



Tuesday, 17 May 2016

**NATIONAL AUSTRALIA BANK
ISSUE OF HK\$1,137,000,000 SUBORDINATED NOTES DUE 2026**

NOTICE UNDER SECTION 708A(12H)(e) CORPORATIONS ACT 2001 (CTH)

Pursuant to its US\$100,000,000,000 global medium term note programme, National Australia Bank Limited ("**Issuer**") will today issue HK\$1,137,000,000 subordinated notes due 2026 (the "**Subordinated Notes**").

The Subordinated Notes convert into fully paid ordinary shares of the Issuer (or, in certain circumstances, an Approved NOHC) where the Australian Prudential Regulation Authority ("**APRA**") determines this to be necessary on the grounds that the Issuer would otherwise become non-viable.

This notice is a cleansing notice prepared for the purposes of section 708A(12H)(e) of the Corporations Act 2001 (Cth) ("**Corporations Act**") (as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) to enable fully paid ordinary shares in the Issuer ("**Ordinary Shares**") or an Approved NOHC issued on conversion of the Subordinated Notes to be freely tradeable without further disclosure and includes:

- in schedule 1, a description of the commercial particulars of the Subordinated Notes, extracted from the Final Terms for the Subordinated Notes dated 13 May 2016 ("**Final Terms**");
- in schedule 2, a description of the rights and liabilities attaching to the Subordinated Notes, extracted from the Offering Circular dated 19 November 2015 for the Issuer's US\$100,000,000,000 global medium term note programme ("**Conditions**"); and
- in schedule 3, a description of the rights and liabilities attaching to Ordinary Shares.

Words and expressions defined in the Final Terms or the Conditions have the same meanings in this cleansing notice unless the contrary intention appears.

The issue of Subordinated Notes by the Issuer will not have a material impact on the Issuer's financial position. If a Non-Viability Trigger Event occurs and the Issuer issues Ordinary Shares, the impact of Conversion on the Issuer would be to increase the Issuer's shareholders' equity. The number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number. The Maximum Conversion Number for the Subordinated Notes is 30,817.8376 Ordinary Shares per Subordinated Note (with a denomination of HK\$1,000,000), based on the Issue Date VWAP of HK\$162.2437.

As a disclosing entity, the Issuer is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these obligations require the Issuer to prepare and lodge with the Australian Securities & Investments Commission ("**ASIC**") both yearly and half yearly financial statements, to report on its operations during the relevant accounting periods, and to obtain audit or review reports from its auditor in respect of those accounting periods.

Copies of documents lodged with ASIC may be obtained from or inspected at an ASIC office.

The Issuer must ensure that the ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. In this regard, the Issuer has an obligation under the Corporations Act and ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any

information concerning it of which it becomes aware, and which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

The Issuer will provide a copy of any of the following documents free of charge to any person who requests a copy before the Subordinated Notes are issued:

- the Issuer's annual financial report for the year ended 30 September 2015;
- the Issuer's consolidated financial report and dividend announcement for the half year ended 31 March 2016;
- any continuous disclosure notices given by the Issuer in the period after the lodgement of the annual financial report of the Issuer for the year ended 30 September 2015 and before the date of this notice); and
- the Issuer's constitution.

All written requests for copies of the above documents should be addressed to:

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

These documents are also available at www.nabgroup.com.au.

This Notice is not a prospectus or other disclosure document in relation to the Subordinated Notes, and does not constitute an offer or invitation for the Subordinated Notes or any Ordinary Shares for issue or sale in Australia. Subordinated Notes are only available for sale to persons in Australia in circumstances where disclosure is not required in accordance with Part 6D.2 of the Corporations Act and the sale is not to a retail client for the purposes of Chapter 7 of the Corporations Act.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN OR INTO THE UNITED STATES.

The Subordinated Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any other applicable U.S. state securities laws and, accordingly, may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act) except (i) pursuant to an exemption from registration under the Securities Act or to an effective registration statement under the Securities Act covering the Subordinated Notes and (ii) in accordance with all applicable state securities laws of any state of the United States. This notice does not constitute an offer or invitation to any U.S. persons.

Schedule 1 – Description of the commercial particulars for the Subordinated Notes

This description is extracted from the Final Terms.

1. Issuer: National Australia Bank Limited
2. (a) Series Number: 955
(b) Tranche Number: 1
(c) Date on which the Notes will be consolidated and form a single Series: Not Applicable
3. Specified Currencies: Currency or Hong Kong dollar (**HKD**)
4. Aggregate Nominal Amount:
(a) Series: HKD 1,137,000,000
(b) Tranche: HKD 1,137,000,000
5. Issue Price: 100 per cent. of the Aggregate Nominal Amount
6. (a) Specified Denominations: HKD 1,000,000 (subject to Condition 10A.2A)
(b) Calculation Amount: HKD 1,000,000 (subject to Condition 10A.2A)
7. (a) Issue Date: 17 May 2016
(b) Interest Commencement Date: Issue Date
8. Maturity Date: Interest Payment Date falling on or nearest to 17 May 2026
9. Interest Basis: 3.73 per cent. per annum Fixed Rate (from and including) the Issue Date to (but excluding) 17 May 2021 (the **Reset Date**), and thereafter at the Reset Rate specified in item 16(a) below (further particulars specified below)
10. Redemption/Payment Basis: Redemption at par (subject to Condition 10A.2A)

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| 11. | Change of Interest Basis or Redemption/Payment Basis: | The Rate of Interest will be reset on the Reset Date in accordance with item 16 below |
| 12. | U.S. Dollar Equivalent | Not Applicable |
| 13. | Put/Call Options: | Issuer Call
Regulatory Event Call
(further particulars specified below) |
| 14. | (a) Status of the Notes: | Subordinated
(see further particulars in paragraph 15 below) |
| | (b) Date Board approval for issuance of Notes obtained: | The issue of Notes has been duly authorised by resolutions of the Board of Directors of NAB dated 9 and 10 September 2015 and a resolution of delegates of the Board of Directors of NAB dated 9 May 2016. |

PROVISIONS RELATING TO SUBORDINATED NOTES

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| 15. | Subordinated Notes: | Applicable |
| | (a) Write-Off: | Not Applicable |
| | (b) Conversion: | Applicable |
| | (i) CD: | 1% |
| | (ii) VWAP Period: | As specified in the Schedule to the Conditions |
| | (iii) Issue Date VWAP: | As specified in the Schedule to the Conditions |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 16. | Fixed Rate Note Provisions: | Applicable |
| | (a) Rate(s) of Interest: | In respect of the period from (and including) the Issue Date to (but excluding) the Reset Date, the rate of interest will be 3.73 per cent. per annum payable quarterly in arrear on each Interest Payment Date up to (and including) the Reset Date.

In respect of the period from and including the Reset Date up to but excluding the Maturity Date, the rate of interest shall be the aggregate of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and the Margin (the Reset Rate). |

Mid-Market Swap Rate means the annual

midmarket rate (HIBOR basis) for a HKD swap transaction commencing on the Reset Date and having a five-year maturity, equal to the rate appearing under the column headed "MID" on the Relevant Screen Page at 11:00 a.m. (Hong Kong time) on the Reset Determination Date, as determined by the Calculation Agent; provided that if such swap rate does not appear on such page at such time:

- (i) the Calculation Agent shall request the principal office of each of four major banks in the interbank market for HKD swap transactions, as selected by the Calculation Agent (the Reference Banks), to provide the Calculation Agent with its Five-year Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. (Hong Kong time) on the relevant Reset Determination Date, and if at least three Five-year Mid-Market Swap Rate Quotations are provided, the Mid-Market Swap Rate will be, the arithmetic mean of the Five-year Mid-Market Swap Rate Quotations, eliminating the highest Five-year Mid-Market Swap Rate Quotation (or, in the event of equality, one of the highest) and the lowest Five-year Mid-Market Swap Rate Quotation (or, in the event of equality, one of the lowest), expressed as a percentage and rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards); and
- (ii) if fewer than three Five-year Mid-Market Swap Rate Quotations as referred to in paragraph (i) above are provided, the Mid-Market Swap Rate shall be the mid-market rate (HIBOR basis) for a HKD swap transaction

having a five-year maturity that appeared on the most recent Relevant Screen Page that was last available prior to 11.00 a.m. (Hong Kong time) on the Reset Determination Date, as determined by the Calculation Agent.

Relevant Screen Page means Bloomberg page "IRSB HK Page" under the caption "HKD Swap Rates" (or such other page as may replace such page on Bloomberg, or such other page as may be determined by the Calculation Agent for purposes of displaying comparable rates).

Reset Determination Date means the second Reset Business Day immediately preceding the Reset Date.

Reset Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong.

Margin means 2.30 per cent.

Calculation Agent means the Principal Paying Agent.

- (b) Interest Payment Date(s): 17 February, 17 May, 17 August and 17 November in each year, commencing on 17 August 2016, up to (and including) the Maturity Date.
- (c) Fixed Coupon Amount(s): (Applicable to Notes in definitive form) Not Applicable
- (d) Broken Amount(s): (Applicable to Notes in definitive form) Not Applicable
- (e) Day Count Fraction: Actual/365 (Fixed)
- (f) Business Day Convention: Modified Following Business Day Convention
 - Adjusted: Applicable

- Non-Adjusted: Not Applicable
- (g) Additional Business Centres: Sydney and New York
- (h) Determination Date(s): Not Applicable
- (i) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: None
- 17. Floating Rate Note Provisions: Not Applicable
- 18. Zero Coupon Note Provisions: Not Applicable
- 19. Index Linked Interest Note Provisions: Not Applicable
- 20. Dual Currency Interest Note Provisions: Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 21. Notice periods for Condition 7.2: Minimum period: 30 days
Maximum period: 60 days
- 22. Issuer Call: Applicable
 - (a) Optional Redemption Date(s): 17 May 2021
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): HKD 1,000,000 per Calculation Amount (subject to Condition 10A.2A)
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: Not Applicable
 - (ii) Maximum Redemption Amount: Not Applicable
 - (d) Notice periods: Minimum period: 30 days
Maximum period: 60 days
- 23. Regulatory Event Call in respect of Subordinated Notes: Applicable

	(a) Notice periods:	Minimum period: 30 days Maximum period: 60 days
24.	Investor Put:	Not Applicable
25.	Final Redemption Amount:	HKD 1,000,000 per Calculation Amount (subject to Condition 10A.2A)
26.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5):	Condition 7.5 applies (subject to Condition 10A.2A)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Any applicable Tax Jurisdiction	Not Applicable
28.	(a) Form of Notes:	Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event.
	(b) New Global Note:	No
29.	Additional Financial Centre(s):	Sydney, London and New York
30.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes:	Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made
31.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
32.	Details relating to Instalment Notes:	Not Applicable
33.	Additional United States Federal Income Tax Disclosure	Not Applicable
34.	Other terms or special conditions:	Applicable

(A) The words “NAB’s capital position” in each case where such words appear in Condition 7.2, Condition 7.2A and Condition 7.3 shall be deleted and replaced with the words “the capital position of the NAB Level 1 Group and the NAB Level 2 Group”.

(B) The following definitions shall be added immediately after the last paragraph of Condition 7.2:

Level 1 and **Level 2** mean those terms as defined by APRA from time to time.

NAB Level 1 Group means NAB and those of its Related 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 those of its Related Entities included by APRA from time to time in the calculation of NAB’s capital ratios on a Level 2 basis.

Schedule 2 – Description of the rights and liabilities attaching to the Subordinated Notes

This description is extracted from the Conditions.

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may, in respect of an Exempt Note, specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by National Australia Bank Limited (**NAB**) or BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each an **Issuer** and together, the **Issuers**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 17 March 2005 made between NAB as Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee). By a First Supplemental Trust Deed dated 17 October 2005 and made between, amongst others, NAB, BNZ-IF, Bank of New Zealand as guarantor (the **Guarantor**) and the Trustee, BNZ-IF became an Issuer under the Programme (as defined in the Trust Deed). Senior Notes (**Guaranteed Senior Notes**), term subordinated Notes (**Guaranteed Term Subordinated Notes**) and undated subordinated Notes (**Guaranteed Undated Subordinated Notes**) and, together with the Guaranteed Term Subordinated Notes, the **Guaranteed Subordinated Notes** issued by BNZ-IF (all together, the **Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor (in the case of Guaranteed Subordinated Notes, on a subordinated basis) under a guarantee set out in the Trust Deed (the **Guarantee**).

References herein to the **Issuer** shall be references to the party specified as Issuer in the applicable Final Terms for this Note.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 19 November 2015 and made between NAB, BNZ-IF, the Guarantor, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent** or **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the **CMU Lodging Agent**, which expression shall include any successor CMU lodging agent), Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent), as registrar (together with the other registrars named therein, the **Registrar**, which expression shall include any additional or successor registrars) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent or Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging Agent to the extent necessary for enabling the CMU Lodging Agent to fully observe and perform its obligations under the CMU Rules (as defined in the Trust Deed) and all such references shall be construed accordingly.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Final Terms for each Tranche of Notes (other than Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency)) will state in particular whether the Notes of that Tranche are, in the case of Notes issued by NAB, (i) senior Notes (**Senior Notes**) or (ii) term subordinated Notes (**Subordinated Notes**) or, in the case of Notes issued by BNZ-IF, (i) Guaranteed Senior Notes, (ii) Guaranteed Term Subordinated Notes or (iii) Guaranteed Undated Subordinated Notes. Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency) will be issued as Senior Notes or Guaranteed Senior Notes.

The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the bearers for the time being of the Notes and (in the case of Registered Notes) the persons in whose name the Notes for the time being are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the bearers for the time being of the Receipts and any reference herein to **Couponholders** shall mean the bearers for the time being of the Coupons and shall, unless the context otherwise requires, include the bearers for the time being of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing or admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the Issue Date, the Issue Price, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Agent, the Registrar, the Exchange Agent and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange pursuant to the Prospectus Directive or on the Luxembourg Stock Exchange's Euro MTF Market, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or (in the case of Guaranteed Notes) the Guarantor and the Trustee or, as the case may be, the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Guarantee (in the case of Guaranteed Notes) and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be

exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Notes issued as Subordinated Notes must not be Zero Coupon Notes, Index Linked Interest Notes, Dual Currency Interest Notes, Index Linked Redemption Notes, Partly Paid Notes, Instalment Notes, Dual Currency Redemption Notes or any combination of any of the foregoing.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor (in the case of Guaranteed Notes), the Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), each person (other than Euroclear, Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes), the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes), any Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made at the

direction of the bearer or at the direction of the registered holder (to whose order such payments are to be made) to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Guarantor (in the case of Guaranteed Notes), the Agent and the Trustee.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must

(A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or its or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the circumstances set out in this Condition 2(e), such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a

participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg and/or the CMU Service; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

QIB means a **qualified institutional buyer** within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3. STATUS OF THE SENIOR NOTES AND GUARANTEED SENIOR NOTES AND SUBORDINATION

The applicable Final Terms (other than Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency)) will indicate whether the Notes are, in the case of Notes issued by NAB, Senior Notes or Subordinated Notes, in the case of Notes issued by BNZ-IF, Guaranteed Senior Notes, Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes and, in the case of Subordinated Notes, Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes, the applicable subordination provisions. Notes issued with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency) will be issued as Senior Notes or Guaranteed Senior Notes.

NAB is an "authorised deposit-taking institution" (ADI) for the purposes of the Banking Act 1959 of Australia (Banking Act) in Australia. Accordingly, but without limitation to the other mandatory priority provisions of the Banking Act or the Reserve Bank Act 1959 of Australia or to other applicable laws, section 13A of Division 2 of Part II of the Banking Act provides that, in the event NAB becomes unable to meet its obligations or suspends payment, its assets in Australia are available to meet specified liabilities in Australia in priority to all other liabilities of NAB (including Notes issued by NAB). These specified liabilities include obligations of NAB in respect of protected accounts (as defined in the Banking Act), debts due to the Reserve Bank of Australia (the RBA) and certain debts due to the Australian Prudential Regulation Authority (APRA). Certain assets, such as the assets of NAB in a cover pool for a covered bond issued by NAB, are excluded from constituting assets in Australia for the purposes of section 13A of the Banking Act and these assets are subject to the prior claims of the holders of such covered bonds and certain other secured creditors in respect of the covered bonds.

The claims which are preferred by law to the claims of a Noteholder in respect of a Note issued by NAB, including without limitation under the Banking Act provisions referred to above, will include most deposits, will be substantial and are not limited by these Conditions. NAB's assets which are excluded from constituting assets in Australia and which are subject to prior claims in connection with covered bonds as described above may also be substantial. In addition, future changes to applicable law may extend the debts required to be preferred by law or the assets to be excluded.

The Notes are not deposit liabilities or protected accounts of NAB for the purposes of the Banking Act and are not insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party. Notes issued by NAB are not guaranteed by any person.

3.1 Status of the Senior Notes and Guaranteed Senior Notes

The Senior Notes and Guaranteed Senior Notes and any relative Receipts and Coupons are unsubordinated, direct and unsecured obligations of the Issuer and rank *pari passu*

with all other unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law including (in respect of NAB only) but not limited to those referred in Division 2 of Part II of the Banking Act 1959 of Australia (**Banking Act**) and section 86 of the Reserve Bank Act 1959 of Australia).

3.2 Subordination—NAB

The provisions of, and the defined terms contained within, this Condition 3.2 only apply to Subordinated Notes.

- (a) Subordinated Notes are direct, unsecured obligations of NAB and are subordinate to the claims of all Senior Creditors (as defined below) of NAB in right of payment of principal of and interest on such Subordinated Notes with respect to the assets of NAB in the event of a Winding Up of NAB.
- (b) At any time prior to the Winding Up of NAB in Australia:
 - (i) payments by NAB of principal and interest or any other amount owing to a Noteholder or the Trustee in connection with the Subordinated Notes are conditional upon NAB being Solvent (as defined in Condition 10.2) at the time those payments fall due; and
 - (ii) NAB must not pay an amount owing to a Noteholder or the Trustee in connection with the Subordinated Notes except to the extent that NAB may pay such amount and still be Solvent immediately after doing so,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect thereof.

Subordinated Notes rank in a Winding Up of NAB behind all claims of Senior Creditors, *pari passu* among themselves, and subject to Condition 10A, *pari passu* with Equal Ranking Instruments and ahead of Junior Ranking Instruments.

In a Winding Up of NAB a Noteholder's claim for an amount owing by NAB in connection with a Subordinated Note is subordinated to the claims of Senior Creditors of NAB, in that:

- (x) all claims of Senior Creditors must be paid in full before the Noteholder's claim is paid; and
- (y) until the Senior Creditors have been paid in full, the Noteholder 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.

The Subordinated Notes will not contain any limitations on the amount of senior debt, deposits or other obligations that may be hereafter incurred or assumed by NAB.

Each Noteholder irrevocably acknowledges and agrees that this Condition 3.2 is a debt subordination for the purposes of section 563C of the Corporations Act 2001 of Australia. Each Noteholder irrevocably acknowledges and agrees that the debt subordination effected by this Condition 3.2 is not affected by any act or omission of NAB or a Senior Creditor which might otherwise affect it at law or in equity.

To the fullest extent permitted by applicable law, a holder of a Subordinated Note and any related Receipts and Coupons shall not have any right to set-off any amounts owing to it by NAB in connection with that Subordinated Note against any amount owing by it to NAB in connection with the Subordinated Notes or otherwise and NAB shall not have any right to set-off any amounts owing by it to the holder in connection with that Subordinated Note against any amount owing by the holder to it in connection with the Subordinated Notes or otherwise.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of NAB to defeat the subordination in this Condition 3.2. In addition, each Noteholder irrevocably acknowledges and agrees that 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 connection with a Subordinated Note in excess of its entitlement under this Condition 3.2.

Nothing in this Condition 3.2 shall be taken to require the consent of any Senior Creditor to any amendment of this Condition 3.2.

Equal Ranking Instruments means any instrument that ranks in a Winding Up of NAB as the most junior claim in the Winding Up of NAB ranking senior to Junior Ranking Instruments and includes:

- (i) the undated subordinated Floating Rate Notes issued under the trust deed dated 4 October 1986 between NAB and The Law Debenture Trust Corporation p.l.c., as amended from time to time (except in so far as such amendment is inconsistent with such ranking); and
- (ii) any other instruments issued after 1 January 2013 as Relevant Tier 2 Capital Instruments (as defined in Condition 10A.16).

Junior Ranking Instruments means:

- (i) any instrument issued as Tier 1 Capital (whether or not constituting Tier 1 Capital at the Issue Date or at the time of commencement of the Winding Up of NAB); and
- (ii) any shares (including Ordinary Shares) in the capital of NAB (other than shares issued as Tier 2 Capital),

or any claims in respect of a shareholding including claims described in sections 563AA and 563A of the Corporations Act.

Senior Creditors means all present and future creditors of NAB (including but not limited to depositors of NAB) whose claims:

- (i) would be entitled to be admitted in the Winding Up of NAB; and
- (ii) are not in respect of Equal Ranking Instruments or Junior Ranking Instruments,

including creditors in respect of Subordinated Notes issued before 1 January 2013.

Winding Up means, in relation to NAB, a winding up by a court of competent jurisdiction or otherwise under applicable law (which, in the case of Australia, includes the Corporations Act).

The Trust Deed contains further provisions to give effect to the subordination contemplated by this Condition 3.2.

3.3 Status of Guaranteed Subordinated Notes and Subordinated Guarantee—BNZ-IF

The provisions of, and the defined terms contained within, this Condition 3.3 only apply to Guaranteed Subordinated Notes issued by BNZ-IF.

- (a) **Subordinated Guarantee:** The Guarantor has in the Trust Deed irrevocably and (subject as provided in Condition 3.3(b) in the case of Guaranteed Term Subordinated Notes and Condition 3.3(c) in the case of Guaranteed Undated Subordinated Notes) unconditionally guaranteed on a subordinated basis the payment by BNZ-IF of all principal and interest and other amounts expressed to be payable by BNZ-IF under the Trust Deed in relation to the Guaranteed Subordinated Notes and the related Receipts and Coupons (the **Subordinated Guarantee**).
- (b) **Guaranteed Term Subordinated Notes:** Guaranteed Term Subordinated Notes are direct, unsecured obligations of BNZ-IF and the Guarantor and are subordinate to the claims of all Unsubordinated Creditors (as defined below) of BNZ-IF and the Guarantor respectively in right of payment of principal of, and interest, on such Guaranteed Term Subordinated Notes with respect to the assets of BNZ-IF and the Guarantor in the event of a Winding Up (as defined in this Condition 3.3) of BNZ-IF or the Guarantor (as applicable) in the manner provided in the Trust Deed. Accordingly, at any time prior to the commencement of the Winding Up of BNZ-IF or the Guarantor (as applicable):
- (a) the obligations of BNZ-IF and the Guarantor to make payments of principal and interest or any other amount owing to a Noteholder or the Trustee in respect of the Guaranteed Term Subordinated Notes are conditional upon BNZ-IF and the Guarantor and the BNZ Group being Solvent (as defined in Condition 10.2) at the time those payments fall due; and
- (b) no payment of any amount owing to a Noteholder or the Trustee shall be made in respect of the Guaranteed Term Subordinated Notes except to the extent that BNZ-IF and the Guarantor, as the case may be, may pay such amount and still be Solvent immediately after doing so and the BNZ Group would be Solvent immediately after such payment is made,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect hereof.

Guaranteed Term Subordinated Notes rank *pari passu* among themselves, at least *pari passu* with all other Subordinated Creditors of BNZ-IF and the Guarantor respectively and senior to all Guaranteed Undated Subordinated Notes of BNZ-IF and all claims expressed to rank behind Noteholders' claims for amounts owing

by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes.

- (c) **Guaranteed Undated Subordinated Notes:** Guaranteed Undated Subordinated Notes are unsecured obligations of BNZ-IF and the Guarantor and are subordinate to the claims of all Unsubordinated Creditors and Term Subordinated Creditors of BNZ-IF and the Guarantor respectively in right of payment of principal of, and interest on, such Guaranteed Undated Subordinated Notes with respect to the assets of BNZ-IF and the Guarantor in the event of a Winding Up of BNZ-IF or the Guarantor (as applicable) in the manner provided in the Trust Deed. Guaranteed Undated Subordinated Notes rank *pari passu* among themselves.
- (d) **No limitations on senior debt:** The Guaranteed Subordinated Notes will not contain any limitations on the amount of senior debt, deposits or other obligations that may be hereafter incurred or assumed by BNZ-IF or the Guarantor or the BNZ Group.
- (e) **Section 313(3) priority:** By purchasing a Guaranteed Subordinated Note, the holder thereof and the holder of any Receipt or Coupon relating thereto agrees that (1) in accordance with section 313(3) of the Companies Act 1993 of New Zealand (the **NZ Companies Act**), it is accepting a lower priority in respect of the debt represented by such Note, Receipt or Coupon than that which it would otherwise have under section 313 and (2) nothing in section 313 of the NZ Companies Act will prevent the conditions of the Notes from having effect according to their terms.
- (f) To the fullest extent permitted by applicable law, a holder of a Guaranteed Subordinated Note and any related Receipts and Coupons shall not have any right to set-off any amounts owing to it by BNZ-IF or the Guarantor in connection with that Guaranteed Subordinated Note, as the case may be, against any amount owing by it to BNZ-IF or the Guarantor, as the case may be, in connection with the Guaranteed Subordinated Notes or otherwise.
- (g) Defined terms:

BNZ Group means the Guarantor and its subsidiaries as specified in the Guarantor's latest audited consolidated financial statements.

Subordinated Creditors means all Term Subordinated Creditors of BNZ-IF or the Guarantor and all other creditors of BNZ-IF or the Guarantor (as applicable) whose claims against BNZ-IF or the Guarantor, as the case may be, are or are expressed (i) to rank equally with the Noteholders' claims for amounts owing by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes and (ii) to be subordinated to the claims of all depositors and other Unsubordinated Creditors of BNZ-IF or the Guarantor (as applicable).

Term Subordinated Creditors means (i) the holders of Guaranteed Term Subordinated Notes and the related Receipts and Coupons and the Trustee in its capacity as trustee for such holders; (ii) any creditors whose claims against BNZ-IF or the Guarantor (as applicable) rank, or are expressed to rank, *pari passu* with the claims of the holders of Guaranteed Term Subordinated Notes for amounts owing by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes; and (iii) all creditors, present and future, to whom BNZ-IF or the Guarantor (as applicable) is indebted on terms which provide that such indebtedness will become due and payable on a specified or

determinable date or at the end of a specified or determinable period, and that in the event of a Winding Up of BNZ-IF or the Guarantor (as applicable), the claims of those creditors against BNZ-IF or the Guarantor are, or are expressed to be, subordinated in right of payment to the claims of all depositors and other Unsubordinated Creditors of BNZ-IF or the Guarantor but senior to the claims of all holders of Guaranteed Undated Subordinated Notes.

Unsubordinated Creditors means all present and future creditors of BNZ-IF or the Guarantor (as applicable) (including but not limited to depositors of BNZ-IF and the Guarantor) whose claims:

- (i) would be entitled to be admitted in the Winding-Up of BNZ-IF or the Guarantor (as applicable); and
- (ii) are not by their terms expressed to rank equally with, or behind, the claims of Term Subordinated Creditors.

Winding Up means, in relation to BNZ-IF or the Guarantor (as applicable):

- (i) a court order is made for the appointment of a liquidator of BNZ-IF or the Guarantor (as applicable); or
- (ii) the board of BNZ-IF or the Guarantor (as applicable), on the occurrence of an event specified in BNZ-IF's or the Guarantor's (as applicable) constitution appoints a liquidator; or
- (iii) an effective resolution is passed by shareholders or members for the appointment of a liquidator of BNZ-IF or the Guarantor (as applicable).

In a Winding Up of BNZ-IF or the Guarantor (as applicable), a Noteholder's claim for an amount owing by BNZ-IF or the Guarantor, as the case may be, in connection with a Guaranteed Term Subordinated Note or a Guaranteed Undated Subordinated Note, as the case may be, is subordinated to the claims of Unsubordinated Creditors and (in respect of Guaranteed Undated Subordinated Notes only) the Term Subordinated Creditors of BNZ-IF or the Guarantor, as the case may be, in that:

- (a) all claims of Unsubordinated Creditors and (in respect of Guaranteed Undated Subordinated Notes only) the Term Subordinated Creditors must be paid in full before the Noteholder's claim is paid; and
- (b) until the Unsubordinated Creditors and (in respect of Guaranteed Undated Subordinated Notes only) the Term Subordinated Creditors have been paid in full, the Noteholder must not claim in the Winding Up in competition with the Unsubordinated Creditors and Term Subordinated Creditors (if applicable) so as to diminish any distribution, dividend or payment which, but for that claim, the Unsubordinated Creditors and Term Subordinated Creditors (if applicable) would have been entitled to receive.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of BNZ-IF or the Guarantor (as applicable) to defeat the subordination in this Condition 3.3. In addition, each Noteholder irrevocably acknowledges and agrees that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding Up of BNZ-IF or the Guarantor in connection with a Note in excess of its entitlement under this Condition 3.3.

Nothing in this Condition 3.3 shall be taken to require the consent of any Unsubordinated Creditor to any amendment of this Condition 3.3.

3.4 Status of the Senior Guarantee

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment by BNZ-IF of the principal of, and interest on, the Guaranteed Senior Notes and all other amounts payable under or pursuant to the Trust Deed. In the case of Guaranteed Senior Notes, the obligations of the Guarantor under the Guarantee constitute unsubordinated, direct and unsecured obligations of the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor (other than any obligation preferred by mandatory provisions of applicable law).

4. [This paragraph is no longer applicable]

5. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or, in the case of Exempt Notes, whether a different interest basis applies.

5.1 Interest on Fixed Rate Notes

This Condition 5.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, and subject to the immediately succeeding paragraph, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If "Business Day Convention—Adjusted" is specified in the applicable Final Terms, (a) any Interest Payment Date otherwise falling on a day which is not a Business Day (as defined in Condition 5.6 below) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and (b) the amount of interest payable on such Interest Payment Date will be adjusted accordingly and the provisions of subparagraph (d) of Condition 5.2 (excluding the determination of the Rate of Interest) and (f) of Condition 5.2 below (excluding the notification of the Rate of Interest) shall apply, *mutatis mutandis*, as though references to "Floating Rate Notes" were to "Fixed Rate Notes" and references to "Interest Amounts" were to amounts of interest payable in respect of Fixed Rate Notes.

If "Business Day Convention—Non-Adjusted" is specified in the applicable Final Terms, any Interest Payment Date otherwise falling on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and there will be no corresponding adjustment of the amount of interest payable on such Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

5.2 Interest on Floating Rate Notes

This Condition 5.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment

Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2 above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

- (ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In these Conditions:

Interest Determination Date shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (**LIBOR**) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (**EURIBOR**), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Australian Bank Bill Swap Rate (**BBSW**), the first day of each Interest Period;
- (v) if the Reference Rate is the New Zealand Bank Bill reference rate (**BKBM**) interbank offered rate, the first day of each Interest Period;

- (vi) if the Reference Rate is the Hong Kong interbank offered rate (**HIBOR**), the first day of each Interest Period;
- (vii) if the Reference Rate is the Toronto inter-bank offered rate (**BA-CDOR**), the first day of each Interest Period;
- (viii) if the Reference Rate is the Singapore interbank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period;
- (ix) if the Reference Rate is the CNH Hong Kong interbank offered rate (**CNH HIBOR**), the second Hong Kong business day (excluding Saturdays) prior to the start of each Interest Period;
- (x) if the Reference Rate is the Norwegian interbank offered rate (**NIBOR**), the second Oslo business day prior to the start of each Interest Period.

Reference Rate shall mean (i) LIBOR, (ii) EURIBOR, (iii) BBSW, (iv) BKBM, (v) HIBOR, (vi) BA-CDOR, (vii) SIBOR, (viii) CNH HIBOR or (ix) NIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

Relevant Financial Centre shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Sydney, in the case of a determination of BBSW, Auckland and Wellington, in the case of a determination of BKBM, Hong Kong, in the case of a determination of HIBOR, Toronto, in the case of a determination of BA-CDOR, Singapore, in the case of a determination of SIBOR, Hong Kong, in the case of a determination of CNH HIBOR and Oslo, in the case of a determination of NIBOR, as specified in the applicable Final Terms.

Relevant Time shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of BBSW, 10.30 a.m., (iv) in the case of BKBM, 10.45 a.m., (v) in the case of HIBOR 11.00 a.m., (vi) in the case of BA-CDOR, 10.00 a.m., (vii) in the case of SIBOR, 11.00 a.m., (viii) in the case of CNH HIBOR, 11.15 a.m., or if, at or around that time it is notified that the fixing will be published at 2:30 p.m., then as of 2:30 p.m., (viii) in the case of NIBOR, 12.00 noon, each as specified in the applicable Final Terms.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In the case of Exempt Notes, if the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR, EURIBOR, BBSW, BKBM, HIBOR, BA-CDOR, SIBOR, CNH HIBOR, NIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Final Terms in respect of any Notes issued as Subordinated Notes may not specify a Minimum Rate of Interest and/or a Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If "Interest Amounts Non-Adjusted" is specified in the applicable Final Terms then notwithstanding the bringing forward or postponement (as applicable) of an Interest Payment Date as a result of the application of the Business Day Convention set out in the applicable Final Terms, the Interest Amount in respect of the relevant Interest Period and each subsequent Interest Period shall be calculated as aforesaid on the basis of the original Interest Payment Dates without adjustment in accordance with the applicable Business Day Convention.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as

the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(f) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified as soon as possible after their determination but in no event later than (i) in the case of notification to any stock exchange on which the relevant Floating Rate Notes are for the time being listed, the first day of the relevant Interest Period or, to the extent the nature of such Notes makes this impossible, the relevant Interest Payment Date; and (ii) in the case of notification to the Issuer and the Trustee and publication of a notice thereof in accordance with Condition 14, the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(h) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Agent shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error or proven error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Exempt Notes

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, BBSW, BKBM, HIBOR, BA-

CDOR, SIBOR, CNH HIBOR or NIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Final Terms.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Final Terms, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5.2 shall, save to the extent amended in the applicable Final Terms, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent or the Registrar or the Trustee, as the case may be, and notice to that effect has been given to the Noteholders as provided in the Trust Deed.

5.6 Definitions

In these Conditions, except in Condition 10A and in the Schedule to these Conditions:

Accrual Period means, for the purposes of the definition of the applicable Day Count Fraction, the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.

Business Day means a day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively), (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms in the case of Fixed Rate Notes:
 - (i) in the case of Notes where the number of days in the Accrual Period is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "30/360" is specified in the applicable Final Terms in the case of Fixed Rate Notes, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366

and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (d) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (e) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (f) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (g) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms in the case of Floating Rate Notes or Index Linked Interest Notes, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{\text{Day Count Fraction}}{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)} =$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (h) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{\text{Day Count Fraction}}{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)} =$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

- "Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (i) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{\text{Day Count Fraction}}{360} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

- "Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (j) if "RBA Bond Basis" or "Australian Bond Basis" is specified in the applicable Final Terms:

- (A) for amounts paid and/or calculated in respect of Interest Payment Dates, one divided by the number of Interest Payment Dates in a year; and

- (B) for amounts paid and/or calculated in respect of dates other than Interest Payment Dates, Actual/Actual (ICMA).

In respect of Fixed Rate Notes only, references in the Day Count Fractions specified above to "Interest Period" or "Interest Periods", as the case may be, shall be deemed to be references to "Fixed Interest Period" or "Fixed Interest Periods", as the context requires.

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6. PAYMENTS

6.1 Method and Conditions of Payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro or Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland and Wellington, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (c) payments in Renminbi will be made in accordance with Condition 6.8.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and, in the case of a Subordinated Note, to Condition 3.2 and Condition 10A and, in the case of a Guaranteed Term Subordinated Note, to Condition 3.3(b) but without prejudice to the provisions of Condition 8.

For the avoidance of doubt, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

6.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note, (i) in the case of a Global Note in bearer form lodged with the CMU Service, to the CMU Accountholder, which notification shall be conclusive and binding evidence (save in the case of manifest error) of (a) the identity of any Accountholder and, (b) for so long as the Global Note in bearer form is held by or on behalf of the CMU Operator, the instruction of the bearer of the Global Note to make such payments of principal and interest (if any) to such Accountholders, or (ii) in the case

of a Global Note in bearer form not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Global Note by the Paying Agent to which it was presented, (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Global Note by the CMU Lodging Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes held through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business and, in respect of Notes held through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro. In the case of any Notes denominated in Renminbi, the meaning of Designated Account and Designated Bank should be construed in accordance with Condition 6.8.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest

(other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note. In the case of each Registered Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligations of the Issuer or, as the case may be, the Guarantor, in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Specific provisions in relation to payments in respect of certain types of Exempt Notes

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business and in respect of Notes held through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the

Record Date) at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments (or, in the case of a Global Note lodged with the CMU Service, to direct to whom payment should be made) in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC or the CMU Service, as the case may be, for its share of each payment so made by the Issuer or, as the case may be, the Guarantor, to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and (if applicable) the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following

Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be (i) Sydney or (ii) Auckland and Wellington, respectively), (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; and
- (d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6.8 Payment in Renminbi

Notwithstanding any other provision in this Condition 6, in case of any payment in Renminbi, payment shall be made by transfer to a Renminbi account maintained by or on behalf of a holder with a bank in Hong Kong.

6.9 Payment of U.S. Dollar Equivalent

In respect of Notes denominated in Renminbi, notwithstanding Condition 6.8, where U.S. Dollar Equivalent is specified in the applicable Final Terms as being applicable to a Series of Notes, if by reason of Inconvertibility, Non-transferability or Illiquidity (each, a **CNY Disruption Event**), the Issuer or the Guarantor (as the case may be), is not able or it would be impracticable for it to satisfy payments of principal or interest (in whole or part) in respect of the Notes or the Coupons when due in Renminbi in Hong Kong:

- (a) payment of such amount shall be postponed to two Business Days after the date on which the CNY Disruption Event ceases to exist, unless it continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date of such payments; or
- (b) if the CNY Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date of such payments, the Issuer or the Guarantor (as the case may be) may, on giving five Business Days' irrevocable notice to the Paying Agent, Noteholders and the Trustee, settle any such payment (in whole or in part) in U.S. dollars on the date that is three Business Days after the expiration of the aforementioned 14 calendar day period at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In the case of (b) above, any payment of U.S. dollars will be made by transfer to a U.S. dollar denominated account maintained by the payee with, or by a U.S. dollar denominated cheque drawn on, a bank in New York City; and the definition of Payment Day in Condition 6.6 shall mean any day (subject to Condition 9) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; (B); London, Sydney and New York; and (C) each Additional Financial Centre specified in the applicable Final Terms.

For the purposes of these Conditions, **U.S. Dollar Equivalent** means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

Any payment made under such circumstances in U.S. dollars will constitute valid payment, and will not constitute a default in respect of the Notes.

For these purposes:

Calculation Agent means Deutsche Bank AG, London Branch;

CNY means the lawful currency of the PRC;

Determination Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and in New York City;

Determination Date means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

Governmental Authority means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

Hong Kong means the Hong Kong Special Administrative Region of the PRC;

Illiquidity means that the general Renminbi exchange market in Hong Kong has become illiquid and, as a result of which, the Issuer or the Guarantor (as the case may be) cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and/or principal (in whole or in part) in respect of the Notes, as determined by the Issuer or the Guarantor (as the case may be) in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

Inconvertibility means the occurrence of any event that makes it impossible for the Issuer or the Guarantor (as the case may be) to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor (as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective after the Issue Date of the first tranche of the Notes and it is impossible for the Issuer or the Guarantor (as the case may be), due to an event beyond its control, to comply with such law, rule or regulation);

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor (as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective after the Issue Date of the first tranche of the Notes and it is impossible for the Issuer or the Guarantor (as the case may be), due to an event beyond its control, to comply with such law, rule or regulation);

PRC means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

Renminbi means the lawful currency of the PRC;

Renminbi Dealer means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong; and

Spot Rate means the spot CNY/US dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.15 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page <CNHFIX> after that rate has been set on that day, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.15 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/US dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

6.10 Determinations are binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (in the case of Guaranteed Notes), the Paying Agents and all Noteholders.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled (or, in the case of Subordinated Notes, Converted or Written-Off) as specified below, each Note which is not a Guaranteed Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms. If the Note is a Guaranteed Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 7 or Condition 10.

7.2 Redemption for tax reasons

Subject to Condition 7.5, the Notes may be redeemed (subject to (i) the prior written approval of APRA if the Notes are Subordinated Notes, (ii) the satisfaction of Condition 3.3 and the prior written approval of APRA if the Notes are Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes, and (iii) in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes, a direction from the Guarantor to BNZ-IF requiring it to redeem those Notes) at the option of the Issuer in whole or in part at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (ii) (in the case of Guaranteed Notes) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as

a result of any change in, or amendment to (A) the laws or regulations of Australia (if the Issuer is NAB) or New Zealand (if the Issuer is BNZ-IF) or in all cases any political sub-division thereof or any authority thereof or therein or (in all cases) any Tax Jurisdiction (as defined in Condition 8) or (B) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer (if the Issuer is BNZ-IF) or, as the case may be, the Guarantor, paying (if it is not already doing so) New Zealand approved issuer levy at a rate not exceeding 2 per cent. of the relevant payment; or

- (b) (in the case of Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes only) on the occasion of the next Interest Payment Date due under the Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes, as the case may be, the payment of interest in respect of such Notes would be treated, for reasons outside the control of the Issuer and the Guarantor, as a "distribution" within the meaning of section 2 of the Companies Act 1993 of New Zealand; or
- (c) (in the case of Subordinated Notes only) any payment due under such Notes is not or may not be, in each case in the opinion of counsel of international repute appointed by the Issuer and approved by the Trustee, allowed as a deduction for Australian income tax purposes as a result of a change in or amendment to the laws or regulations of Australia or any political sub-division thereof or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (d) (in the case of each of (a), (b) and (c) above) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking any other reasonable measures available to it,

provided that (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due, and (ii) (in the case of Subordinated Notes) NAB does not as at the date of issue of the Subordinated Notes (including where Subordinated Notes are issued as a Tranche consolidated with an existing Series, as at the date of issue of that Tranche) expect that an event described in this Condition 7.2 will occur.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment or, as the case may be, the payment of Interest would be treated as a "distribution" as aforesaid and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Subordinated Notes under this Condition 7.2 only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory Capital (as defined in Condition 10A.16) 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 (ii) NAB obtains confirmation from APRA that APRA is satisfied that NAB's capital position will remain adequate after NAB elects to redeem the Subordinated Notes.

Noteholders should not expect that APRA's approval will be given for any redemption of the Subordinated Notes under this Condition.

7.2A Redemption for a Regulatory Event

This Condition 7.2A shall apply only to Subordinated Notes.

If a Regulatory Event Call is specified in the applicable Final Terms, subject to the prior written approval of APRA, Subordinated Notes may be redeemed, at the option of NAB, in whole or in part at any time, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if a Regulatory Event occurs.

For the purpose of this Condition 7.2A, **Regulatory Event** means a determination by the Directors of NAB, having received:

- (e) an opinion from a reputable legal counsel that as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in, any law or regulation of the Commonwealth of Australia or any political sub-division thereof or any authority thereof or therein, or any official administrative pronouncement or action or judicial decision interpreting 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 amendment, clarification or change is effective, or pronouncement, action or decision is announced, after the Issue Date; or
- (f) a written statement from APRA after the Issue Date,

that, in each case, NAB is not or will not be entitled to treat all of the Subordinated Notes as Tier 2 Capital, provided that, in each case, NAB does not expect the matters giving rise to the Regulatory Event will occur at the time of issue of Subordinated Notes.

Subordinated Notes redeemed pursuant to this Condition 7.2A will be redeemed at their Early Redemption Amount referred to in Condition 7.5 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Subordinated Notes under this Condition 7.2A only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory Capital (as defined in Condition 10A.16) 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 (ii) NAB obtains confirmation from APRA

that APRA is satisfied that NAB's capital position will remain adequate after NAB elects to redeem the Subordinated Notes.

Noteholders should not expect that APRA's approval will be given for any redemption of Subordinated Notes under this Condition.

7.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons or, in the case of Subordinated Notes, on account of a Regulatory Event), such option being referred to as an Issuer Call. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject, (i) in the case of Subordinated Notes, to the prior written approval of APRA, (ii) to the satisfaction of Condition 3.3 and the prior written approval of APRA (if required under APRA prudential standards) if the Notes are Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes and (iii) in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes, in addition subject always to a direction from the Guarantor to BNZ-IF requiring it to redeem those Notes), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem, in whole or in part, the Notes then outstanding on any Optional Redemption Date (in the case of Subordinated Notes, such date being at least five years after the Issue Date) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in normal amount, at their discretion) and/or DTC and/or the CMU Service, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

NAB may elect to redeem any Subordinated Notes under this Condition 7.3 only if either (i) the Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Regulatory Capital (as defined in Condition 10A.16) 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 (ii) NAB obtains confirmation from APRA that APRA is satisfied that NAB's capital position will remain adequate after NAB elects to redeem the Subordinated Notes.

Noteholders should not expect that APRA's approval will be given for any redemption of the Subordinated Notes under this Condition.

7.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 7.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

This Condition 7.4 shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the CMU Service (as appropriate) (which may include notice being given on such holder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means or notice being given to the CMU Lodging Agent) in a form

acceptable to Euroclear, Clearstream, Luxembourg, the CMU Service and the CMU Lodging Agent from time to time.

Any Put Notice given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.2A above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows subject, in the case of Subordinated Notes, to Condition 10A:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360 or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Final Terms. For the purposes of Condition 7.6, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Final Terms.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.7 Purchases

The Issuer, the Guarantor, any subsidiary or any other Related Entity (as defined in Condition 10A.16) of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise subject:

- (a) in the case of Subordinated Notes, to the prior written approval of APRA;
- (b) in the case of Guaranteed Term Subordinated Notes, to the satisfaction of Condition 3.3(b), to a direction from the Guarantor to BNZ-IF requiring it to redeem those Guaranteed Term Subordinated Notes and to any necessary prior written approval of APRA; and
- (c) in the case of Guaranteed Undated Subordinated Notes, to the satisfaction of Condition 3.3(c), to a direction from the Guarantor to BNZ-IF requiring it to redeem those Guaranteed Undated Subordinated Notes and to any necessary prior written approval of APRA.

Such Notes may be held, reissued, resold or, at the option of the Issuer or (in the case of Guaranteed Notes) the Guarantor, surrendered to the Paying Agent for cancellation.

Noteholders should not expect APRA's approval will be given for any purchase of Subordinated Notes under this Condition.

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as

provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or by the Guarantor (in the case of Guaranteed Notes) will be made without withholding or deduction for or on account of any present or future taxes, assessments, other governmental charges or duties of whatever nature imposed or levied by or on behalf of Australia (if the Issuer is NAB) or New Zealand (in the case of Guaranteed Notes) or any political sub-division thereof or any authority thereof or therein and any Tax Jurisdiction having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that the foregoing obligation to pay additional amounts shall not apply to any such tax, assessment, governmental charge or duty:

- (a) which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Note, Receipt or Coupon;
- (b) which is payable (other than in respect of New Zealand resident withholding tax) by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner having, or having had, some personal or business connection with Australia (if the Issuer is NAB), New Zealand (in the case of Guaranteed Notes) or (in all cases) a Tax Jurisdiction (other than mere ownership of or receipt of payment under the Notes, Receipts or Coupon or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, Australia (if the Issuer is NAB), New Zealand (in the case of Guaranteed Notes), or (in all cases) a Tax Jurisdiction);
- (c) which is payable solely by reason of the Noteholder's, Receiptholder's or Couponholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, connection with taxing jurisdiction of the Noteholder, Receiptholder or Couponholder or other beneficial owner of such Note;
- (d) which is payable by reason of a change in law that becomes effective more than thirty days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6);

- (e) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge;
- (f) which is payable, if the Issuer is NAB, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note being an associate of the Issuer for purposes of Section 128F of the Income Tax Assessment Act 1936 of Australia (the **Australian Tax Act**);
- (g) which is payable, in the case of Guaranteed Notes, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note, Receipt or Coupon being associated with the Issuer or the Guarantor, or deriving interest jointly with a New Zealand resident, for the purposes of the approved issuer levy and non-resident withholding tax rules in the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof;
- (h) which, if the Issuer is BNZ-IF, is payable solely by reason of the relevant Note, Receipt or Coupon being presented for payment in New Zealand;
- (i) which, if the Issuer is NAB, is imposed or withheld as a consequence of a determination having been made under Part IVA of the Australian Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (j) which, in the case of Guaranteed Notes, is imposed or withheld as a consequence of the New Zealand Inland Revenue Department applying section BG 1 of the Income Tax Act 2007 of New Zealand (or any modification or equivalent thereof) with the consequence that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the application of such provision;
- (k) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (l) (in the case of Guaranteed Notes) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (m) which is payable on the Notes, Receipts and Coupons presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (n) with respect to any payment of principal or interest (including original issue discount) on the Notes, Receipts and Coupons by the Issuer (or the Guarantor, as the case may be) to any Noteholder, Receiptholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or any other beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Notes, Receipts and Coupons; or

- (o) any combination of (a) through (n) above.

As used herein:

- (i) **Tax Jurisdiction** means (a) in relation to any Tranche of Notes issued by BNZ-IF, the United Kingdom and (b) in relation to any Tranche of Notes issued by a borrowing office of NAB which is not located in Australia, the jurisdiction in which such borrowing office is located; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

For the avoidance of doubt, any amounts to be paid on the Notes, Receipts and Coupons will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The remaining provisions of this Condition 8 only apply to BNZ-IF, where BNZ-IF is the Issuer, and to the Guarantor. Where used in the remaining provisions of this Condition 8, **interest** means interest (as defined under the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof) for withholding tax purposes, which currently includes the excess of the redemption amount over the issue price of any Note, as well as interest paid on such Note.

BNZ-IF and the Guarantor are required by law to deduct New Zealand resident withholding tax from the payment of interest to a Noteholder, Receiptholder or Couponholder, if:

- (a) the Noteholder, Receiptholder or Couponholder, as the case may be, is a resident of New Zealand for income tax purposes or is engaged in business in New Zealand through a fixed establishment in New Zealand (a **New Zealand Noteholder**); and
- (b) at the time of such payment, the New Zealand Noteholder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any date on which interest is payable or the Maturity Date, any New Zealand Noteholder:

- (A) must notify BNZ-IF or, as the case may be, the Guarantor or any Paying Agent, that the New Zealand Noteholder is the holder of a Note, Receipt or Coupon; and
- (B) must notify BNZ-IF or, as the case may be, the Guarantor or a Paying Agent, of any circumstances, and provide BNZ-IF or, as the case may be, the Guarantor or the relevant Paying Agent, with any information that may enable BNZ-IF or, as the case may be, the Guarantor, to make payment of interest to the New Zealand

Noteholder without deduction on account of New Zealand resident withholding tax.

The New Zealand Noteholder must notify BNZ-IF or, as the case may be, the Guarantor, prior to any date on which interest is payable, of any change in the New Zealand Noteholder's circumstances from those previously notified that could affect the payment or withholding obligations of BNZ-IF or, as the case may be, the Guarantor, in respect of this Note, Receipt or Coupon. By accepting payment of the full face amount of a Note, Receipt or Coupon, as the case may be or any interest thereon, the New Zealand Noteholder indemnifies BNZ-IF or, as the case may be, the Guarantor, for all purposes in respect of any liability BNZ-IF or, as the case may be, the Guarantor may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Noteholder will be obliged to make the notification referred to above and no other holder will be required to make any certification that it is not a New Zealand Noteholder.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default relating to Senior Notes and Guaranteed Senior Notes

This Condition 10.1 shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (c), (d), (e), (f), (h), (i), (j) or (k) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor (in the case of Guaranteed Notes) that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer and the Guarantor (in the case of Guaranteed Notes), that the Notes are, and the Notes shall, unless such event shall have been cured by the Issuer or the Guarantor (in the case of Guaranteed Notes) prior to the Issuer's and, in the case of Guaranteed Notes, the Guarantor's receipt of the notice in writing from the Trustee, thereupon immediately become, due and repayable at their Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) default by the Issuer and (in the case of Guaranteed Notes) the Guarantor, in any payment when due of principal on the Notes or any of them and the default continues for a period of seven days;

- (b) default by the Issuer and (in the case of Guaranteed Notes) the Guarantor, in payment when due of any instalment of interest on the Notes or any of them and the default continues for a period of 30 days;
- (c) a failure by the Issuer or (in the case of Guaranteed Notes) the Guarantor to perform or observe any of its other obligations under the Conditions or the Trust Deed and the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied;
- (d) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;
- (e) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) (other than in respect of monies borrowed or raised on a non-recourse basis);
- (f) the Issuer or the Guarantor (in the case of Guaranteed Notes) (i) becomes insolvent or is unable to pay its debts as they mature; or (ii) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or the Guarantor (in the case of Guaranteed Notes) or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) (other than in respect of monies borrowed or raised on a non-recourse basis); or (iii) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;
- (g) an order is made or an effective resolution passed for a Winding Up (as defined in Condition 3.2 in respect of NAB and Condition 3.3 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Notes) other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency;
- (h) a moratorium shall be agreed or declared in respect of any indebtedness of the Issuer or the Guarantor (in the case of Guaranteed Notes), or any governmental authority or agency shall have condemned, seized or compulsorily purchased or expropriated all or a substantial part of the assets of or capital of the Issuer or the Guarantor (in the case of Guaranteed Notes);
- (i) (where the Issuer is NAB) the Issuer (i) ceases to carry on a banking business in Australia, or the Issuer's authority under the Banking Act or any amendment or re-enactment thereof to carry on banking business in Australia is revoked; or (ii) enters into an arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (ii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes, Receipts and Coupons pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution;

- (j) (where the Issuer is BNZ-IF), (i) the Guarantor ceases to carry on general banking business in New Zealand; or (ii) the Guarantor ceases to be registered as a bank in New Zealand; or (iii) the Issuer or the Guarantor enters into any arrangement or agreement for any sale or disposal of the whole of its respective business by amalgamation or otherwise other than, in the case of (iii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which, in the case of BNZ-IF, results in a substitution of the principal debtor under the Notes, Receipts and Coupons or, in the case of the Guarantor, results in a substitution of the guarantor of Notes issued by BNZ-IF under the Trust Deed, in each case pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution; or
- (k) (where the Issuer is BNZ-IF) the Guarantee is terminated or shall cease to be in full force and effect.

Notwithstanding any other provision of this Condition 10.1, no Event of Default (other than Condition 10.1(g)) in respect of the Notes shall occur solely on account of any failure by the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital.

10.2 Events of Default relating to Subordinated Notes and Guaranteed Subordinated Notes

This Condition 10.2 shall apply only to Subordinated Notes and Guaranteed Subordinated Notes and references to "Notes" shall be construed accordingly.

The following are Events of Default in relation to Notes:

- (a) in the case of:
 - (i) NAB, a Winding Up Default (as defined below); or
 - (ii) BNZ-IF or the Guarantor, a Winding Up (as defined in Condition 3.3) of the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes),

occurs and is continuing other than, in any case, for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of the Issuer under the Notes or (in the case of a Winding Up of the Guarantor) the Guarantor under the Subordinated Guarantee; and
- (b) the Issuer and (in the case of Guaranteed Subordinated Notes) the Guarantor fails to pay any amount of principal or interest in respect of the Notes when scheduled to be paid and the default continues for a period of seven days (in respect of a payment of principal) or 30 days (in respect of a payment of interest) unless (in the case of Subordinated Notes or Guaranteed Term Subordinated Notes) the failure is the result of NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF or the Guarantor not being Solvent at the time of that payment or NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF or the Guarantor would not be Solvent as a result of making that payment (except to the

extent that NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF and the Guarantor can make such payment and remain Solvent thereafter and the BNZ Group would be Solvent immediately thereafter).

To the extent that a payment is not required to be made due to Condition 3.2 in the case of NAB, or Condition 3.3 in the case of BNZ-IF, the amount is not due and payable and failure to pay such amount does not give rise to an Event of Default.

Solvent means, in the case of NAB, that each of the following is the case:

- (a) that NAB can pay its debts as they fall due; and
- (b) its Assets exceed its Liabilities.

A certificate as to whether NAB is Solvent (at any particular time or throughout any particular period) signed by two Directors of NAB or the auditors of NAB or, in a Winding Up of NAB, its liquidator, will, in the absence of manifest error, be conclusive evidence against and binding on NAB, the Trustee, the Noteholders, Couponholders and Receiptholders in respect of the matters certified. In the absence of such certificate, the Trustee and any holder of Subordinated Notes is entitled to assume (unless the contrary is proved) that NAB is, and will be after any payment, Solvent and the Trustee shall incur no liability by reason of acting in reliance upon such assumption.

Assets means, in respect of NAB, its total non-consolidated gross assets as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

Liabilities means, in respect of NAB, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

Solvent means, in the case of BNZ-IF, the Guarantor and the BNZ Group, BNZ-IF, the Guarantor and the BNZ Group satisfying the solvency test contained in section 4 of the NZ Companies Act. In interpreting this definition, the solvency test:

- (i) shall be applied to a company which is not registered under the NZ Companies Act as if it were so registered; and
- (ii) shall be applied to the BNZ Group as if the BNZ Group were a single entity and due account will be taken of the ability and willingness of the members of the BNZ Group to meet the debts of other members of the BNZ Group.

The Directors of BNZ-IF and the Guarantor shall, if they are required to establish that BNZ-IF and the Guarantor and the BNZ Group are Solvent:

- (a) prepare a statement as to whether or not BNZ-IF and the Guarantor and the BNZ Group are or would be, in the circumstances contemplated by Condition 3.3, Solvent; and
- (b) procure that BNZ-IF's and the Guarantor's Auditors (as defined in the Trust Deed) give to them a report in writing (based on the most recent audited consolidated financial statements of the BNZ Group and the most recent audited financial statements of BNZ-IF and the Guarantor and such other information as

the Auditors may request BNZ-IF and the Guarantor to make available to them) as to whether anything has come to the Auditors' attention which would cause them to believe that the statement described in paragraph (a) above has not been properly compiled and, in the absence of manifest error, such report shall be treated and accepted by BNZ-IF, the Guarantor, the Trustee, Noteholders, the Couponholders and Receiptholders as correct and sufficient evidence of such fact.

Provided that (i) the statement specified in paragraph (a) above affirms that BNZ-IF and the Guarantor and the BNZ Group are Solvent and (ii) the requirements of paragraph (b) above have been satisfied, it shall be assumed that BNZ-IF, the Guarantor and the BNZ Group are and will after any payment hereunder be Solvent for such purposes.

Winding Up Default means, in relation to NAB:

- (i) an order is made by a court of competent jurisdiction in Australia for the Winding Up of NAB which order is not successfully appealed or permanently stayed within 60 days of the making of the order; or
- (ii) an effective resolution is passed by shareholders or members for the Winding Up of NAB in Australia.

No events other than those outlined at Condition 10.2(a) and Condition 10.2(b) shall constitute Events of Default in relation to Subordinated Notes and Guaranteed Subordinated Notes.

10.3 Consequences of an Event of Default relating to Subordinated Notes

This Condition 10.3 shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 10.3(b) below), and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to NAB that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.2 and the provisions of the Trust Deed) prove in the Winding Up of NAB.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.2(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), take action:
 - (i) to recover the amount that NAB has so failed to pay, provided that (in the case of Subordinated Notes) the Issuer may only be compelled to pay that amount to the extent that it is, and after the payment would remain, Solvent; or

- (ii) to obtain an order for specific performance of any other obligation in respect of the Notes; or
- (iii) for the Winding Up of NAB.

Any amount not paid due to Condition 3.2, Condition 10.3(b)(i) or because under Condition 10.2(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by the Issuer until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Subordinated Notes nor the Trustee on their behalf has any right to accelerate payment or any other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.3.

10.4 Consequences of an Event of Default relating to Guaranteed Subordinated Notes

This Condition 10.4 shall apply only to Guaranteed Subordinated Notes and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 10.4(b) below), and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to BNZ-IF and the Guarantor that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.3 and the provisions of the Trust Deed) prove in the Winding Up (as defined in Condition 3.3) of BNZ-IF and/or the Guarantor, as the case may be.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.2(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), take action:
 - (i) (subject to Condition 3.3 and the provisions of the Trust Deed) to recover the amount that BNZ-IF and the Guarantor have so failed to pay provided that (in the case of Term Subordinated Notes) BNZ-IF and the Guarantor may only be compelled to pay that amount to the extent that each of BNZ-IF, the Guarantor and the BNZ Group are and, after the payment, would remain Solvent (as defined in Condition 3.3); or
 - (ii) to obtain an order for specific performance of any other obligation in respect of the Notes; or
 - (iii) for the Winding Up of BNZ-IF and/or the Guarantor.

Any amount not paid due to Condition 3.3, Condition 10.4(b)(i) or because under Condition 10.2(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by BNZ-IF and the Guarantor until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Guaranteed Subordinated Notes nor the Trustee on their behalf has any right to accelerate payment or any other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.4.

10.5 Enforcement

(a) Senior Notes and Guaranteed Senior Notes

This Condition 10.5(a) shall apply only to Senior Notes and Guaranteed Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee may at any time, at its discretion and without notice, take such proceedings or any action against the Issuer and/or the Guarantor (in the case of Guaranteed Notes) as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action under or in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(b) Subordinated Notes and Guaranteed Subordinated Notes

This Condition 10.5(b) shall apply only to Subordinated Notes and Guaranteed Subordinated Notes and references to "Notes" shall be construed accordingly.

The Trustee may at its discretion and shall if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) institute such proceedings or take any action against the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) as it may think fit to enforce any obligation, condition or provision binding on the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) under the Trust Deed or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes) provided that neither the Issuer nor the Guarantor (in the case of Guaranteed Subordinated Notes) shall by virtue of any such proceedings or such action (save for any proceedings for the Winding Up (as defined in Condition 3.2 in respect of NAB and Condition 3.3 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes)) be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it or (ii) any damages (save in respect of the Trustee's fees and expenses incurred by it in its personal capacity).

(c) General

No Noteholder, Receiptholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or the Guarantor (in the case of Guaranteed Notes) or prove in the Winding Up (as defined in Condition 3.2 in respect of NAB and Condition 3.3 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of

Guaranteed Notes) unless the Trustee, having become bound so to do fails to do so within a reasonable period and such failure is continuing, in which event any Noteholder, Receiptholder or Couponholder may, on giving an indemnity and/or security satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute such proceedings and/or prove in the Winding Up of the Issuer and/or the Guarantor (in the case of Guaranteed Notes) to the same extent and in the same jurisdiction (but not further or otherwise than the Trustee would have been entitled to do so in respect of the Notes, Receipts and Coupons and/or the Trust Deed).

10A. CONVERSION OR WRITE-OFF OF SUBORDINATED NOTES ON NON-VIABILITY OF NAB

This Condition 10A applies only to Subordinated Notes. The Schedule to these Conditions (including the defined terms therein) shall be deemed to form part of, and be incorporated in, this Condition 10A.

10A.1 Non-Viability Trigger Event

A **Non-Viability Trigger Event** occurs when APRA has provided a written determination (**Non-Viability Determination**) to NAB that:

- (a) the conversion or write-off of Relevant Capital Instruments of NAB is necessary because without the conversion or write-off, APRA considers that NAB would become non-viable; or
- (b) without a public sector injection of capital into, or equivalent capital support with respect to, NAB, APRA considers that NAB would become non-viable.

The date on which a Non-Viability Trigger Event occurs under Condition 10A.1(a) or 10A.1(b) is a **Conversion Date**.

10A.2 Relevant Tier 1 Capital Instruments to be converted or written-off first where permitted

- (a) Where, on the Conversion Date, a Non-Viability Trigger Event occurs under Condition 10A.1(a), NAB must immediately convert or write-off:
 - (i) all Relevant Capital Instruments then outstanding (including the Subordinated Notes in accordance with this Condition 10A.2); or
 - (ii) where APRA is satisfied that the conversion or write-off of such a proportion of Relevant Capital Instruments will be sufficient to ensure that NAB does not become non-viable, that proportion.
- (b) Where Condition 10A.2(a)(ii) applies, NAB must immediately Convert or Write-Off an aggregate nominal amount of Subordinated Notes in accordance with Condition 10A.3 or Condition 10A.10 (whichever is applicable) and the aggregate nominal amount of other Relevant Tier 2 Capital Instruments which will be converted or be written-off, such amount to be determined on the following basis:
 - (i) first, NAB must convert or write-off all Relevant Tier 1 Capital Instruments; and
 - (ii) second, to the extent the amount of Relevant Capital Instruments required to be converted or written-off exceeds the aggregate nominal amount of

Relevant Tier 1 Capital Instruments (and unless APRA has withdrawn the Non-Viability Determination), NAB must convert or write-off Relevant Tier 2 Capital Instruments (including Subordinated Notes in accordance with either Condition 10A.3 or Condition 10A.10 (whichever is applicable)), in an aggregate nominal amount equal to the amount of that excess and, in doing so:

- (A) NAB will endeavour to treat Noteholders on an approximately proportionate basis but may discriminate to take account of logistical considerations and the need to effect the Conversion or Write-Off of Subordinated Notes and conversion or write-off of other Relevant Tier 2 Capital Instruments immediately; and
 - (B) where the Specified Currency of Relevant Tier 2 Capital Instruments is not the same for all Relevant Tier 2 Capital Instruments, 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 Noteholders and holders of other Relevant Tier 2 Capital Instruments having regard to the need to effect Conversion immediately.
- (c) Where, on the Conversion Date, a Non-Viability Trigger Event occurs under Condition 10A.1(b), NAB must immediately convert or write-off all Relevant Capital Instruments then outstanding (including the Subordinated Notes) in accordance with this Condition 10A.2.

10A.2A General provisions relating to Conversion and Write-Off

- (a) A Non-Viability Determination takes effect, and NAB must perform the obligations in respect of the determination, immediately on the day it is received by NAB, whether or not such day is a Business Day (as defined in the Schedule to these Conditions).
- (b) To the extent that a Subordinated Note has been Converted or Written-Off in part then:
 - (i) the Early Redemption Amount, the Final Redemption Amount, the Optional Redemption Amount, the Specified Denomination and any related amount shall be reduced in the same proportion as the nominal amount Converted or Written-Off in respect of that Subordinated Note bears to the nominal amount of that Subordinated Note before such Conversion or Write-Off;
 - (ii) for the purposes of any interest calculation, the Calculation Amount of such Subordinated Note and, in the case of a Fixed Rate Note, the Fixed Coupon Amount and any related amount shall be reduced in the same proportion as the nominal amount Converted or Written-Off in respect of that Subordinated Note bears to the nominal amount of that Subordinated Note before such Conversion or Write-Off; and
 - (iii) where the Conversion Date is not an Interest Payment Date, then the amount of interest payable in respect of that Subordinated Note on each Interest Payment Date falling after that Conversion Date will be reduced and calculated on the nominal amount of that Subordinated Note as reduced on the date of the Conversion or Write-Off.

- (c) In Converting or Writing-Off Subordinated Notes, NAB may make any decisions with respect to the identity of Noteholders at that time as may be necessary or desirable to ensure Conversion or Write-Off occurs in an orderly manner, including disregarding any transfers of Subordinated Notes that have not been settled or registered at that time.
- (d) If a Subordinated Note is Converted or Written-Off, the Noteholder must immediately present and surrender that Subordinated Note (together, in the case of a Subordinated Note that is a Definitive Bearer Note, with such Receipts, Coupons and Talons as are attached thereto) to the specified office of, in the case of a Subordinated Note that is a Definitive Bearer Note, any Paying Agent, or, in the case of a Subordinated Note that is a Registered Note, the Registrar and:
 - (i) (where such Subordinated Note is Converted or Written-Off in full, the Paying Agent or Registrar (as the case may be) shall cancel or arrange for the cancellation of such Subordinated Note; and
 - (ii) where such Subordinated Note is Converted or Written-Off in part, the Paying Agent or Registrar (as the case may be) shall:
 - (A) where such Subordinated Note is a Global Note, endorse or arrange for the endorsement of the Global Note to reflect the reduction in the nominal amount represented by the Global Note on account of the Conversion or Write-Off; and
 - (B) where such Subordinated Note is a Definitive Note, cancel or arrange for the cancellation of the Definitive Note and deliver or arrange for the delivery of a new Definitive Note reflecting the nominal amount of such Subordinated Note remaining following that Conversion or Write-Off,

but no failure or delay in such presentation and surrender, cancellation, endorsement or issue shall prevent, impede or delay the Conversion or Write-Off of any Subordinated Notes required by Condition 10A.

10A.3 Conversion of Subordinated Notes

Subject to Condition 10A.10 where "Write-Off – Applicable" is specified in the applicable Final Terms applying to Subordinated Notes, but notwithstanding any other provision in these Conditions, on the Conversion Date, in respect of a Subordinated Note, the relevant nominal amount (as determined under Condition 10A.2) of that Subordinated Note will convert immediately and irrevocably into Ordinary Shares (in a number determined under clause 19.4(a) of the Schedule to these Conditions) and where only a portion of a Subordinated Note is converted, the nominal amount of that Subordinated Note shall be reduced by the amount converted accordingly. The conversion will occur in accordance with the terms set out in the Schedule to these Conditions (the **Conversion** and **Convert**, **Converted** and **Converting** when used herein have corresponding meanings).

10A.4 Noteholder acknowledgements relating to Conversion and Write-Off

Each Holder irrevocably:

- (a) consents to becoming a member of NAB upon the Conversion of Subordinated Notes as required by Condition 10A.3 and agrees to be bound by the constitution of NAB, 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 the Subordinated Notes including:
 - (i) any change in the financial position of NAB since the issue of the Subordinated Notes;
 - (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 Subordinated Notes;
- (c) acknowledges and agrees that where Condition 10A.2 applies:
 - (i) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 10A.1;
 - (ii) Conversion must occur immediately on the Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated Notes;
 - (iii) it will not have any rights to vote in respect of any Conversion; and
 - (iv) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (d) acknowledges and agrees that where Condition 10A.5 or Condition 10A.10 applies, no other conditions or events will affect the operation of that Condition and the Noteholder will not have any rights to vote in respect of any Write-Off under that Condition and has no claim against NAB arising in connection with the application of that Condition;
- (e) acknowledges and agrees that a Noteholder has no right to request a Conversion of any nominal amount of any Subordinated Notes or to determine whether (or in what circumstances) the Subordinated Notes are Converted; and
- (f) acknowledges and agrees that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the nominal amount of Subordinated Notes:
 - (i) any failure to or delay in the conversion or write-off of other Relevant Capital Instruments;
 - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice;
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
 - (iv) any obligation to treat Noteholders proportionally or to make the determinations or adjustments in accordance with Condition 10A.2(b); and

- (v) any decision as to the identity of Noteholders whose Subordinated Notes are to be Converted or Written-Off in accordance with Conditions 10A.2 and 10A.2A(c).

10A.5 Write-Off due to failure to Convert

If a nominal amount of Subordinated Notes held by a Noteholder is required to Convert under Condition 10A.3 and, for any reason (including an Inability Event) Conversion has not been effected within five Business Days (as defined in the Schedule to these Conditions) after the Conversion Date, to the extent NAB has not Converted that nominal amount then, notwithstanding any other provisions of these Conditions or the applicable Final Terms:

- (a) Conversion on account of the Non-Viability Trigger Event will not occur;
- (b) the rights of the Noteholder (including to payment of any principal or interest) in relation to such nominal amount of Subordinated Notes are written-off and immediately and irrevocably terminated with effect on and from the Conversion Date. **Write-Off** and **Written-Off** when used herein have corresponding meanings; and
- (c) where only a portion of a Subordinated Note is Written-Off under this Condition 10A.5, the nominal amount of that Subordinated Note shall be reduced by the amount Written-Off accordingly.

10A.6 Non-Viability Trigger Event Notice

As soon as practicable after the occurrence of a Non-Viability Trigger Event and no later than five Business Days (as defined in the Schedule to these Conditions) after the occurrence of the Non-Viability Trigger Event, NAB must give notice of the Non-Viability Trigger Event (a **Non-Viability Trigger Event Notice**) to the Trustee and the Noteholders which states the Conversion Date, the aggregate nominal amount of Subordinated Notes Converted or Written-Off and the aggregate nominal amount of Relevant Tier 2 Capital Instruments converted or written-off.

10A.7 Provision of information

Where a nominal amount of Subordinated Notes held by a Noteholder is required to be Converted under Condition 10A.3, a Noteholder of such Subordinated Notes wishing to receive Ordinary Shares must, no later than the Conversion Date, have provided to NAB (i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares (ii) the Noteholder's security account details in CHES (being the Clearing House Electronic Subregister System operated by ASX or its affiliates) or such other account to which the Ordinary Shares may be credited and (iii) such other information as is reasonably requested by NAB for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Noteholder. NAB has no duty to seek or obtain such information.

If for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required to be provided by the Noteholder under this Condition 10A.7 by the time such information is required in order for Ordinary Shares to be issued on the Conversion Date, NAB will issue the Ordinary Shares in respect of that Noteholder to a nominee in accordance with Condition 10A.9 and the provisions of Condition 10A.9 shall apply, *mutatis mutandis*, to such Ordinary Shares.

10A.8 Failure to convert

Subject to Condition 10A.5 and Condition 10A.9, if, in respect of a Conversion of a Subordinated Note, NAB fails to issue the Conversion Number of Ordinary Shares in respect of the nominal amount of that Subordinated Note to, or in accordance with the instructions of, the relevant Noteholder or a nominee where Condition 10A.9 applies, the nominal amount of that Subordinated Note which would otherwise be subject to Conversion remains, for the purposes of these Conditions, on issue until:

- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, the Noteholder; or
- (ii) the Subordinated Note is Written-Off in accordance with these Conditions;

provided, however, that the sole right of the Noteholder in respect of such nominal amount of such Subordinated Note is its right to be issued the Ordinary Shares upon Conversion (subject to its compliance with Condition 10A.7 or to receive proceeds from their sale pursuant to Condition 10A.9, as applicable) and the remedy of a Noteholder in respect of NAB's failure to issue the Ordinary Shares is limited (subject always to Condition 10A.5) to seeking an order for specific performance of NAB's obligation to issue the Ordinary Shares to the Noteholder or where Condition 10A.9 applies to the nominee and to receive such proceeds of sale, in each case, in accordance with the conditions of the Subordinated Notes.

This Condition 10A.8 does not affect the obligation of NAB to issue the Ordinary Shares when required in accordance with these Conditions.

10A.9 Issue to nominee

If any Subordinated Notes are required to be Converted under Condition 10A.3 and:

- (a) the Noteholder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Conversion Date;
- (b) the Subordinated Notes are held by a person NAB believes in good faith may not be a resident of Australia (a **Foreign Holder**); or
- (c) if for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required by it in accordance with Condition 10A.7 so as to impede NAB issuing the Ordinary Shares to a Noteholder on the Conversion Date; or

then, on the Conversion Date,

- (d) where subparagraph (a) or (b) applies, NAB is obliged to issue the Ordinary Shares to the Noteholder only to the extent (if at all) that:
 - (i) where subparagraph (a) applies, the Noteholder has notified NAB that it wishes to receive them;
 - (ii) where subparagraph (b) applies, NAB is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Ordinary Shares to the Foreign Holder (but as to which NAB is not bound to enquire), either unconditionally or after compliance with

conditions which NAB, in its absolute discretion, regards as acceptable and not unduly onerous;

and to the extent NAB is not obliged to issue Ordinary Shares to the Noteholder, NAB will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (e) of this Condition 10A.9;

- (e) otherwise, subject to applicable law, NAB will issue the balance of Ordinary Shares in respect of that Noteholder to a nominee appointed by NAB (which nominee may not be NAB or a Related Entity (as defined in Condition 10A.16) of NAB) and, subject to applicable law:
 - (i) where sub-paragraph (c) applies, the nominee will hold Ordinary Shares in an aggregate amount equal to the aggregate number to be issued in respect of those Noteholders and will transfer Ordinary Shares to a Noteholder who, within 30 days of the Conversion Date, provides the nominee with the information required to be provided by the Noteholder under Condition 10A.7 (as if a reference in sub-paragraph (iii) of Condition 10A.7 to NAB is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares); and
 - (ii) the nominee will as soon as reasonably possible (or, where paragraph (c) applies, to the extent that the nominee has not already transferred Ordinary Shares to the relevant Noteholder under Condition 10A.9(e)(i) above at the end of the period of 30 days referred to in paragraph 10A.9(e)(i) above, as soon as reasonably possible after the expiration of that period), sell the Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Noteholder.

The issue of Ordinary Shares to such nominee will satisfy all obligations of NAB in connection with the Conversion, the Subordinated Notes will be deemed Converted and on and from the issue of Ordinary Shares the rights of a Noteholder the subject of this Condition 10A.9 are limited to its rights in respect of the Ordinary Shares or their net cash proceeds as provided in this Condition;

- (f) nothing in this Condition 10A.9 shall affect the Conversion of the Subordinated Notes of a Noteholder which is not a person to which any of subparagraphs (a) to (c) (inclusive) applies; and
- (g) for the purposes of this Condition 10A.9, without prejudice to the obligations of NAB and the nominee under this Condition 10A.9, none of NAB or the nominee owes any obligations or duties to the Noteholders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Noteholder as a result of the sale of Ordinary Shares.

10A.10 Write-Off of Subordinated Notes

If “Write-Off - Applicable” is specified in the applicable Final Terms, then this Condition 10A.10 shall apply to the Subordinated Notes and, for the avoidance of doubt, Condition 10A.3 and Conditions 10A.4(a), (b), (c)(ii), (c)(iii), (c)(iv), (e) and (f)(iii), 10A.5, 10A.7, 10A.8 and 10A.9 shall not apply to the Subordinated Notes.

On the Conversion Date the rights of Noteholders (including to payment of any principal or interest) in relation to the relevant nominal amount (as determined under Condition 10A.2) of the Subordinated Notes are Written-Off and, where only a portion of a Subordinated Note is Written-Off, the nominal amount of that Subordinated Note shall be reduced by the amount Written-Off accordingly.

10A.11 Ordinary Shares issued upon Conversion

Each Ordinary Share issued to a relevant Noteholder upon Conversion will rank equally with all other fully paid Ordinary Shares from the date of such issue.

10A.12 Substitution of Approved NOHC as issuer of Ordinary Shares

Where:

- (a) either of the following occurs:
 - (i) 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:
 - (A) the bidder has at any time during the offer period, a relevant interest in more than 50 per cent. of the Ordinary Shares on issue; or
 - (B) 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
 - (ii) 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 per cent. of the Ordinary Shares that will be on issue after the scheme is implemented and:
 - (A) 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
 - (B) 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; and
- (b) the bidder or the person having a relevant interest in the Ordinary Shares in NAB after the scheme is implemented (or any entity that Controls the bidder or the person having the relevant interest) is an Approved NOHC,

then NAB and the Trustee may without the further authority, assent or approval of Noteholders (but with the prior written approval of APRA):

- (c) amend the Schedule such that, unless APRA otherwise agrees, on the date the nominal amount of a Subordinated Note is to be Converted:
 - (i) each Subordinated Note that is being Converted in whole will be automatically transferred by each Noteholder free from encumbrance to

the Approved NOHC (or another member of the company which is a holding company (as defined in the Corporations Act) of NAB) (the **Transferee**) on the date the Conversion is to occur;

- (ii) in respect of each Subordinated Note that is being Converted only in part, on the date the Conversion is to occur:
 - (A) the nominal amount of the Subordinated Note that is being Converted shall be reduced to an amount equal to the non-Converted portion of the nominal amount of such Subordinated Note; and
 - (B) the Approved NOHC will be taken to hold a new Subordinated Note with a nominal amount equal to the Converted portion of the nominal amount of the Subordinated Note being Converted;

provided that any failure or delay by a Noteholder or any other party in complying with the provisions of Condition 10A.12(c) shall not prevent, impede or delay the Conversion or Write-Off of Subordinated Notes;

- (iii) each Noteholder (or in the circumstances contemplated in Condition 10A.9, the nominee) of a Subordinated Note or portion thereof being Converted will be issued a number of ordinary shares in the capital of the Approved NOHC determined as if references in the Schedule to NAB were references to the Approved NOHC and the Ordinary Shares were to ordinary shares in the capital of NOHC (**Approved NOHC Ordinary Shares**); and
- (iv) as between NAB and the Approved NOHC, each Subordinated Note held or taken to be held by the Approved NOHC as a result of the transfer will be automatically Converted into a number of Ordinary Shares such that the total number of Ordinary Shares held by the Transferee by reason of this Condition 10A.12(c)(iv) increases by the number of Ordinary Shares in the capital of the Approved NOHC issued by the Approved NOHC to Noteholders on Conversion; and
- (d) make such other amendments as in NAB's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the issuer of the ordinary shares on Conversion in the manner contemplated by these Conditions, including, 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 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 the Schedule.

10A.13 Further substitutions

After a substitution under Condition 10A.12, the Approved NOHC and the Trustee may, without the authority, approval or assent of the Noteholders, effect a further substitution in accordance with Condition 10A.12 (with necessary changes).

10A.14 Notice to Noteholders

NAB or the Approved NOHC must notify the Noteholders of the particulars of any substitution according to Condition 10A.12 or Condition 10A.13 in writing as soon as practicable after the substitution.

10A.15 Acknowledgement of Noteholders

Each Noteholder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Conditions be substituted for NAB as issuer of the Ordinary Shares on Conversion and that if such a substitution is effected, the Noteholder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares in NAB.

10A.16 Definitions

In these Conditions:

Approved NOHC means an entity which:

- (a) is a non-operating holding company within the meaning of the Banking Act; and
- (b) has agreed for the benefit of Noteholders:
 - (i) to issue fully paid ordinary shares in its capital under all circumstances when NAB would otherwise have been required to Convert a nominal amount of Subordinated Notes, subject to the same terms and conditions as set out in these Conditions (with all necessary modifications); and
 - (ii) to use all reasonable endeavours to procure quotation of Approved NOHC Ordinary Shares issued upon Conversion of Relevant Subordinated Notes on ASX.

Control has the meaning given in the Corporations Act.

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 Subordinated Notes.

Issuer Group means NAB and its Controlled entities.

Ordinary Shares has the meaning given to it in the Schedule to these Conditions.

Regulatory Capital means a Tier 1 Capital Instrument or a Tier 2 Capital Instrument.

Related Entity has the meaning given by APRA from time to time.

Relevant Capital Instruments means each of:

- (a) Relevant Tier 1 Capital Instruments; and
- (b) Relevant Tier 2 Capital Instruments.

Relevant Tier 1 Capital Instrument means a Tier 1 Capital Instrument that in accordance with its terms or by operation of law is capable of being written-off or converted into Ordinary Shares when a Non-Viability Determination is made.

Relevant Tier 2 Capital Instrument means a Tier 2 Capital Instrument that in accordance with its terms or by operation of law is capable of being written-off or converted into Ordinary Shares when a Non-Viability Determination is made.

Tier 1 Capital means the Tier 1 Capital of NAB (on a Level 1 basis) or the Issuer Group (on a Level 2 basis) as defined by APRA from time to time.

Tier 1 Capital Instrument means a share, note or other security or instrument constituting Tier 1 Capital.

Tier 2 Capital means the Tier 2 Capital of NAB (on a Level 1 basis) or the Issuer Group (on a Level 2 basis) as defined by APRA from time to time.

Tier 2 Capital Instrument means a share, note or other security or instrument constituting Tier 2 Capital.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer and (in the case of Guaranteed Notes) the Guarantor are entitled, with the prior written approval of the Trustee (not to be unreasonably withheld), to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (d) each of the Issuer and (in the case of Guaranteed Notes) the Guarantor undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to

Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and (in the case of Guaranteed Notes) the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Bearer Notes are admitted to trading on, and listed on the Regulated Market of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such newspaper publication will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Service, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or

Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note. Notwithstanding the foregoing provisions of this paragraph, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Positions Report shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms. If no day is specified, such notices will be deemed to have been delivered on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Positions Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Lodging Agent and/or the CMU Service, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, DETERMINATION AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of, or waiver with respect to, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed, subject, in the case of modifications of, or waivers with respect to, the Subordinated Notes, Guaranteed Subordinated Notes, Receipts and Coupons to any required prior written approval of APRA (if NAB is the Issuer) or The Reserve Bank of New Zealand and APRA (if BNZ-IF is the Issuer) which may be required and provided that no Extraordinary Resolution or any other resolution that may affect the eligibility of the Subordinated Notes or Guaranteed Subordinated Notes, as the case may be, to continue to be treated as Tier 2 Capital shall be of any effect unless the prior written approval of APRA has been obtained. Subject to the above, such a meeting may be convened by the Issuer, the Guarantor (in the case of Guaranteed Notes) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or

representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by or on behalf of the Noteholder(s) of not less than three-fourths of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Noteholder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders.

Subject in the case of Subordinated Notes or Guaranteed Subordinated Notes to any required prior written approval of APRA, the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and (unless the Trustee otherwise agrees) shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter. In relation to any amendments to be made to these Conditions pursuant to Condition 10A.12, the Trustee may act or rely on the advice or opinion of NAB or any certificate, report or information (whether addressed to the Trustee or not) obtained from NAB and shall not be responsible for any liability occasioned by so acting or relying.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation or determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (in the case of Guaranteed Notes), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trust Deed provides that, in respect of Senior Notes and Guaranteed Senior Notes only, the Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders agree with the Issuer and (where applicable) the Guarantor, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Senior Notes or Guaranteed Senior Notes, as applicable,

and the relative Receipts, any Coupons and the Trust Deed of another company, being a subsidiary of the Issuer or, in the case of Guaranteed Senior Notes, the Guarantor, subject to (a) the Senior Notes being unconditionally and irrevocably guaranteed by NAB or the Guaranteed Senior Notes continuing to be guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

The Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer or, as the case may be, the Guarantor not involving the bankruptcy or insolvency of the Issuer or, as the case may be, the Guarantor and (A) where the Issuer or, as the case may be, the Guarantor does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be, will be disposed of or succeeded to by another entity (whether by operation of law or otherwise), the Trustee shall, in the case of Senior Notes and Guaranteed Senior Notes only if requested by the Issuer and (where applicable) the Guarantor (in each case in its sole discretion), without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer and (where applicable) the Guarantor to (i) the substitution in place of the Issuer as the principal debtor under the Senior Notes or Guaranteed Senior Notes, as applicable, and the relative Receipts, any Coupons and the Trust Deed; or (ii) the substitution in place of the Guarantor (in the case of Guaranteed Senior Notes) as guarantor of Guaranteed Senior Notes, of another company (the **Substituted Debtor**) being the entity with and into which the Issuer or the Guarantor, as the case may be, amalgamates or the entity to which all or substantially all of the business and assets of the Issuer or the Guarantor is transferred, or succeeded to, pursuant to such scheme of amalgamation or reconstruction (whether by operation of law or otherwise), subject to:

- (i) the Substituted Debtor entering into a supplemental trust deed in form and manner satisfactory to the Trustee agreeing to be bound by the Trust Deed with any consequential amendments which the Trustee may deem appropriate as fully as if the Substituted Debtor had been named in the Trust Deed as principal debtor or guarantor of the Senior Notes or Guaranteed Senior Notes in place of the Issuer or the Guarantor, as the case may be;
- (ii) the Substituted Debtor acquiring or succeeding to pursuant to such scheme of amalgamation or reconstruction all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be;
- (iii) (in the case of the substitution of BNZ-IF) the obligations of the Substituted Debtor being or remaining guaranteed by the Guarantor on the terms set out in the Trust Deed;
- (iv) confirmations being received by the Trustee from each of Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. (**Standard and Poor's**) that the substitution will not adversely affect the rating of the Senior Notes or Guaranteed Senior Notes, as applicable; and
- (v) the Issuer, the Guarantor (where relevant) and the Substituted Debtor complying with such other requirements as the Trustee may reasonably require in order to give effect to the mandatory substitution envisaged in this Condition 15.

For the purposes of this Condition 15, a modification or waiver of the Notes will require APRA's prior written approval only if the modification or waiver affects the eligibility of

the Notes to continue to be treated as Tier 2 Capital. Any provisions in these Conditions of the Notes requiring APRA approval for a particular course of action do not and should not imply that APRA has given its consent or approval as at the Issue Date.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with each Issuer, the Guarantor and/or any of their respective subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, any Issuer, the Guarantor and/or any of their respective subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further securities (the **Fungible Notes**) having terms and conditions the same as the Notes or the same in all respects save for the amount, the Issue Date, the Issue Price and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided, however, that (a) such Fungible Notes are, for purposes of U.S. federal income taxation (regardless of whether any holders of Fungible Notes are subject to the U.S. federal income tax laws), either (i) not issued with original issue discount or are issued with a de minimis amount of original issue discount as defined in U.S. Treasury Regulations Section 1.1273-1(d) or (ii) issued in a “qualified reopening” or are otherwise considered part of the same issue for U.S. federal tax purposes, (b) the consolidation of the Fungible Notes into a single series with the outstanding Notes would not cause the holders of the Notes to become subject to any certification requirements or information reporting to which they would not be subject absent such consolidation and (c) provided that, in the case of Subordinated Notes or Guaranteed Subordinated Notes, the Fungible Notes meet the requirements of APRA to be eligible to be treated as Tier 2 Capital.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with, English law, except for (A) Clause 19.1 of the Trust Deed,

Conditions 3.2 and 10A and the conversion mechanisms set out in the Schedule to these Conditions, which are governed by, and shall be construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia and (B) Clause 19.2 of the Trust Deed and Condition 3.3 which are governed by, and shall be construed in accordance with, the laws of New Zealand. The Agency Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

19.2 Submission to jurisdiction

Each Issuer and the Guarantor irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receipholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations) which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons and accordingly submits to the exclusive jurisdiction of the English courts.

Each Issuer and the Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Trustee, the Noteholders, the Receipholders and the Couponholders, may take any suit, action or proceedings arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) (together referred to as **Proceedings**), in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

NAB appoints National Australia Bank Limited, London Branch, at its office at 88 Wood Street, London EC2V 7QQ as its agent for service of process and BNZ-IF and the Guarantor appoint BNZ-IF, London Branch, at 88 Wood Street, London EC2V 7QQ as their respective agent for service of process. Each of NAB, BNZ-IF and the Guarantor undertakes that, in the event of National Australia Bank Limited, London Branch or BNZ-IF, London Branch, as the case may be, ceasing so to act or ceasing to be registered in England, NAB, BNZ-IF and the Guarantor as the case may be will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.4 Other documents

Each Issuer and (in the case of Guaranteed Notes) the Guarantor has in the Trust Deed, the Agency Agreement and the Guarantee (as applicable) submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

SCHEDULE

SUBORDINATED NOTE CONVERSION MECHANISMS

1.1 Conversion

If NAB must Convert a nominal amount of a Subordinated Note in accordance with Condition 10A (a **Relevant Subordinated Note**), then the following provisions shall apply:

- (a) on the Conversion Date, NAB will, for the Nominal Amount of the Relevant Subordinated Note held by the Noteholder, allot and issue that number of fully paid ordinary shares in the capital of NAB (**Ordinary Shares**) which is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$\frac{\text{Nominal Amount}}{(1 - \text{CD}) \times \text{VWAP during the VWAP Period}}$$

(the **Conversion Number**)

where:

Nominal Amount means, in respect of a Relevant Subordinated Note, all or such lesser nominal amount of that Relevant Subordinated Note determined by NAB in accordance with Condition 10A.2 to be the proportionate allocation of the aggregate nominal amount required to be Converted to that Relevant Subordinated Note;

CD means the Conversion Discount specified in the applicable Final Terms;

Maximum Conversion Number means in respect of the Nominal Amount of a Relevant Subordinated Note the number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Nominal Amount}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

VWAP means, subject to any adjustments under clause 1.2 of this Schedule, 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 VWAP Period or on the relevant days (and, where the Specified Currency of the Nominal Amount in respect of the Relevant Subordinated Note is not Australian dollars, with each such daily price converted into the Specified Currency on the basis of the spot rate for the sale of the Australian dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by NAB on the relevant day of calculation) 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 the latest period of five Business Days (or such other period specified in the applicable Final Terms) on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date;

Relevant Fraction means 0.2;

Issue Date VWAP means the VWAP during the period of 20 Business Days or such other period specified in the applicable Final Terms on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Notes of the Series of which the Relevant Subordinated Notes forms part were issued (the **Issue Date VWAP Date**), as adjusted in accordance with clauses 1.4 to 1.7 (inclusive) of this Schedule;

- (b) any calculation under paragraph (a) shall be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Noteholder in respect of the aggregate Nominal Amount of its holding of Relevant Subordinated Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (c) on the Conversion Date NAB will:
 - (i) redeem the Nominal Amount of each Relevant Subordinated Note held by the Noteholder;
 - (ii) apply the proceeds of the redemption of the Nominal Amount of each Relevant Subordinated Note on behalf of the Noteholder in subscription for the Conversion Number of Ordinary Shares; and
 - (iii) issue to the relevant Noteholder, in respect of the Nominal Amount of each Relevant Subordinated Note held by that Noteholder, a number of Ordinary Shares that is equal to the Conversion Number,

and the rights of the Noteholder (including to payment of interest with respect to such Nominal Amount, both in the future and as accrued but unpaid as at the Conversion Date) in relation to the Nominal Amount that is being Converted will be immediately and irrevocably terminated.

The Noteholder irrevocably directs NAB to take all such action in accordance with the above provisions as is necessary to immediately effect Conversion accordingly and NAB will take all steps, including updating any register, required to record the Conversion.

Nothing in this clause creates any obligation to pay any amount in respect of the redemption of the Nominal Amount of any Relevant Subordinated Note except by way of the application of the proceeds of that redemption in subscription for the Conversion Number of Ordinary Shares.

1.2 Adjustments to VWAP

For the purposes of calculating the VWAP in this Schedule:

- (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 a Nominal Amount of Relevant Subordinated 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 Income Tax Assessment Acts 1936 and 1997 of Australia;
 - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 1.2(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 of NAB (or a committee authorised by them); 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 a Nominal Amount of Relevant Subordinated 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.

1.3 Adjustments to VWAP for divisions and similar transactions

Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a subdivision, consolidation or reclassification of NAB's share capital not involving any cash payment or other distribution to or by the holders of Ordinary Shares (**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 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.

1.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP in respect of a Relevant Subordinated Note, adjustments to the VWAP will be made in accordance with clauses

1.2 and 1.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date VWAP Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 1.5 to 1.7 (inclusive); and
- (b) if so made, will cause an adjustment to the Maximum Conversion Number by operation of the formula in clause 1.1(a).

1.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 1.5(b), if after the Issue Date VWAP Date in respect of a Relevant Subordinated Note, NAB makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP in respect of the Relevant Subordinated Notes will be adjusted in accordance with the following formula:

$$V = V_0 \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applicable to the Relevant Subordinated Notes immediately after the application of this formula;

V₀ means the Issue Date VWAP applicable to the Relevant Subordinated Notes 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 1.5(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 1.5(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 1.5 for any offer of Ordinary Shares not covered by clause 1.5(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 1.5(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 Noteholders or otherwise requiring any consent or concurrence.

1.6 Adjustment to Issue Date VWAP for divisions and similar transactions

- (a) If at any time after the Issue Date VWAP Date in respect of the Relevant Subordinated Notes 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 applicable to the Relevant Subordinated Notes 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 Noteholder 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 Noteholders or otherwise requiring any consent or concurrence.

1.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 1.5 and 1.6, 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.

1.8 Effect and announcement of adjustments

Any adjustment made by NAB to the VWAP or the Issue Date VWAP under this Schedule is effective and binding on the Trustee and the Noteholders and these Conditions will be construed accordingly. NAB will notify the Trustee and the Noteholders of any adjustment to the VWAP or the Issue Date VWAP under this Schedule within 10 Business Days of NAB determining the adjustment.

1.9 Listing Ordinary Shares issued on Conversion

NAB shall use all reasonable endeavours to procure a quotation of the Ordinary Shares issued upon Conversion of a Nominal Amount of Relevant Subordinated Notes on ASX. The Noteholder agrees not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws and the ASX Listing Rules) until NAB has taken such steps as are required by the Corporations Act, other applicable laws and the ASX Listing Rules for the shares to be freely tradeable without such further disclosure or other action and agrees to allow NAB to impose a holding lock or refuse to register a transfer in respect of Ordinary Shares until such time.

1.10 Definitions

- (a) Notwithstanding Condition 5.6, in this Schedule:

Business Day means a day which is both (i) 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 (ii) a day which is a business day for the purposes of the ASX Listing Rules;

ASX means ASX Limited 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.

- (b) 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).

Schedule 3 – Description of the rights and liabilities attaching to Ordinary Shares

The rights and liabilities attaching to the Ordinary Shares issued on conversion of the Subordinated Notes are set out in the constitution of the Issuer (“**Constitution**”) and are also regulated by the Corporations Act, ASX Listing Rules and the general law.

The following is a non-exhaustive summary of the main rights attaching to Ordinary Shares:

- **(voting rights)** the right to one vote per Ordinary Share at general meetings of the Issuer;
- **(transfer rights)** the right to transfer Ordinary Shares in accordance with the Constitution;
- **(dividend entitlement)** subject to the rights of holders carrying preferred rights, the right to receive dividends on that Ordinary Share, if and when they are declared;
- **(right to receive information)** the right to receive information required to be distributed under the Corporations Act and ASX Listing Rules; and
- **(winding up)** subject to the rights of holders of shares carrying preferred rights, the right to participate in a surplus of assets on a winding up of the Issuer.