

ASX ANNOUNCEMENT

Tuesday, 12 November 2013

NATIONAL AUSTRALIA BANK LAUNCHES CONVERTIBLE PREFERENCE SHARE II OFFER

National Australia Bank (NAB) today announced the offer of NAB Convertible Preference Shares II (NAB CPS II), which are expected to be quoted on the ASX.

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

“NAB CPS II are Basel III compliant and will qualify as Additional Tier 1 Capital under APRA’s capital adequacy framework. This offer is a key part of the NAB Group strategy to enhance balance sheet strength by maintaining a strong and efficient capital position,” said Group Treasurer, Eric Williamson.

Key points of the Offer

- NAB CPS II are fully paid preference shares issued directly by NAB. They are not guaranteed or secured and are not a deposit account or any other account with NAB.
- NAB CPS II are expected to pay a discretionary, quarterly, floating rate, non-cumulative Dividend. The Dividend Rate is equal to the sum of the Bank Bill Rate and a Margin, which sum is adjusted for NAB’s Tax Rate² to reflect franking credits attached to each Dividend (subject to availability).³ Dividends are expected to be fully franked. The Margin is expected to be in the range of 3.25% to 3.40% per annum and will be determined through the Bookbuild.
- NAB CPS II will mandatorily Convert into NAB Ordinary Shares on 19 December 2022 or if an Acquisition Event occurs, provided certain conditions are met. With the prior written approval of the Australian Prudential Regulation Authority (APRA), NAB may elect to Convert, Redeem or Resell NAB CPS II on 17 December 2020, or on the occurrence of particular events, provided certain conditions are met.
- NAB must immediately Convert NAB CPS II into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur where NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares at that time, a Conversion in those circumstances may result in Holders receiving Ordinary Shares that are worth less, or significantly less, than the Issue Price for each NAB CPS II they hold.
- Holders of NAB CPS II will have no right to request that NAB CPS II be redeemed. Without a Conversion, Redemption or Resale, Holders would have to sell their NAB CPS II on the ASX at the prevailing market price.

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

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

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

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

An initial Prospectus has been lodged with ASIC and the ASX. The Prospectus does not contain the Margin or the Application Form. A replacement Prospectus containing the margin and an Application Form will be lodged with ASIC and ASX once the Margin is determined and will be available within Australia at www.nab.com.au/cps or by calling the NAB Information Line on 1300 367 647, Monday to Friday from 8.00am to 7.30pm (AEDT) during the Offer Period and until 23 December 2013.

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

Key Dates⁴

Announcement of the NAB CPS II Offer	12 November 2013
Lodgement of Prospectus with ASIC	12 November 2013
Record Date for Securityholder Offer	4 November 2013
Bookbuild	19 November 2013
Announcement of Margin	20 November 2013
Offer Opens	20 November 2013
Securityholder and General Offers Close	9 December 2013
Broker Firm and Institutional Offers Close	13 December 2013
Issue of NAB CPS II	17 December 2013
Commencement of deferred settlement trading	18 December 2013
Despatch of Holding Statements	From 18 December 2013 ⁵

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

⁵ Expected to be completed by 20 December 2013.

Commencement of trading on normal settlement basis	23 December 2013
First Dividend Payment Date	17 March 2014
Optional Conversion / Redemption / Resale Date ⁶	17 December 2020
Mandatory Conversion Date ⁷	19 December 2022

National Australia Bank Ltd is acting as Arranger and Joint Lead Manager to the Offer. ANZ Securities, Deutsche Bank, Evans and Partners, Morgans and Morgan Stanley have also been appointed as Joint Lead Managers to the Offer. Bell Potter and JBWere are acting as Co-Managers to the Offer.

For further information:

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Further information

NAB Information Line on 1300 367 647 Monday to Friday from 8.00am to 7.30pm (AEDT) during the Offer Period and until 23 December 2013.

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

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

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

⁶ With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB CPS II on 17 December 2020. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 17 December 2013.

⁷ NAB CPS II will Convert into Ordinary Shares on 19 December 2022 (subject to the Mandatory Conversion Conditions being satisfied and only if NAB CPS II have not been Converted, Redeemed or Resold prior to that date with APRA's prior written approval). This date assumes the Issue Date is 17 December 2013.