Senior Creditor which might otherwise affect it at law or in equity.

16.4. Further agreements of Holders

Each Holder irrevocably acknowledges and agrees that:

(a) a Holder has no right to apply for NAB to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of NAB merely on the grounds that NAB does not or is or may become unable to pay a Distribution when scheduled in respect of Notes; and

(b) these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on a scheduled Distribution Payment Date will not constitute an event of default.

16.5. Unsecured

Notes are unsecured.

17. Meetings of Holders and voting rights

17.1. Meetings of Holders

Meetings of Holders may be held in accordance with the Meetings Provisions. A meeting may consider any matter affecting the interests of Holders, including any amendment to these Terms proposed by NAB in accordance with clause 18.

17.2. Requirement for APRA approval

An amendment or addition to these Terms which may affect the eligibility of the Notes as Additional Tier 1 Capital cannot be approved by Holders without the prior written approval of APRA.

17.3. Voting rights

A Note does not entitle its Holder to attend or vote at a general meeting of NAB.

18. Amendment of these Terms

18.1. Amendments without consent

(a) Subject to complying with all applicable laws, to clause 18.1(c) and to obtaining APRA's prior written approval where required in accordance with clause 18.4, NAB may without the authority, assent or approval of the Holders, amend these Terms and the NAB Capital Notes 3 Deed Poll if NAB is of the opinion that the amendment:

(i) is of a formal, minor or technical nature;

(ii) is made to cure any ambiguity or correct any manifest error;

(iii) is necessary or expedient for the purpose of enabling the Notes to be listed or to remain listed on a stock exchange or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;

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(iv) is necessary or expedient for the purpose of complying with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which NAB may propose to seek a listing or quotation of the Notes;

(v) is necessary and appropriate to effect the substitution under clause 19;

(vi) is made to amend any date or time period stated, required or permitted in connection with any Conversion, Redemption or Resale (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security to be issued by NAB or a member of the Group);

(vii) is made to:

(A) amend the terms of the Notes to align them with any Relevant Tier 1 Capital Instruments issued after the Issue Date; or

(B) amend the definition of Relevant Tier 1 Capital Instruments on account of the issue after the Issue Date of capital instruments of any member of the Group; or

(viii) is not materially prejudicial to the interests of Holders as a whole.

For the purposes of determining whether the amendment is not materially prejudicial to the interests of Holders as a whole, the taxation and regulatory capital consequences to Holders (or any class of Holders) and other special consequences which are personal to a Holder (or any class of Holders) do not need to be taken into account.

(b) Subject to complying with all applicable laws and clause 18.1(c) and with APRA's prior written approval where required in accordance with clause 18.4, NAB may without the authority, assent or approval of the Holders, amend these Terms if NAB is of the reasonable opinion that the amendment is necessary and appropriate to effect the substitution of an Approved NOHC as issuer of the Ordinary Shares on Conversion in the manner contemplated by these Terms including without limitation amendments and additions to effect a substitution in accordance with clause 19.

(c) If NAB considers that the amendment will be materially prejudicial to the interests of Holders as a whole, the amendment may only be made if it has been approved by a Special Resolution of Holders. In considering the rights of Holders as a whole NAB need not take into account the taxation and regulatory capital consequences to Holders (or any class of Holders) or other special consequences which are personal to a Holder (or any class of Holders).

18.2. Amendment with consent

Without limiting clause 18.1, NAB may amend or add to these Terms if the amendment or addition has been approved by a Special Resolution of Holders. An amendment or addition to these Terms which may affect the eligibility of the Notes as Additional Tier 1 Capital cannot be approved by Holders under this clause 18 without the prior written approval of APRA.

18.3. Notification of amendment to APRA

NAB will promptly notify APRA of any amendments made in accordance with this clause 18.

18.4. Requirement for APRA approval

A requirement in this clause 18 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of Notes as Additional Tier 1 Capital.

18.5. Meaning of amend and amendment

In this clause 18, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

19. Substitution

19.1. Substitution of Approved NOHC as issuer of Ordinary Shares

Where:

(a) NAB proposes to implement a NOHC Event involving an Approved NOHC; and

(b) the Approved NOHC agrees for the benefit of Holders:

(i) to deliver fully paid ordinary shares in its capital under all circumstances when NAB would otherwise have been required to deliver Ordinary Shares and upon the occurrence of an Acquisition Event with respect to the Approved NOHC, subject to the same terms and conditions as set out in these Terms (with all necessary modifications); and

(ii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all ordinary shares in the capital of the Approved NOHC issued under these Terms (with all necessary modifications) on the securities exchange on which the other ordinary shares in the capital of the Approved NOHC are quoted at the time of a Conversion,

NAB may give a notice (an "**Approved NOHC Substitution Notice**") to the Holders (which, if given, must be given as soon as practicable before the NOHC Event and in any event no later than 10 Business Days before the NOHC Event occurs) specifying the amendments to these Terms which will be made in accordance with clause 19.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the "**Approved NOHC Substitution Terms**"). An Approved

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NOHC Substitution Notice, once given, is irrevocable. If NAB gives an Approved NOHC Substitution Notice to Holders in accordance with clause 19.4, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice. No proposal to implement a NOHC shall prevent, impede or delay a Conversion required on account of a Loss Absorption Event.

19.2. Amendment without consent for substitution of an Approved NOHC

Subject to complying with all applicable laws and with APRA's prior written approval, if the circumstances described in clauses 19.1(a) and 19.1(b) apply, without the authority, assent or approval of Holders, NAB may give an Approved NOHC Substitution Notice which:

(a) amends the definition of "Conversion" such that, unless APRA otherwise agrees, on the date Notes are to be Converted:

(i) each Note that is being Converted will be automatically transferred by each Holder free from Encumbrance to the Approved NOHC (or another member of the Group which is a holding company of NAB) (the "**Transferee**") on the date the Conversion is to occur;

(ii) each Holder (or in the circumstances contemplated in clause 7.12, the Eligible Nominee) will be issued a number of ordinary shares in the capital of the Approved NOHC equal to the Conversion Number; and

(iii) as between NAB and the Transferee, each Note held by the Transferee as a result of the transfer will be automatically Converted into Ordinary Shares, in a number such that the total number of Ordinary Shares held by the Transferee increases by the number which equals the number of ordinary shares in the capital of the Approved NOHC issued by the Approved NOHC to Holders on Conversion; and

(b) makes such other amendments as in NAB's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Terms, including without limitation:

(i) amendments and additions to the definition of "Group", "Acquisition Event", "Common Equity Trigger Event", "Non-Viability Trigger Event", "Loss Absorption Event", "Regulatory Event", "Tax Event" and "Mandatory Conversion";

(ii) where the terms upon which the Approved NOHC acquires NAB are such that the number of ordinary shares in the capital of the Approved NOHC on issue immediately after the substitution differs from the number of Ordinary Shares on issue immediately before the substitution (not involving any cash payment, or other distribution (or compensation) to or by the holders of any such shares), an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in clause 7;

(iii) amendments to the mechanics for adjusting the Conversion Number; and

(iv) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the Notes to remain as Tier 1 Capital.

19.3. Further substitutions

After a substitution under clause 19.1, the Approved NOHC may, without the consent of the Holders, effect a further substitution in accordance with clause 19.1 (with necessary changes).

19.4. Notice to Holders

NAB or the Approved NOHC must notify the Registrar, ASX and the Holders of the particulars of any substitution according to clause 19.1 or clause 19.3 in writing as soon as practicable after the substitution.

19.5. Acknowledgement of Holders

Each Holder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Terms be substituted for NAB as issuer of the Ordinary Shares on Conversion and that if such a substitution is effected, the Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares in NAB.

20. Further issues and no other rights

20.1. Further issues permitted

Each of the following is expressly permitted and authorised by these Terms:

(a) the allotment or issue of notes, preference shares or other securities, or the conversion of existing securities into preference shares or other securities, ranking equally with, in priority to or junior to, or having different rights from, the Notes then on issue;

(b) a redemption, conversion, buy-back or return or distribution of capital in respect of any share capital (except as provided by clause 2.8) or any other securities issued by NAB, whether ranking behind, equally with, or in priority to, the Notes; and

(c) the incurring or guaranteeing by NAB of any indebtedness upon such terms as NAB thinks fit in its sole discretion.

20.2. No other rights

A Holder of the Notes has no right to participate in the issue of any other securities of NAB and has no claim on NAB other than as expressly set out in these Terms or on any other member of the Group.

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21. Notices

21.1. Notices to Holders

All notices, certificates, consents, approvals, waivers and other communications in connection with a Note to the Holders must be in writing and may be:

(a) so long as the Notes are quoted on ASX, given by publication of an announcement on ASX;

(b) given by an advertisement published in the Australian Financial Review or The Australian, or any other newspaper nationally circulated within Australia; or

(c) sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the relevant notice or communication).

21.2. Notices to NAB and the Registrar

All notices, and other communications to NAB and the Registrar must be in writing and may be sent by prepaid post or left at the address of the registered office of NAB or the Registrar or such other address as is notified to Holders from time to time.

21.3. When effective

Communications take effect from the time they are received or taken to be received (whichever happens first) unless a later time is specified in them.

21.4. Receipt – publication on ASX

If published by an announcement on ASX, communications are taken to be received when the announcement is made on ASX.

21.5. Receipt – publication in newspaper

If published in a newspaper, communications are taken to be received on the first date that publication has been made in all the required newspapers.

21.6. Receipt – postal

Unless a later time is specified in it, a notice, if sent by post, it is taken to be received on the sixth succeeding Business Day in the place of the addressee.

21.7. Non-receipt of notice

If there are two or more Holders, the non-receipt of any notice by, or the accidental omission to give any notice to, a Holder does not invalidate the giving of that notice.

22. Governing law and jurisdiction

22.1. Governing law

The Notes are governed by the laws in force in Victoria, Australia.

22.2. Jurisdiction

NAB submits to the non-exclusive jurisdiction of the courts of Victoria and courts of appeal from them. NAB waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

22.3. Serving documents

Without preventing any other method of service, any document in any action in connection with the Notes may be served on NAB by being delivered or left at NAB's address as set out below:

Attention: Company Secretary

Address: Level 1, 800 Bourke Street, Docklands, VIC 3008

or such other address as NAB notifies to ASX as its address (as the case may be) for notices or other communications in respect of the Notes from time to time.

23. Power of attorney

(a) Each Holder appoints each of NAB, its Authorised Officers and any External Administrator of NAB (each an "**Attorney**") severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, effecting any transfers of Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.

(b) The power of attorney given in this clause 23 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

24. Interpretation and definitions

24.1. Definitions

Acquisition Conversion Date has the meaning given in clause 5.2.

Acquisition Conversion Notice has the meaning given in clause 5.1.

Acquisition Event means any one of the following events:

(a) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional, all regulatory approvals necessary for the acquisition to occur have been obtained and either:

  (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or

  (ii) the directors of NAB, acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or

(b) a court orders the holding of meeting(s) to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

(i) all classes of members of NAB pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and

(ii) all conditions to the implementation of the scheme, including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived

provided that none of the events described above will constitute an Acquisition Event if:

(c) the event is a NOHC Event;

(d) the ordinary shares of the NOHC are listed on an internationally recognised stock exchange; and

(e) the NOHC makes the agreements for the benefit of Holders contemplated by clause 19.1(b).

Additional Tier 1 Capital means the additional tier 1 capital of the NAB Level 1 Group or the NAB Level 2 Group as defined by APRA from time to time.

Adjustment Notice has the meaning given in clause 7.8.

amend for the purposes of clause 18, has the meaning given in clause 18.5.

Approved NOHC means a NOHC of the Group arising from a NOHC Event in circumstances where the proviso to the definition of Acquisition Event will be satisfied.

Approved NOHC Substitution Notice has the meaning given in clause 19.1.

Approved NOHC Substitution Terms has the meaning given in clause 19.1.

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time.

Attorney has the meaning given in clause 23(a).

Attributable Proceeds means, in respect of a Holder to whom clause 7.12 applies, an amount equal to the Net Proceeds per Ordinary Share multiplied by the number of Ordinary Shares issued and sold in accordance with clause 7.12 in respect of that Holder.

Australian Dollar means the lawful currency of the Commonwealth of Australia.

Authorised Officers means each director and secretary of NAB and any person delegated on the authority of the board of directors of NAB to exercise the power of attorney conferred by clause 23.

Bank Bill Rate has the meaning given in clause 2.4.

Banking Act means the Banking Act 1959 (Cth).

Bookbuild means the process conducted by NAB or its agents before the opening of the Offer whereby certain institutional investors and brokers lodge bids for Notes and, on the basis of those bids, NAB determines the Margin and announces its determination on ASX before the opening of the Offer.

Business Day means a day which is both:

(a) a day on which banks are open for general banking business in Melbourne and Sydney (not being a Saturday, Sunday or public holiday in that place); and

(b) a day which is a business day for the purposes of the ASX Listing Rules.

Buy-Back means a transaction involving the acquisition by NAB of its Ordinary Shares pursuant to an offer made at NAB's discretion in accordance with the provisions of Part 2J of the Corporations Act.

Capital Reduction means a reduction in capital initiated by NAB in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

CHESS means the Clearing House Electronic Subregister System operated by ASX or its affiliates or any system that replaces it relevant to the Notes (including in respect of the transfer or Conversion of the Notes).

Common Equity Tier 1 Capital means in respect of each of the NAB Level 1 Group and the NAB Level 2 Group has the meaning determined for that term (or its equivalent) by APRA from time to time.

Common Equity Tier 1 Ratio means:

(a) in respect of the NAB Level 1 Group, the ratio of Common Equity Tier 1 Capital in respect of the NAB Level 1 Group to risk weighted assets of the NAB Level 1 Group; and

(b) in respect of the NAB Level 2 Group, the ratio of Common Equity Tier 1 Capital in respect of the NAB Level 2 Group to risk weighted assets of the NAB Level 2 Group,

in each case as calculated by the methodology prescribed by APRA from time to time.

Common Equity Trigger Event has the meaning given in clause 4.2.

Constitution means the constitution of NAB as amended from time to time.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of NAB (or any NOHC that is the holding company of NAB), an entity that NAB (or such NOHC) Controls.

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Conversion means, in relation to a Note, to convert that Note into a number of Ordinary Shares in accordance with clause 7, and **Convert**, **Converted** and **Converting** have corresponding meanings.

Conversion Date means a Mandatory Conversion Date, a Loss Absorption Event Conversion Date, Acquisition Conversion Date or an Optional Conversion Date in respect of a Conversion.

Conversion Number has the meaning given in clause 7.1.

Corporations Act means the Corporations Act 2001 (Cth).

CS Facility means ASX Settlement Pty Limited (ABN 49 008 504 532) or such other applicable clearing and settlement facility prescribed as a CS Facility under the Corporations Act from time to time.

CS Facility Operator means the operator of a CS Facility.

Cum Value has the meaning given in clause 7.2.

Defaulting Nominated Purchaser has the meaning given in clause 11.6.

Deferred Acquisition Conversion Notice has the meaning given in clause 5.4.

Deferred Conversion Date has the meaning given in clause 6.5.

Delisting Event means, in respect of a date, that:

(a) NAB has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, NAB or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);

(b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:

  (i) at least 5 consecutive Business Days prior to that date; and

  (ii) that date; or

(c) an Inability Event subsists preventing NAB from Converting Notes of Holders generally.

Directors mean the directors of NAB acting as a board or an authorised committee of the board.

Distribution has the meaning given in clause 2.1.

Distribution Payment Date has the meaning given in clause 2.2.

Distribution Period means in respect of:

(a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date after the Issue Date; and

(b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 2.4.

Eligible Nominee has the meaning given in clause 7.12.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing.

Equal Ranking Instruments means in respect of the payment of distributions or the payment in a winding up:

(a) the NIS preference shares;

(b) NAB CPS;

(c) NAB CPS II;

(d) NAB Capital Notes;

(e) NAB Capital Notes 2;

(f) each other preference share that NAB has issued or may issue that has the same identifying number as the identifying number provided in the Constitution with respect to priority of payment of dividends or payment in a winding up of NAB as any of the preference shares listed in (a) to (e) above; and

(g) any securities or other instruments that rank in respect of distributions or in a winding up equally with those preference shares.

External Administrator means, in respect of a person:

(a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or

(b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person,

or in either case any similar official.

Face Value has the meaning given in clause 1.2.

FATCA means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended ("the Code") (or any consolidation, amendment, re-enactment or replacement of those sections) and including any current or future regulations or official interpretations issued, agreements entered into pursuant to section 1471(b) of the Code or non-US laws enacted or regulations or practices adopted pursuant to any intergovernmental agreement in connection with the implementation of those sections.

FATCA Withholding means any withholding or deduction imposed or required pursuant to FATCA.

First Mandatory Conversion Condition has the meaning given in clause 3.3.

First Optional Conversion Restriction has the meaning given in clause 6.4.

First Test Date has the meaning given in clause 3.3(a).

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who NAB otherwise believes may not be a resident of Australia.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of NAB at the relevant Distribution Payment Date.

Government Agency means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Group means NAB (or any NOHC that is the holding company of NAB) and the Controlled Entities of NAB (or of such NOHC).

Holder means a person for the time being Registered as the holder of a Note.

Inability Event means NAB is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of NAB) or any other reason from Converting the Notes.

IRS means the United States Internal Revenue Service or any authority succeeding to its powers and responsibilities.

Issue Date means the date on which the Notes are issued.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Notes were issued, as adjusted in accordance with clauses 7.4 to 7.7 (inclusive).

Issue Price has the meaning given in clause 1.2.

Level 1 and Level 2 mean those terms as defined by APRA from time to time.

Loss Absorption Event has the meaning given in clause 4.1.

Loss Absorption Event Conversion means the Conversion of Notes to Ordinary Shares on the Loss Absorption Event Conversion Date in accordance with clause 4.4.

Loss Absorption Event Conversion Date has the meaning given in clause 4.4.

Loss Absorption Event Notice has the meaning given in clause 4.6.

Mandatory Conversion means the mandatory conversion of Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 3.

Mandatory Conversion Conditions has the meaning given in clause 3.3.

Mandatory Conversion Date has the meaning given in clause 3.2.

Margin has the meaning given in clause 2.4.

Maximum Conversion Number has the meaning given in clause 7.1.

Meetings Provisions means the provisions for the convening of meetings and passing of resolutions by Holders set out in Schedule 2 of the NAB Capital Notes 3 Deed Poll.

NAB means National Australia Bank Limited (ABN 12 004 044 937).

NAB Capital Notes means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB on 23 March 2015.

NAB Capital Notes 2 means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by NAB on 7 July 2016.

NAB Capital Notes 3 has the meaning given in clause 1.1.

NAB Capital Notes 3 Deed Poll means the deed poll relating to the Notes made by NAB on or about 11 February 2019.

NAB CPS means convertible preference shares, being fully paid preference shares issued by NAB on 20 March 2013.

NAB CPS II means convertible preference shares, being fully paid preference shares issued by NAB on 17 December 2013.

NAB Level 1 Group means NAB and those of its controlled entities included by APRA from time to time in the calculation of NAB's capital ratios on a Level 1 basis.

NAB Level 2 Group means NAB and together with each other Related Entity included by APRA from time to time in the calculation of NAB's capital ratios on a Level 2 basis.

NAB New York Branch means NAB acting through its branch office in New York City.

Net Proceeds per Ordinary Share means, in respect of Ordinary Shares issued and sold in accordance with clause 7.12, an amount equal to the proceeds of sale of such Ordinary Shares actually received by the Eligible Nominee after deduction of any applicable brokerage, stamp duty and other taxes, charges and expenses (including the Eligible Nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares), divided by the number of such Ordinary Shares issued and sold.

Next Distribution Payment Date means the scheduled quarterly Distribution Payment Date immediately following the date on which the Optional Conversion Notice, Optional Redemption Notice or Optional Resale Notice (as applicable) was given by NAB provided that if such Distribution Payment Date is less than 20 Business Days following the date on which such notice was given then it shall be the immediately following Distribution Payment Date.

NIS means the income securities issued by NAB in 1999 comprising fully paid notes issued by NAB through NAB New York Branch stapled to unpaid preference shares issued by NAB.

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NIS preference shares means the preference shares issued by NAB in connection with the NIS which, if paid up in accordance with the terms of the NIS, will be outstanding in an aggregate liquidation amount of up to A$2.0 billion.

NOHC means a "non-operating holding company" within the meaning of the Banking Act.

NOHC Event means an event which would otherwise be an Acquisition Event which is initiated by the Directors, acting as a board, and the result of which is that the ultimate holding company of NAB would be a NOHC.

Nominated Purchaser means, subject to clause 11.3, one or more third parties selected by NAB in its absolute discretion, provided that such party cannot be NAB or any Related Entity of NAB.

Non-Conversion Notice has the meaning given in clause 3.4.

Non-Conversion Test Date has the meaning given in clause 6.4.

Non-Viability Trigger Event has the meaning given in clause 4.3.

Notes has the meaning given in clause 1.1.

Offer means the invitation made under the Prospectus issued by NAB for persons to subscribe for Notes.

Optional Conversion Date has the meaning given in clause 6.3.

Optional Conversion Notice has the meaning given in clause 6.1.

Optional Conversion Restrictions has the meaning given in clause 6.4.

Optional Redemption Notice has the meaning given in clause 8.1.

Optional Resale Notice has the meaning given in clause 10.1.

Ordinary Resolution means a resolution:

(a) passed at a meeting of Holders by a simple majority of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or

(b) made in writing by Holders representing more than 50% of the outstanding Notes,

in each case in accordance with the Meetings Provisions.

Ordinary Share means a fully paid ordinary share in the capital of NAB.

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution in relation to Ordinary Shares.

Payment Condition means in respect of Distributions scheduled to be paid on a Distribution Payment Date:

(a) the payment of Distributions will result in NAB or the Group not complying with APRA's then current Prudential Capital Requirements;

(b) unless APRA otherwise approves in writing, making the Distribution payment would result in NAB or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to NAB or the Group (as the case may be) at the time;

(c) APRA otherwise objects to the payment of Distributions;

(d) making the Distribution payment would result in NAB becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or

(e) NAB is not permitted to pay the Distribution under the Corporations Act.

Potential Acquisition Event means any one of the following events:

(a) an event within paragraph (a) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or

(b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented,

in each case other than where such event is a NOHC Event.

Preference Share means a notional preference share in the capital of NAB conferring a claim in the winding up of NAB equal to the Face Value and ranking equally in respect of return of capital in a winding up with each of the preference shares which is an Equal Ranking Instrument in respect of payment in a winding up.

Prospectus means the prospectus for the Offer including these Terms.

Prudential Capital Requirements means at any time the requirements of APRA with respect to the ratio of Common Equity Tier 1 Capital, Tier 1 Capital or Total Capital to total risk weighted assets as applicable to NAB or the Group at that time.

Publication Time has the meaning given in clause 2.4.

Record Date means, in the case of:

(a) payments of a Distribution, the date which is 8 calendar days before the date of payment (or as otherwise prescribed by the ASX Listing Rules or if not prescribed by the ASX Listing Rules, a date determined by NAB and notified to ASX); and

(b) payments of any other amount, a date determined by NAB and notified to ASX (or such other date as may be prescribed by ASX).

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

Redemption means, in relation to a Note, redemption in accordance with clause 9.2 and **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

Redemption Date means the date on which Notes are to be redeemed or, if Notes are not redeemed on that day, the date on which the Notes are Redeemed.

Register means a register of Holders of Notes established and maintained by the Registrar. The term Register includes:

(a) any sub-register maintained by, or on behalf of NAB under the Corporations Act, the ASX Listing Rules or the rules and regulations of CHESS; and

(b) any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

Registered means recorded in the Register.

Registrar means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person who from time to time maintains the Register on behalf of NAB.

Regulatory Change means any amendment to, clarification of or change (including any announcement of any change that will be introduced) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations or any direction, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law) in each case which event is announced on or after the Issue Date and which NAB did not expect as at the Issue Date.

Regulatory Event means:

(a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of a Regulatory Change additional requirements would be imposed on NAB in relation to or in connection with Notes (which were not expected by NAB at the Issue Date) which the Directors determine, in their absolute discretion, to be unacceptable; or

(b) the determination by the Directors that, as a result of a Regulatory Change, NAB is not or will not be entitled to treat some or all Notes as Additional Tier 1 Capital except where the reason NAB is not or will not be entitled to treat some or all Notes as Additional Tier 1 Capital is because of a limit or other restriction on the recognition of Additional Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by NAB may come into effect.

Related Entity has the meaning given to it by APRA from time to time.

Relevant Distribution has the meaning given in clause 2.8.

Relevant Distribution Payment Date has the meaning given in clause 2.8.

Relevant Fraction has the meaning given in clause 7.1.

Relevant Mandatory Conversion Date has the meaning given in clause 3.2.

Relevant Tier 1 Capital Instruments means Tier 1 Capital instruments of NAB (on a Level 1 or Level 2 basis) (including the Notes) that, in accordance with their terms or by operation of law, are capable of being converted into Ordinary Shares or written off at the Loss Absorption Event Conversion Date.

Relevant Time means, in the case of:

(a) payment of a Distribution, 7:00 pm (or such other time as may be prescribed by ASX or, if not prescribed by ASX, a time determined by NAB and notified to ASX); and

(b) payments of the Face Value, a time determined by NAB and notified to ASX (or such other time as may be prescribed by ASX).

Reorganisation means, in relation to NAB, a division, consolidation or reclassification of NAB's share capital not involving any cash payment or other distribution (or compensation) to or by the holders of Ordinary Shares.

Resale means, in relation to a Note, the taking effect of the rights specified in clause 10 in relation to that Note, and **Resold** and **Resell** have corresponding meanings.

Resale Date has the meaning given in clause 10.3.

Resale Price means, for a Note, a cash amount equal to its Issue Price.

Scheduled Mandatory Conversion Date has the meaning given in clause 3.2.

Second Mandatory Conversion Condition has the meaning given in clause 3.3 (but in clauses 5.4 and 6.5, as adjusted in those clauses).

Second Optional Conversion Restriction has the meaning given in clause 6.4.

Senior Creditors means all present and future creditors of NAB, including depositors and holders of Tier 2 Capital Instruments, whose claims are:

(a) entitled to be admitted in the winding up of NAB; and

(b) not in respect of Equal Ranking Instruments.

Special Resolution means a resolution:

(a) passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or

(b) made in writing by Holders representing at least 75% of the outstanding Notes,

in each case in accordance with the Meetings Provisions.

For personal use only

Subsequent Mandatory Conversion Date has the meaning given in clause 3.2.

Taxes means taxes, levies, imposts, deductions or charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties and expenses in connection with them.

Tax Act means:

(a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth); and

(b) any other law setting the rate of income tax payable and any regulation made under any of those laws.

Tax Event means on or after the Issue Date, NAB receives an opinion from a reputable legal counsel or other tax adviser in Australia experienced in such matters that there is more than an insubstantial risk that, as a result of a Tax Law Change:

(a) NAB or another member of the Group would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any amount of other Taxes, duties, assessments or other governmental charges) in connection with the Notes; or

(b) NAB or the tax consolidated group of which it is a member would not be entitled to treat any Distribution as a frankable distribution within the meaning of Division 202 of the Tax Act (or may do so only subject to requirements which the Directors determine, in their absolute discretion, to be unacceptable).

Tax Law Change means:

(a) an amendment to, change (including any announcement of any change that will be introduced) in any laws or regulations under those laws affecting taxation in Australia;

(b) a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;

(c) an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body in Australia making the administrative pronouncement or taking any action; or

(d) a challenge asserted or threatened in connection with the Notes in writing from the Australian Taxation Office,

which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which NAB did not expect as at the Issue Date.

Tax Rate has the meaning given in clause 2.4.

Terms means these terms of issue of Notes.

Third Mandatory Conversion Condition has the meaning given in clause 3.3.

Tier 1 Capital means tier 1 capital as defined by APRA from time to time.

Tier 2 Capital means tier 2 capital as defined by APRA from time to time.

Tier 2 Capital Instruments means securities issued by NAB or a member of the NAB Level 2 Group which qualify as Tier 2 Capital.

Total Capital means total capital as defined by APRA from time to time.

Transferee has the meaning given in clause 19.2.

VWAP means, subject to any adjustments under clause 7, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

(a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the lesser of:

  (i) 20 Business Days on which trading in Ordinary Shares takes place; and

  (ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be);

  in each case immediately preceding (but not including) the Business Day before the Optional Conversion Date or Acquisition Conversion Date in respect of that event (as the case may be);

(b) in the case of a Conversion resulting from a Loss Absorption Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Loss Absorption Event Conversion Date;

(c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms; or

(d) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.

APPENDIX A: TERMS OF NAB CAPITAL NOTES 3

For personal use only

Written Off has the meaning given in clause 4.5 and **Write Off** has a corresponding meaning.

24.2. Interpretation

(a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.

(b) Unless otherwise specified, a reference to a clause or paragraph is a reference to a clause or paragraph of these Terms.

(c) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.

(d) The singular includes the plural and vice versa.

(e) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) Other than in relation to a Loss Absorption Event and a conversion on a Loss Absorption Event Conversion Date and other than as otherwise specified in these Terms, if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.

(g) A reference to dollars, AUD, A$, $ or cents is a reference to the lawful currency of Australia.

(h) Calculations, elections and determinations made by or on behalf of NAB under these Terms are binding on Holders in the absence of manifest error.

(i) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply only if NAB is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity (including a NOHC), subject to regulation and supervision by APRA at the relevant time.

(j) Any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.

(k) Any provisions in these Terms requiring the prior approval of APRA for a particular course of action to be taken do not imply that APRA has given its consent or approval to the particular action as of the Issue Date. Where under these Terms, APRA approval is required, for any act to be done or not done, that term does not imply that APRA approval has been given as at the Issue Date.

(l) The terms "holding company", "wholly-owned subsidiary" and "subsidiary", when used in these Terms have the meaning given in the Corporations Act.

(m) A reference to a party to an agreement or deed includes a reference to a replacement or substitute of the party according to that agreement or deed.

(n) A reference to an agreement or deed includes a reference to that agreement or deed as amended, added to or restated from time to time.

(o) The words "includes" or "including", "for example" or "such as" do not exclude a reference to other items, whether of the same class or genus or not.

(p) Words importing any gender include all other genders.

(q) The terms "takeover bid", "relevant interest", "scheme of arrangement", "buy-back", "related body corporate" and "on-market buy-back" when used in these Terms have the meaning given in the Corporations Act.

(r) A reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital", "Common Equity Tier 1 Capital", "Level 1", "Level 2", "Prudential Capital Requirements", "Tier 1 Capital" and "Total Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.

(s) A reference to a term defined by the ASX Listing Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.

(t) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).

(u) Where NAB is required to give or serve a notice by a certain date under these Terms, NAB is required to despatch the notice by that date (including at NAB's discretion, by posting or lodging notices with a mail house) and delivery or receipt (or deemed delivery) is permitted to occur after that date.

(v) Where a Holder is required to give or deliver a notice to NAB by a certain date under these Terms, the notice must be received by NAB by that date.

(w) A reference to time is to Melbourne time unless otherwise specified.

24.3. Inconsistency with the ASX Listing Rules

So long as Notes are quoted on ASX, these Terms as they relate to those Notes are to be interpreted in a manner consistent with applicable ASX Listing Rules, except to the extent that an interpretation consistent with the ASX Listing Rules would affect the eligibility of Notes as Additional Tier 1 Capital.

APPENDIX B

GLOSSARY

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APPENDIX B: GLOSSARY

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Term	Meaning
2018 Annual Results	The financial report for NAB for the year ended 30 September 2018, as announced on ASX on 16 November 2018
AAS or Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
ABN	Australian Business Number
Acquisition Conversion Date	The date on which Conversion as a result of an Acquisition Event is to occur For the full definition – see clause 5.2 of the Terms
Acquisition Conversion Notice	Has the meaning given to it in clause 5.1 of the Terms
Acquisition Event	Broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to NAB For the full definition – see clause 24.1 of the Terms
Additional Tier 1 Capital	The additional tier 1 Capital of the NAB Level 1 Group or the NAB Level 2 Group as defined by APRA from time to time
ADI	Authorised Deposit-taking Institution regulated by APRA
Allocation	The number of NAB Capital Notes 3 allocated under this Offer to a Syndicate Broker
Annual Financial Report 2018	The financial report for NAB for the year ended 30 September 2018
Applicant	A person who lodges an Application Form in accordance with this Prospectus
Application	A valid application for NAB Capital Notes 3 made through a completed Application Form in accordance with this Prospectus
Application Form	A paper or electronic form (as the context requires) attached to, or accompanying, this Prospectus upon which an Application for NAB Capital Notes 3 may be made
Application Monies	The amount payable on each Application, being the Face Value multiplied by the number of NAB Capital Notes 3 applied for
Approved NOHC	Has the meaning given to it in clause 24.1 of the Terms
APRA	Australian Prudential Regulation Authority
Arranger	National Australia Bank Limited
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it (as the context requires)
ASX Listing Rules	The listing rules of ASX, with any modification or waivers which ASX may grant to NAB from time to time
Bank Bill Rate	Has the meaning given to it in clause 2.4 of the Terms
Banking Act	Banking Act 1959 (Cth)
Basel III Prudential Standards	The APRA Prudential Standards and reporting standards which became effective on 1 January 2013 and which give effect to the capital reforms of the Basel Committee on Banking Supervision applicable to ADIs
BCBS	Basel Committee on Banking Supervision

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Term	Meaning
BNZ or Bank of New Zealand	Bank of New Zealand (New Zealand company number 428849)
Bookbuild	The process through which certain investors bid for a firm Allocation of NAB Capital Notes 3 to determine the Margin
Broker Firm Applicant	A retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer
Broker Firm Offer	The offer to clients of Syndicate Brokers as described in Section 4 "Applying for NAB Capital Notes 3"
Business Day	Has the meaning given to it in clause 24.1 of the Terms
CHESS	Has the meaning given to it in clause 24.1 of the Terms
Closing Date	The closing date for the Offer which is expected to be 5.00pm on 14 March 2019
Co-Managers	Bell Potter Securities Limited, Crestone Wealth Management Limited, Evans Dixon Corporate Advisory Pty Limited, JBWere Limited, and Ord Minnett Limited
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital as defined by APRA from time to time
Common Equity Tier 1 Ratio	The ratio of NAB's Common Equity Tier 1 Capital to RWA
Common Equity Trigger Event	Has the meaning given to it in clause 4.2 of the Terms
Constitution	The constitution of NAB, as amended from time to time
Controlled Entity	Has the meaning given to it in clause 24.1 of the Terms
Conversion	The conversion of NAB Capital Notes 3 into Ordinary Shares in accordance with clause 7 of the Terms **Convert**, **Converted** and **Converting** have corresponding meanings
Conversion Date	A Mandatory Conversion Date, a Loss Absorption Event Conversion Date, Acquisition Conversion Date or an Optional Conversion Date in respect of a Conversion
Conversion Number	Has the meaning given to it in clause 7.1 of the Terms
Corporations Act	Corporations Act 2001 (Cth)
CPS	Convertible preference shares, being fully paid preference shares issued by NAB on 20 March 2013
CPS II	Convertible preference shares, being fully paid preference shares issued by NAB on 17 December 2013
CPS Nominated Purchaser	UBS AG, Australia Branch
CPS Reinvestment Applicant	An Eligible CPS Holder who applies directly to NAB under the Reinvestment Offer
CPS Resale	The purchase of CPS by the CPS Nominated Purchaser on 20 March 2019 pursuant to the resale notice issued by NAB in accordance with the CPS Terms on 11 February 2019

APPENDIX B: GLOSSARY

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Term	Meaning
CPS Resale Proceeds	$100 per CPS acquired by the CPS Nominated Purchaser pursuant to the CPS Resale
CPS Terms	The terms of CPS as set out in Appendix A of the Prospectus for CPS dated 21 February 2013 (which replaced the Prospectus dated 13 February 2013)
D-SIB	Domestic systemically important bank
Delisting Event	Broadly occurs when NAB is delisted, its Ordinary Shares have been suspended from trading for a certain period, or NAB is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting NAB Capital Notes 3 of Holders generally – see clause 24.1 of the Terms
Directors	The directors of NAB acting as a board or an authorised committee of the board
Distribution	Has the meaning given to it in clause 2.1 of the Terms
Distribution Payment Date	In respect of a NAB Capital Note 3, each 17 March, 17 June, 17 September and 17 December commencing on 17 June 2019 until the date that NAB Capital Note 3 is Converted or Redeemed For the full definition – see clause 2.2 of the Terms
Distribution Period	The period in respect of which a Distribution is scheduled. The first Distribution Period is from (and including) the Issue Date until (but not including) the first Distribution Payment Date. Each subsequent Distribution Period is from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date For the full definition – see clause 24.1 of the Terms
Distribution Rate	The distribution rate on NAB Capital Notes 3 calculated using the formula described in Section 2.1 For the full definition – see clause 2.4 of the Terms
Eligible CPS Holder	A CPS holder who: • was registered as a holder of CPS at 7.00pm on 7 February 2019; • is shown on the CPS register as having an address in Australia; • is not an individual residing in a member state of the European Union; and • is not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person or not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 3 under the laws of any jurisdiction
Eligible Nominee	Has the meaning given in clause 7.12 of the Terms
Eligible Securityholder	Holders of Ordinary Shares, National Income Securities, NAB Subordinated Notes 2, CPS, CPS II, NAB Capital Notes or NAB Capital Notes 2 as at 7.00pm on 7 February 2019 who are shown on the relevant register as having an address in Australia
Equal Ranking Instruments	Has the meaning given to it in clause 24.1 of the Terms
Exposure Period	The seven day period commencing after the date the Original Prospectus was lodged with ASIC
Face Value	The face value for NAB Capital Notes 3 under this Prospectus, being $100 per NAB Capital Note 3 For the full definition – see clause 1.2 of the Terms

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Term	Meaning
FATCA	Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections)
FATCA Withholding	Any withholding or deduction imposed or required pursuant to FATCA
Final Report	The Final Report of the Royal Commission, which was publicly released on 4 February 2019
First Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Foreign Holder	Has the meaning given to it in clause 24.1 of the Terms
Group	NAB (or any NOHC that is the holding company of NAB) and the Controlled Entities of NAB (or of such NOHC)
Group CEO	The Group Chief Executive Officer and Managing Director
GST	Goods and Services Tax
Holder	A registered holder of NAB Capital Notes 3
Holding Statement	A statement issued to Holders by the Registry which sets out the number of NAB Capital Notes 3 Issued to that Holder
Inability Event	If NAB is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of NAB) or by any other reason from Converting NAB Capital Notes 3 which would otherwise be Converted on a Loss Absorption Event Conversion Date For the full definition – see clause 24.1 of the Terms
Institutional Investor	An investor invited to participate in the Institutional Offer
Institutional Offer	The invitation to Institutional Investors to apply for NAB Capital Notes 3 under this Prospectus
Issue	The process of issuing NAB Capital Notes 3 to Holders. **Issued** has a corresponding meaning
Issue Date	Expected to be 20 March 2019
Issue Date VWAP	Has the meaning given to it in clause 24.1 of the Terms
JBWere	JBWere Limited
Joint Lead Managers or JLMs	Morgan Stanley Australia Securities Limited, Morgans Financial Limited, Shaw and Partners Limited, UBS AG, Australia Branch and Westpac Institutional Bank
Loss Absorption Event	Has the meaning given to it in clause 4.1 of the Terms
Loss Absorption Event Conversion Date	Has the meaning given to it in clause 4.4 of the Terms
Mandatory Conversion	The mandatory conversion of NAB Capital Notes 3 to Ordinary Shares on the Mandatory Conversion Date in accordance with the Terms
Mandatory Conversion Conditions	Has the meaning given to it in clause 3.3 of the Terms
Mandatory Conversion Date	Has the meaning given to it in clause 3.2 of the Terms
Margin	4.00% per annum, as determined under the Bookbuild
Maximum Conversion Number	Has the meaning given to it in clause 7.1 of the Terms

APPENDIX B: GLOSSARY

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Term	Meaning
MLC	MLC Limited (ABN 90 000 000 402)
Morgans Financial Limited	Morgans Financial Limited (ABN 49 010 669 726, AFSL 235410)
Morgan Stanley Australia Securities Limited	Morgan Stanley Australia Securities Limited (ABN 55 078 662 276, AFSL 233741)
NAB	National Australia Bank Limited (ABN 12 004 044 937)
NAB Capital Notes	Capital notes, being fully paid mandatorily convertible subordinated perpetual notes issued by NAB on 23 March 2015
NAB Capital Notes 2	Capital notes, being fully paid mandatorily convertible subordinated perpetual notes issued by NAB on 7 July 2016
NAB Capital Notes 3	Capital notes, being fully paid mandatorily convertible subordinated perpetual notes issued by NAB which are to be issued under this Prospectus
NAB Capital Notes 3 Deed Poll	The deed poll relating to NAB Capital Notes 3 made by NAB on or about 11 February 2019
NAB Level 1 Group	Has the meaning given to it in clause 24.1 of the Terms
NAB Level 2 Group	Has the meaning given to it in clause 24.1 of the Terms
NAB Subordinated Notes 2	The fully paid, subordinated unsecured notes issued by NAB on 20 March 2017
National Income Securities	The securities issued under a prospectus dated 10 May 1999
NOHC	A "non-operating holding company" within the meaning of the Banking Act
NOHC Event	Has the meaning given to it in clause 24.1 of the Terms
Non-Conversion Test Date	Has the meaning given to it in clause 6.4 of the Terms
Non-Viability Trigger Event	Has the meaning given to it in clause 4.3 of the Terms
Offer	The offer made through this Prospectus by NAB of NAB Capital Notes 3 to raise $1,650 million, with the ability to raise more or less. The offer comprises the Broker Firm Offer, Securityholder Offer and the Institutional Offer and the Reinvestment Offer
Offer Management Agreement	The offer management agreement entered into between NAB, the Arranger, and the Joint Lead Managers as summarised in Section 9.5
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which was 19 February 2019
Optional Conversion Date	Has the meaning given to it in clause 6.3 of the Terms
Optional Conversion Restriction	Has the meaning given to it in clause 6.4 of the Terms
Ordinary Resolution	A resolution passed at a meeting of Holders by a simple majority of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution, or made in writing by Holders representing more than 50% of the outstanding NAB Capital Notes 3 For the full definitions and provisions relating to written resolutions – see the Meetings Provisions set out in the NAB Capital Notes 3 Deed Poll

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Term	Meaning
Ordinary Share	A fully paid ordinary share in the capital of NAB
Original Prospectus	The Prospectus dated 11 February 2019 and lodged with ASIC on that date, which this Prospectus replaces
Payment Condition	Has the meaning given to it in clause 24.1 of the Terms
Potential Acquisition Event	Has the meaning given to it in clause 24.1 of the Terms
Prospectus	This Prospectus which was lodged with ASIC on 19 February 2019
Protected Account	Broadly, a protected account is, subject to certain conditions, an account or a specified financial product: • where NAB is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or • otherwise prescribed by regulation. The Australian Treasurer has published a declaration of products prescribed as protected accounts for the purposes of the Banking Act and the declaration has now been restated in regulations
Prudential Capital Requirements	Has the meaning given to it in clause 24.1 of the Terms
Prudential Standards	A prudential standard issued by APRA under its powers in the Banking Act
Record Date	Has the meaning given to that term in clause 24.1 of the Terms
Redemption	In relation to a NAB Capital Note 3 means redemption in accordance with clause 9.2 of the Terms **Redeem** and **Redeemed** have corresponding meanings
Registrar or Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that NAB appoints
Regulatory Change	Has the meaning given to it in clause 24.1 of the Terms
Regulatory Event	Has the meaning given to it in clause 24.1 of the Terms
Reinvestment Offer	The invitation to Eligible CPS Holders to reinvest the CPS Resale Proceeds relating to all or some of their CPS, into NAB Capital Notes 3 under this Prospectus
Reinvestment Offer Application Form	The reinvestment form available to Eligible CPS Holders online at **nab.com.au/ncn3offer** or accompanying this Prospectus sent to Eligible CPS Holders at their request on which they can reinvest all or some of their CPS Resale Proceeds in NAB Capital Notes 3 as described in Section 4
Related Entity	Has the meaning given to it in clause 24.1 of the Terms
Relevant Fraction	Has the meaning given to it in clause 7.1 of the Terms
Relevant Tier 1 Capital Instruments	Has the meaning given to it in clause 24.1 of the Terms
Relevant Tier 2 Capital Instruments	Tier 2 Capital Instruments that, in accordance with their terms or by operation of law, are capable of being Converted into Ordinary Shares or written off
Resale	Has the meaning given to it in clause 24.1 of the Terms **Resold** and **Resell** have corresponding meanings

APPENDIX B: GLOSSARY

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Term	Meaning
Resale Price	Has the meaning given to it in clause 24.1 of the Terms
Royal Commission	The Royal Commission into the Banking, Superannuation and Financial Services Industry
RWA	Risk-weighted assets
Second Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Securityholder Applicant	An Applicant who applies under the Securityholder Offer
Securityholder Offer	The offer as described in Section 4 "Applying for NAB Capital Notes 3"
Senior Creditors	All present and future creditors of NAB, including depositors and holders of Tier 2 Capital Instruments whose claims are entitled to be admitted in the winding up of NAB and whose claims are not in respect of Equal Ranking Instruments
Shareholder	A holder of Ordinary Shares from time to time
Shaw and Partners Limited	Shaw and Partners Limited (ABN 24 003 221 583, AFSL 236048)
Special Resolution	A resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution, or made in writing by Holders representing at least 75% of the outstanding NAB Capital Notes 3 For the full definitions and provisions relating to written resolutions – see the Meetings Provisions set out in the NAB Capital Notes 3 Deed Poll
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers), Co-Managers and any other participating broker in the Offer
Tax Event	Has the meaning given to it in clause 24.1 of the Terms
Tax Rate	Has the meaning given to it in clause 2.4 of the Terms
Terms	The terms of NAB Capital Notes 3 as set out in Appendix A
TFN	Tax File Number
Third Mandatory Conversion Condition	Has the meaning given to it in clause 3.3 of the Terms
Tier 1 Capital	Tier 1 Capital as defined by APRA from time to time
Tier 2 Capital	Tier 2 Capital as defined by APRA from time to time
Tier 2 Capital Instruments	Securities issued by NAB or a member of the Group which qualify as Tier 2 Capital
Total Capital Ratio	The ratio so described by APRA (or any equivalent successor term)
U.S. Person	Has the meaning given to it in Regulation S under the U.S. Securities Act
U.S. Securities Act	United States Securities Act of 1933, as amended
VWAP	Has the meaning given to it in clause 24.1 of the Terms
Westpac Institutional Bank	Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714)
Written Off	Has the meaning given to it in clause 4.5 of the Terms **Write Off** has a corresponding meaning

BROKER FIRM OFFER APPLICATION FORM

National Australia Bank Limited
ABN 12 004 044 937

Closing Date
5.00pm (Melbourne time) Thursday, 14 March 2019*

This Application Form relates to the Broker Firm Offer by NAB of NAB Capital Notes 3 under the prospectus dated 19 February 2019 (**Prospectus**). This Application Form should be read in conjunction with the Prospectus. This Application Form must not be distributed unless attached to, or accompanied by the Prospectus. Capitalised words and certain terms used in this Application Form have the meanings given to them in the Prospectus. This Application Form is important. If you have any questions in relation to the Offer or how to deal with this Application Form, you should contact your Syndicate Broker or seek advice from your financial adviser or other professional adviser.

Apply online under the Securityholder Offer
If you are an Eligible Securityholder, you may also apply under the Securityholder Offer by completing an online Application Form via **nab.com.au/ncn3offer** or by contacting the NAB Information Line on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia), Monday to Friday from 8.00am to 7.30pm (Melbourne time) to request a paper copy of the Securityholder Offer Application Form.

CAUTION: NAB Capital Notes 3 are complex and may not be suitable for all investors. They are not guaranteed or secured, are not Protected Accounts and are not deposit liabilities for the purposes of the Banking Act. The overall complexity of NAB Capital Notes 3 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and any associated income. If you do not fully understand how NAB Capital Notes 3 work or the risks associated with them, you should obtain professional advice.

Acknowledgements

By submitting this Application Form and applying to participate in the Offer, I/we represent and warrant that I/we have read and understood the Prospectus and this Application Form in full including acknowledgements overleaf.

Broker Firm Offer Allocation Number
NAB

STEP 1 ▶ Apply for NAB Capital Notes 3

, , 0 x A$100.00 = A$, , 0 0 0 . 0 0

Number of NAB Capital Notes 3 applied for | Price per NAB Capital Note 3 | Full application payment of

The Application must be for a minimum of 50 NAB Capital Notes 3 (A$5,000) and thereafter in multiples of 10 NAB Capital Notes 3 (A$1,000).

STEP 2 ▶ Provide your details in the correct form of the registrable titles. Refer overleaf.

Individual / Joint Applicants

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

Postal Address

Unit | Street Number | Street Name or PO Box

Street Name or PO Box (continued)

City/Suburb/Town | State | Postcode

Contact Details

( )

Contact Name | Telephone Number (Business Hours)

STEP 3 ▶ CHESS Holdings Only – supply your Holder Identification Number

X

STEP 4 ▶ Make your payment

Please refer to instructions on page 63 or provided to you by your Syndicate Broker or contact them immediately if you are unsure how to fill out this section.

Drawer	Cheque Number	BSB Number	Account Number	A$ Amount of Cheque

* This date is indicative only. NAB reserves the right to change it without prior notice. You are encouraged to lodge your Application as soon as possible.

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Acknowledgements

By submitting this Application Form and applying to participate in the Offer, I/we:

Prospectus

- represent and warrant that I/we have read and understood the Prospectus and this Application Form in full
- declare that this Application Form has been completed and lodged according to the Prospectus, and subject to the declarations, statements and acknowledgements on this Application Form
- acknowledge that the information contained in the Prospectus (or any supplement or replacement) and this Application Form is not investment advice or a recommendation that NAB Capital Notes 3 are suitable for me/us, given my/our investment objectives, financial situation or particular needs

Risks

- acknowledge that NAB Capital Notes 3 are not Protected Accounts or deposit liabilities for the purposes of the Banking Act or any other accounts, are not guaranteed or insured by any government or other person, give Holders no claim on NAB (or any other member of the Group) except as provided in the Terms and that the investment performance of NAB Capital Notes 3 is not guaranteed by NAB

Terms and NAB's Constitution

- provide authorisation to be registered as the holder of NAB Capital Notes 3 issued to me/us and to be bound by NAB's Constitution, the Prospectus, the Terms, and the NAB Capital Notes 3 Deed Poll
- agree to become a member of NAB and be bound by NAB's Constitution upon Conversion in accordance with the Terms

Eligibility and selling restrictions

- declare that each Applicant named on this Application Form (if a natural person) is at least 18 years old
- declare that each Applicant named on this Application Form is an Australian resident
- declare that each Applicant named on this Application Form is not an individual residing in a member state of the European Union
- declare that each Applicant named on this Application Form is not in the United States or other place outside Australia or a U.S. Person, nor acting for the account or benefit of any U.S. Person
- represent and warrant that I/we have not distributed the Prospectus or any other materials concerning the Offer in the United States or to any U.S. Person
- declare that I/we understand that the NAB Capital Notes 3 have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person unless an exemption from such registration applies
- represent and warrant that the laws of any other place, including the restrictions set out on page 3 of the Prospectus, do not prohibit me/us from being given the Prospectus or any supplementary or replacement Prospectus or making an Application on this Application Form or being issued with NAB Capital Notes 3

Application Form

- represent and warrant that all details and statements on this Application Form are complete and accurate
- apply for the number of NAB Capital Notes 3 set out on or determined in accordance with this Application Form and agree to be allocated that number of NAB Capital Notes 3 or a lesser number or no NAB Capital Notes 3 at all
- authorise NAB and the Joint Lead Managers to do anything on my/our behalf necessary for NAB Capital Notes 3 to be allocated to me/us, including to act on instructions received by the Registry using the contact details provided overleaf
- acknowledge that my/our Application to acquire NAB Capital Notes 3 is irrevocable and may not be varied or withdrawn except as allowed by law
- acknowledge that my/our Application may be rejected without giving any reason, including where this Application Form is not properly completed or where a cheque submitted with this Application Form is dishonoured or for the wrong amount
- acknowledge that if I/we are not issued any NAB Capital Notes 3 or issued fewer NAB Capital Notes 3 than the number that I/we applied and paid for as a result of the scale back, all or some of my/our Application Monies (as applicable) will be refunded to me/us (without interest) as soon as practicable after the Issue Date

Correct Forms of Registrable Titles

Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation or completed as described in the correct forms of registrable title(s) below.

Type of Investor	✓ Correct Form of Registration	✗ Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L; ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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How to apply

Type of Offer	Who is eligible to participate?	When to apply	How to apply
Broker Firm Offer	The Broker Firm Offer is available to clients of a Syndicate Broker, including Eligible Securityholders and Eligible CPS Holders, who are Australian resident retail investors.	Applications will only be accepted during the Offer Period, which is expected to open on 19 February 2019. Applications will not be accepted after the Closing Date, which is expected to be 5.00pm on 14 March 2019.	If you are applying under the Broker Firm Offer (including to reinvest your CPS Resale Proceeds), you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to lodge your Application and accompanying cheque(s) and/or money order(s) (if required). Generally, your Application will be lodged with the Syndicate Broker.

Step 1: Apply for NAB Capital Notes 3

Insert the **number** of NAB Capital Notes 3 you wish to apply for as per the instructions in Step 1 and then fill out the **A$ amount** to be paid, i.e. the number of NAB Capital Notes 3 you are applying for multiplied by the A$100 issue price. Applications must be for a minimum of 50 NAB Capital Notes 3 (A$5,000) and thereafter in multiples of 10 NAB Capital Notes 3 (A$1,000).

Step 2: Provide your Details

Individual/Joint Applications: Fill in your full name or the name of a company. Up to 3 joint applicants can register. Refer to the Correct Forms of Registrable Titles table on the previous page as applications using the wrong form may be rejected.

Postal Address: This will be used for all postal correspondence.

Contact Details: Please enter a telephone number including area code and contact name.

Step 3: CHESS Holdings Only

If you're a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold NAB Capital Notes 3 issued to you under this Application on the CHESS Subregister, enter your CHESS Holder Identification Number (HIN). Otherwise leave Step 3 blank and on issue you will be sponsored by NAB and allocated a Securityholder Reference Number (SRN).

Note: If the name and address details you give on this form do not match the details held at CHESS, your Application will be deemed to have been submitted without the CHESS HIN and any NAB Capital Notes 3 issued will be held on the NAB issuer sponsored subregister.

Step 4: Make your Payment

Complete your cheque or money order as per the instructions provided to you by your Syndicate Broker.

Step 5: Submit your application

Broker Firm Applicants MUST contact their Syndicate Broker for instructions on how and when to submit this Application Form and the application payment. If you have been offered an allocation by a Syndicate Broker, you must return this form directly to that broker in accordance with their instructions. Your Broker Firm Offer Application **must be received by your Syndicate Broker** in time for them to arrange settlement on your behalf by 10.00am (Melbourne time) on Tuesday, 19 March 2019.

Important: Contact your Syndicate Broker for instructions on how and when to submit this Application Form and Application Monies.

For details including the basis on which your personal information is collected, the primary purposes for which your collected information will be used, the parties to which your personal information may be disclosed, the manner in which you can gain access to your personal information and how the Registry handles privacy complaints, please see Computershare Investor Services Pty Limited's Privacy Policy at **computershare.com/au/privacy** or contact the Registry's Privacy Officer at **privacy@computershare.com.au**

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Arranger & Joint Lead Manager
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Morgan Stanley Australia Securities Limited
Morgans Financial Limited
Shaw and Partners Limited
UBS AG, Australia Branch
Westpac Institutional Bank, a division of Westpac Banking Corporation

Co-Managers
Bell Potter Securities Limited
Crestone Wealth Management Limited
Evans Dixon Corporate Advisory Pty Limited
JBWere Limited
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How to contact us

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1300 367 647 (within Australia) or
+61 3 9415 4299 (outside Australia)
(Monday to Friday – 8.00am to 7.30pm Melbourne time)

Find us on the web at
www.nab.com.au/shareholder

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