



# NAB CAPITAL NOTES 2 INVESTOR PRESENTATION

# Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 (“**NAB**”) in relation to its proposed offer of NAB Capital Notes 2. A Prospectus in respect of the NAB Capital Notes 2 was lodged with ASIC on 31 May 2016. The Prospectus does not contain the Margin or the Application Form.

A Prospectus containing the Margin and an Application Form will be lodged with ASIC once the Margin is determined (expected to be on or about 8 June 2016) and will be available within Australia. The initial Prospectus can be obtained electronically from [www.nab.com.au/ncn2offer](http://www.nab.com.au/ncn2offer).

This document is not a prospectus or other disclosure document under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for the subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. The information provided in this document is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read the Prospectus in full before deciding to invest in NAB Capital Notes 2 and consider the risks that could affect the performance of NAB Capital Notes 2. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest in NAB Capital Notes 2.

So far as laws and regulatory requirements permit, NAB, its related companies, associated entities and any officer, employee, agent, adviser or contractor thereof (the “**NAB Group**”) does not warrant or represent that the information, recommendations, opinions or conclusions contained in this document (“**Information**”) are accurate, reliable, complete or current. The Information is indicative and prepared for information purposes only and does not purport to contain all matters relevant to NAB Capital Notes 2.

The Information is not intended to be relied upon and in all cases anyone proposing to use the Information should independently verify and check its accuracy, completeness, reliability and suitability and obtain appropriate professional advice. The Information is not intended to create any legal or fiduciary relationship and nothing contained in this document will be considered an invitation to engage in business, a recommendation, guidance, an invitation, an inducement, a proposal, advice or a solicitation to provide investment, financial or banking services or an invitation to engage in business or invest, buy, sell or deal in any securities or other financial instruments.

The Information is subject to change without notice, but the NAB Group will not be under any duty to update or correct it. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. Diagrams used in this document are illustrative only and may not necessarily be shown to scale. Unless otherwise defined, capitalised terms in this document have the meaning given to them in the Prospectus.

NAB Capital Notes 2 are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the NAB Group or by any other party. An investment in NAB Capital Notes 2 is riskier than a bank deposit. NAB Capital Notes 2 are complex and may not be suitable for all investors.

Investment products such as NAB Capital Notes 2 are subject to risks which could affect their performance, including Distribution Rate risk and market price fluctuation. NAB does not warrant or guarantee the future performance of NAB or the investment performance of NAB Capital Notes 2 (including market price). Information about key risks of investing in NAB Capital Notes 2 is detailed in sections 1.2 and 6 of the Prospectus.

The distribution of this presentation or the Prospectus in jurisdictions outside Australia may be restricted by law. Any person who comes into possession of this presentation or the Prospectus should seek advice on, and observe, these restrictions. Failure to comply with these restrictions may violate securities laws. In particular NAB Capital Notes 2 have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the account or benefit of, any “U.S. Person” (as defined in Regulation S of the Securities Act) unless the NAB Capital Notes 2 are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. None of this presentation, the Prospectus, or any Application Form or other materials relating to the offer of NAB Capital Notes 2 may be distributed in the United States.

Subject to any terms implied by law and which cannot be excluded, the NAB Group shall not be liable for any errors, omissions, defects or misrepresentations in the Information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Information. If any law prohibits the exclusion of such liability, the NAB Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

# NAB Capital Notes 2 – Offer Summary

<b>Issuer</b>	<ul style="list-style-type: none"> <li>National Australia Bank Limited (“NAB”)</li> </ul>
<b>Offer size</b>	<ul style="list-style-type: none"> <li>A\$750 million with the ability to raise more or less</li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>The net proceeds of the Offer will be used for general corporate purposes. APRA has provided confirmation that the NAB Capital Notes 2, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB’s regulatory capital requirements</li> </ul>
<b>Type of security</b>	<ul style="list-style-type: none"> <li>Mandatorily convertible, subordinated, perpetual notes directly issued by NAB which are not guaranteed or secured. NAB Capital Notes 2 are not deposit liabilities of NAB and are not Protected Accounts for the purposes of the Banking Act</li> </ul>
<b>Issue price</b>	<ul style="list-style-type: none"> <li>A\$100 per NAB Capital Note 2</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>Perpetual, NAB Capital Notes 2 do not have a fixed maturity date</li> <li>However, NAB must Convert NAB Capital Notes 2 into Ordinary Shares on the Mandatory Conversion Date (8 July 2024) (subject to the Mandatory Conversion Conditions being satisfied)</li> <li>In addition, with APRA’s prior written approval<sup>1</sup>, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 2 on 7 July 2022, or earlier following the occurrence of certain events</li> <li>NAB must also convert NAB Capital Notes 2 into Ordinary Shares if another entity acquires NAB, subject to certain conditions</li> </ul>
<b>Distributions</b>	<ul style="list-style-type: none"> <li>Floating rate and expected to be fully franked</li> <li>Margin to be determined under the Bookbuild and expected to be in the range of 4.95% to 5.10%</li> </ul>
<b>Quotation</b>	<ul style="list-style-type: none"> <li>Expected to be quoted on ASX under code NABPD</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>In a winding up of NAB, NAB Capital Notes 2 rank: <ul style="list-style-type: none"> <li>– Ahead of NAB Ordinary Shares</li> <li>– Equally among themselves and other Equal Ranking Instruments, including NAB CPS, NAB CPS II, NAB Capital Notes and certain other preference shares of NAB</li> <li>– Behind depositors, unsubordinated debt securities, term subordinated debt and other trade and general creditors of NAB</li> </ul> </li> <li>The amount of any return in a winding up will be adversely affected if a Loss Absorption Event occurs</li> </ul>

(1) Holders should not expect that APRA’s approval, if requested, will be given for an optional Conversion, Redemption or Resale



# NAB Capital Notes 2 – Distributions

<b>Distributions</b>	<ul style="list-style-type: none"> <li>• Quarterly, floating rate Distributions in arrears</li> <li>• Distributions are discretionary, non-cumulative and subject to the Payment Condition</li> <li>• Failure to pay a Distribution when scheduled will not constitute an event of default</li> </ul>
<b>Distribution Rate</b>	<ul style="list-style-type: none"> <li>• The Distribution Rate for each quarterly Distribution will be calculated using the following formula:   <b>Distribution Rate = (Bank Bill Rate<sup>1</sup> + Margin) x (1 – Tax Rate<sup>2</sup>)</b> </li> <li>• Margin determined under the Bookbuild, expected to be in the range of 4.95% to 5.10%</li> <li>• For example, if the Bank Bill Rate was 1.9850%, the Margin was 4.9500% and the Australian corporate tax rate was 30%, assuming the Distribution is fully franked the Distribution Rate for that Distribution Period would be calculated as follows: <ul style="list-style-type: none"> <li>– <math>(1.9850\% + 4.9500\%) \times (1 - 0.30) = 4.8545\%^3</math></li> <li>– Equivalent to an unfranked distribution rate of 6.9350%<sup>4</sup></li> </ul> </li> </ul>
<b>Restrictions on dividends and buy-backs in respect of Ordinary Shares</b>	<ul style="list-style-type: none"> <li>• If for any reason a Distribution has not been paid in full on a Distribution Payment Date, NAB must not, subject to certain exceptions, unless approved by an Ordinary Resolution, until and including the next Distribution Payment Date: <ul style="list-style-type: none"> <li>– Declare, determine to pay, or pay a dividend on Ordinary Shares; or</li> <li>– Buy back or reduce capital on Ordinary Shares.</li> </ul> </li> </ul> <p>However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.</p>

(1) Bank Bill Rate is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 90 day period

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

(3) The Distribution Rate shown is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution Rate. The actual Distribution Rate may be higher or lower than this example

(4) Your ability to use the franking credits will depend on your individual tax position. The potential value of franking credits does not accrue to you at the same time as you receive the cash Distribution

# NAB Capital Notes 2 – Mandatory Conversion

<b>Mandatory Conversion</b>	<ul style="list-style-type: none"><li>• On the Mandatory Conversion Date, if NAB Capital Notes 2 have not been Converted, Written Off, Redeemed or Resold beforehand, NAB must Convert NAB Capital Notes 2 into Ordinary Shares, provided the Mandatory Conversion Conditions are satisfied</li><li>• The Mandatory Conversion Date will be the earlier of:<ul style="list-style-type: none"><li>– 8 July 2024, and</li><li>– the first Distribution Payment Date after 8 July 2024 on which the Mandatory Conversion Conditions are satisfied</li></ul></li></ul>
<b>Mandatory Conversion Conditions</b>	<ul style="list-style-type: none"><li>• The Mandatory Conversion Conditions are designed to ensure that Holders receive approximately A\$101 worth of Ordinary Shares for each NAB Capital Note 2 they hold and that the Ordinary Shares they receive following Conversion are capable of being sold on the ASX.</li><li>• For the Mandatory Conversion Conditions to be satisfied:<ul style="list-style-type: none"><li>– <b>First Mandatory Conversion Condition:</b> the VWAP of Ordinary Shares on the 25<sup>th</sup> Business Day immediately preceding (but not including) a possible Mandatory Conversion Date must be greater than 56% of the Issue Date VWAP,</li><li>– <b>Second Mandatory Conversion Condition:</b> the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date must be greater than 50.51% of the Issue Date VWAP, and</li><li>– <b>Third Mandatory Conversion Condition:</b> Ordinary Shares must not have been delisted or suspended from trading on the ASX for a certain period of time and there must be no circumstances preventing NAB from converting NAB Capital Notes 2 into Ordinary Shares in respect of a possible Mandatory Conversion Date.</li></ul></li></ul>

# NAB Capital Notes 2 – Conversion, Redemption or Resale Events

<b>Optional Conversion, Redemption or Resale on 7 July 2022</b>	<ul style="list-style-type: none"> <li>• With the prior written approval of APRA, NAB may elect to Convert into Ordinary Shares, Redeem or Resell all or some NAB Capital Notes 2 on 7 July 2022<sup>1</sup></li> <li>• Conditions and restrictions apply to any Conversion, Redemption or Resale (other than a Conversion following a Loss Absorption Event – see below)</li> </ul>
<b>Conversion, Redemption or Resale in other circumstances</b>	<ul style="list-style-type: none"> <li>• With the prior written approval of APRA, NAB has the option to Convert, Redeem or Resell all or some NAB Capital Notes 2 following the occurrence of a Tax Event or Regulatory Event<sup>1</sup></li> <li>• With the prior written approval of APRA, NAB also has the option to Convert NAB Capital Notes 2 following a Potential Acquisition Event<sup>1</sup></li> </ul>
<b>Early Conversion – Acquisition Event</b>	<ul style="list-style-type: none"> <li>• If an Acquisition Event occurs, NAB must (by giving an Acquisition Conversion Notice) Convert all (but not some only) NAB Capital Notes 2 into Ordinary Shares, provided that certain conditions are met</li> </ul>
<b>Mandatory Conversion following a Loss Absorption Event</b>	<ul style="list-style-type: none"> <li>• The occurrence of a Loss Absorption Event requires the Conversion of NAB Capital Notes 2 into Ordinary Shares<sup>2</sup>. The Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event</li> <li>• A Loss Absorption Event is each of:             <ul style="list-style-type: none"> <li>– a Common Equity Trigger Event, or</li> <li>– a Non-Viability Trigger Event</li> </ul> </li> </ul> <p>(See following slide for more information)</p>

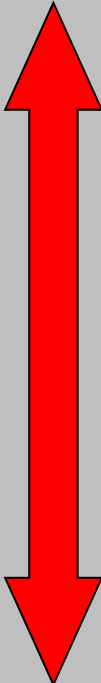
(1) Holders should not expect that APRA’s approval, if requested, will be given for an optional Conversion, Redemption or Resale

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

# NAB Capital Notes 2 – Loss Absorption Event

<b>Common Equity Trigger Event</b>	<ul style="list-style-type: none"> <li>• A Common Equity Trigger Event will occur if NAB’s Common Equity Tier 1 Capital (CET1 Capital) Ratio as determined by NAB or APRA at any time is equal to or less than 5.125% (on either a Level 1 or Level 2 basis)</li> </ul>
<b>Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>• A Non-Viability Trigger Event means APRA has provided a written determination to NAB that without:             <ul style="list-style-type: none"> <li>- The conversion or write off of Relevant Tier 1 Capital Instruments, which includes NAB Capital Notes 2; or</li> <li>- A public sector injection of capital into, or equivalent capital support with respect to, NAB,</li> </ul>             APRA considers that NAB would become non-viable           </li> </ul>
<b>Conversion or Write Off following a Common Equity Trigger Event or a Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>• If a Common Equity Trigger Event or a Non-Viability Trigger Event (each a Loss Absorption Event) occurs, the Mandatory Conversion Conditions will not apply and NAB must convert into Ordinary Shares or write off:             <ul style="list-style-type: none"> <li>A. All Relevant Tier 1 Capital Instruments, which includes NAB Capital Notes 2; or</li> <li>B. (i) <b>In the case of a Common Equity Trigger Event</b> – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will return the CET1 Capital Ratio (on both a Level 1 and Level 2 basis) to a percentage above 5.125% (as determined by NAB)                 <ul style="list-style-type: none"> <li>(ii) <b>In the case of a Non-Viability Trigger Event</b> – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will be sufficient to ensure that NAB does not become non-viable (other than in circumstances where APRA determines that a public sector injection of capital or equivalent capital support is needed)</li> </ul> </li> </ul> </li> </ul>
<b>Write Off of NAB Capital Notes 2 where NAB Capital Notes 2 cannot be Converted on a Loss Absorption Event Conversion Date</b>	<ul style="list-style-type: none"> <li>• If, following a Loss Absorption Event, for any reason (including where NAB is prevented by applicable law or court order from Converting NAB Capital Notes 2), Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date, those NAB Capital Notes 2 will not be Converted but instead will be Written Off</li> <li>• If NAB Capital Notes 2 are Written Off, the rights of a Holder (including to payments of Distributions and Face Value) are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date</li> </ul>

# Illustration of ranking on winding up

		Examples	Examples of existing NAB obligations and securities <sup>1</sup>
<b>Higher Ranking</b>			
	<b>Senior obligations</b>	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to Protected Accounts under the Banking Act (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law including employee entitlements, liabilities to secured creditors and in respect of covered bonds
		Unsubordinated unsecured debt	Bonds and notes, trade and general creditors
		Term subordinated unsecured debt issued before 1 January 2013	NAB Subordinated Notes and other dated subordinated unsecured debt obligations issued before 1 January 2013
		Term subordinated unsecured debt issued after 1 January 2013 and perpetual subordinated unsecured debt	Tier 2 Capital Securities
	<b>Equal ranking obligations</b>	Preference shares and other equally ranked instruments	<b>NAB Capital Notes 2<sup>2</sup></b> , and any securities expressed to rank equally with the NAB Capital Notes 2, which include: <ul style="list-style-type: none"> <li>– NAB Capital Notes</li> <li>– NAB CPS II</li> <li>– NAB CPS</li> <li>– The 2009 Capital Notes</li> <li>– The preference shares which may be issued under the TPS, AUD NCIs and EUR NCIs (if issued)</li> <li>– The preference shares comprised in the National Income Securities</li> </ul>
	<b>Lower ranking obligations</b>	Ordinary shares	Ordinary Shares
	<b>Lower Ranking</b>		

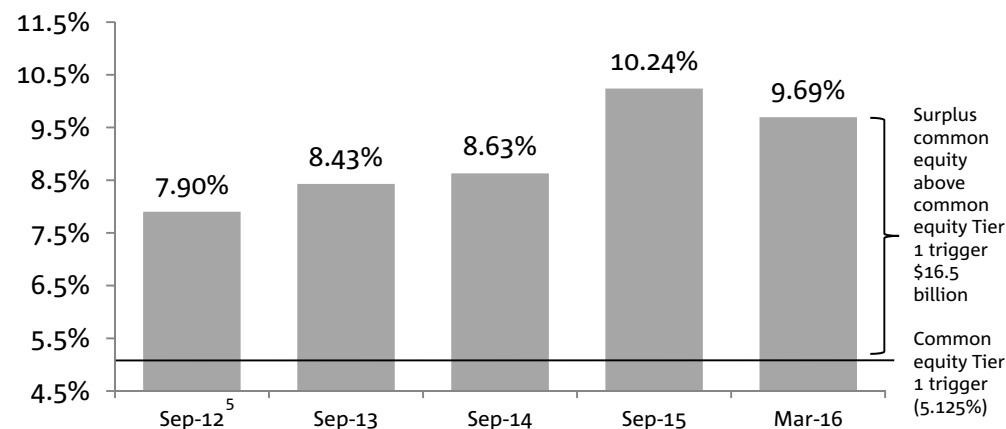
- (1) This is a very simplified capital structure of NAB and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations or securities of any kind at any time. NAB Capital Notes 2 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time
- (2) If a Write Off of a NAB Capital Note 2 occurs following a Loss Absorption Event, the rights of Holders to distributions and returns of capital in respect of that NAB Capital Note 2 will be terminated, the NAB Capital Note 2 will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. If a NAB Capital Note 2 is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of NAB



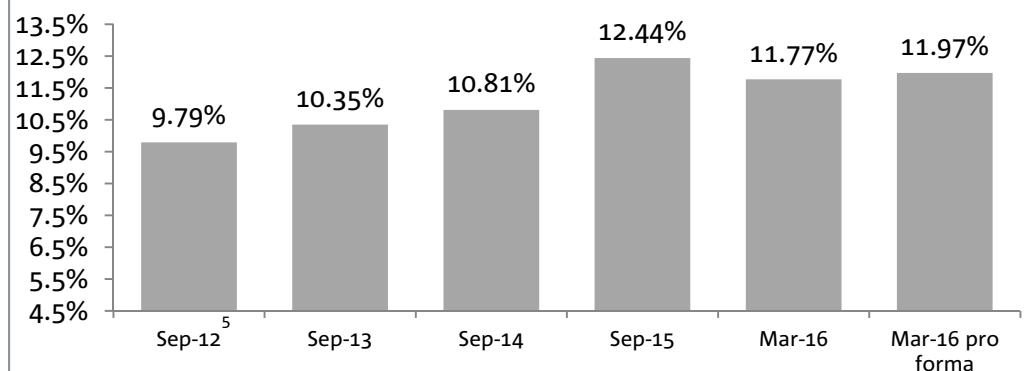
# Robust capital buffers

- The Group maintains a strong capital, funding and liquidity position in line with its ongoing commitment to balance sheet strength. The Group's CET1 Capital Ratio operating target remains between 8.75% to 9.25%, based on current regulatory requirements
- NAB Capital Notes 2 include a Common Equity Trigger Event when the CET1 Capital Ratio (on a Level 1 or Level 2 basis)<sup>1</sup> is equal to or less than 5.125%
- The Group CET1 Capital Ratio as at 31 March 2016 was 9.69% after taking into account the impact of the Demerger and CYBG Institutional Offer, and is \$16.5 billion in excess of the Common Equity Trigger Event level
- The Group Tier 1 Capital Ratio increases by 20bps to 11.97% on a pro forma basis as at 31 March 2016, assuming a NAB Capital Notes 2 issue size of \$750m and external issue costs of \$10m
- A number of other events may occur in the 2016 financial year that are anticipated to impact NAB's CET1 Capital Ratio. These events and the estimated impacts on the March 2016 CET1 Capital Ratio include:
  - Implementation on 1 July 2016 of APRA's requirement to increase risk-weighted assets for residential mortgage loans (~-80bps)<sup>2</sup>
  - Wealth debt maturity (-8bps)<sup>3</sup>
  - Sale of NAB Wealth's life insurance business (~+50bps)<sup>4</sup>

## NAB Level 2 CET1 Capital Ratio



## NAB Level 2 Tier 1 Capital Ratio



(1) Group Level 1 capital ratios comprise National Australia Bank Limited and its subsidiary entities approved by APRA as part of the Extended Licensed Entity. Group Level 2 capital ratios comprise National Australia Bank Limited and the entities it controls, subject to certain exclusions (including wealth management and life insurance activities, and certain securitisation special purpose vehicles)

(2) Based on NAB's Australian mortgage portfolio as at 31 March 2016

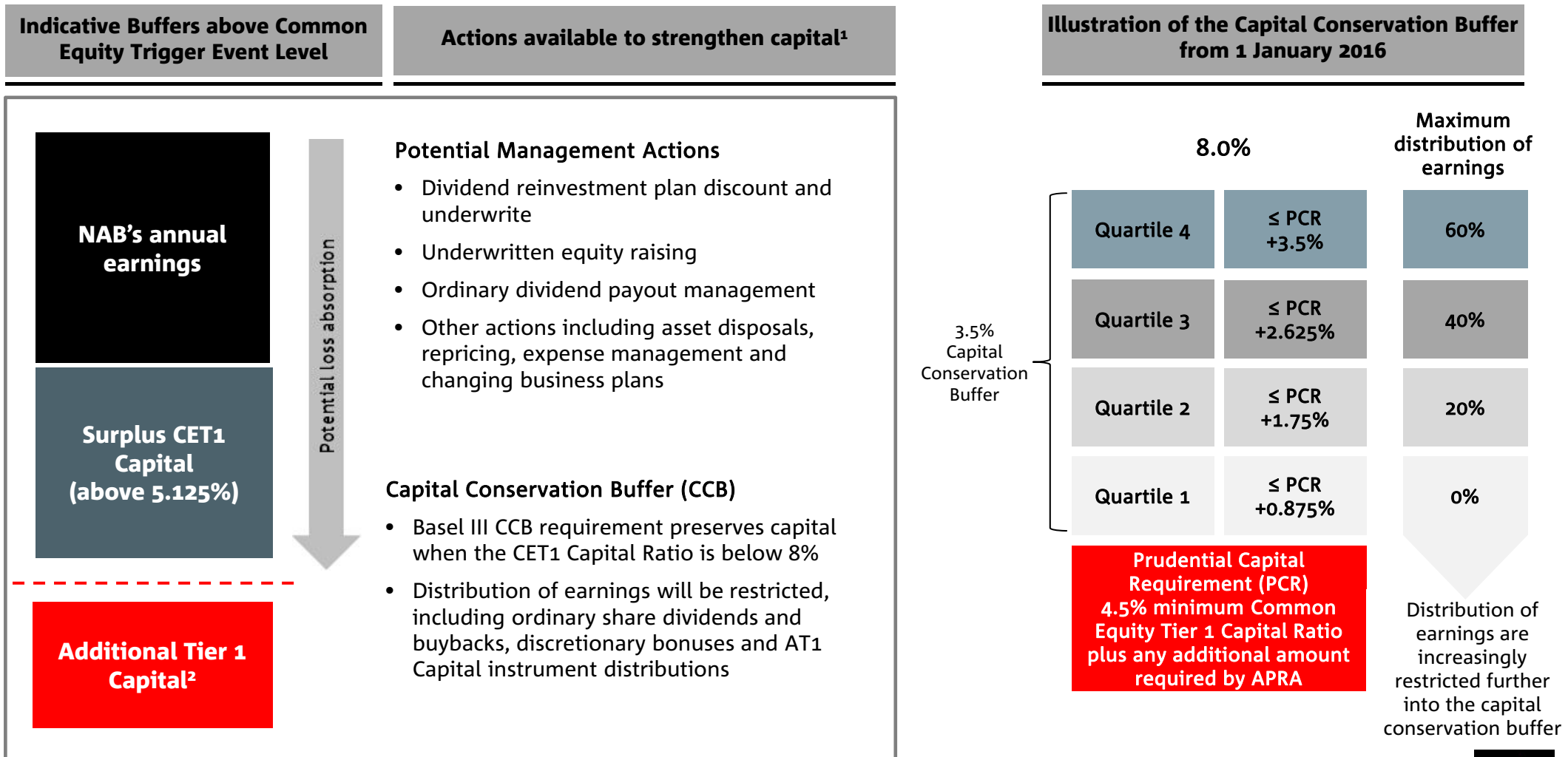
(3) \$300m of National Wealth Management Holdings Limited debt is maturing in June 2016. Estimated CET1 impact is based on 31 March 2016 risk weighted assets

(4) Based on an 80% sale of NAB Wealth's life insurance business for \$2.4bn, less separation and transaction costs, assuming the sale was to complete on or prior to 30 September 2016

(5) Basel III estimate

# Buffers and pre-emptive actions to protect NAB Capital Notes 2 holders

- NAB's capital position and earnings provide a buffer for NAB Capital Notes 2 holders
- From 1 January 2016, the Capital Conservation Buffer (CCB) restricts the ability for NAB to distribute earnings should NAB's CET1 capital ratio fall below 8.0%
- There are also numerous pre-emptive management actions available to strengthen capital



(1) NAB does not commit to take any of the illustrative pre-emptive actions, and NAB's level of Common Equity Tier 1 Capital may be affected by risks associated with its business and its ability to raise and maintain levels of capital which are outside its control

(2) May include some or all Basel II AT1 Capital subject to actions under the Banking Act at the relevant time

# Trading prices of selected NAB Hybrids to an adjusted NAB Ordinary Share Price

- The trading prices of NAB's Basel III compliant Additional Tier 1 securities currently on issue (including NAB CPS, NAB CPS II and NAB Capital Notes) have been less volatile than the trading price of NAB's ordinary shares over the last 3 years. Based on this data, volatility increases with subordination.

Trading Price (\$)



Source: Bloomberg  
NAB ordinary share price as at 30 May 2016 was \$27.25  
NAB CPS commenced trading on 21 March 2013 at \$100  
NAB CPS II commenced trading on 18 December 2013 at \$100  
NAB Capital Notes commenced trading on 23 March 2015 at \$100



# Comparison of NAB Capital Notes 2 to other NAB Additional Tier 1 Securities

	NAB Capital Notes 2	NAB Capital Notes	NAB CPS II
<b>ASX Code</b>	NABPD	NABPC	NABPB
<b>Term</b>	Perpetual, subject to Mandatory Conversion on 8 July 2024 (~8 years)	Perpetual, subject to mandatory conversion on 23 March 2022 (~7 years)	Perpetual, subject to mandatory conversion on 19 December 2022 (~9 years)
<b>Margin</b>	Expected to be in the range of 4.95% – 5.10%	Margin is 3.50%	Margin is 3.25%
<b>Distributions</b>	Floating rate paid quarterly	Floating rate paid quarterly	Floating rate paid quarterly
<b>Franking</b>	Franked, subject to gross-up for unfranked portion	Franked, subject to gross-up for unfranked portion	Franked, subject to gross-up for unfranked portion
<b>Payment Conditions</b>	Yes, subject to NAB's discretion and Payment Conditions	Yes, subject to NAB's discretion and payment conditions	Yes, subject to NAB's discretion and payment conditions
<b>Distribution Restrictions for non-payment</b>	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to Ordinary Shares until the next distribution payment date	Yes, applies to Ordinary Shares until the next distribution payment date
<b>Mandatory Conversion</b>	Yes on 8 July 2024, subject to Mandatory Conversion Conditions	Yes on 23 March 2022, subject to mandatory conversion conditions	Yes on 19 December 2022, subject to mandatory conversion conditions
<b>NAB redemption rights (subject to prior written APRA approval)</b>	Yes, on 7 July 2022 and in certain specified circumstances	Yes, on 23 March 2020 and in certain specified circumstances	Yes, on 17 December 2020 and in certain specified circumstances
<b>Conversion on Capital Trigger Event or Non-Viability Trigger Event</b>	Yes. Some or all NAB Capital Notes 2 must be Converted into Ordinary Shares, subject to a maximum number	Yes. Some or all NAB Capital Notes must be converted into Ordinary Shares, subject to a maximum number	Yes. Some or all NAB CPS II must be converted into Ordinary Shares, subject to a maximum number
<b>Capital classification</b>	Additional Tier 1	Additional Tier 1	Additional Tier 1
<b>Legal Form</b>	Perpetual note	Perpetual note	Preference share
<b>Voting rights</b>	None	None	No right to vote at general meetings of holders of ordinary shares, except in limited circumstances

# Information about the Offer

<b>Offer Structure</b>	<ul style="list-style-type: none"><li>• The Offer comprises:<ul style="list-style-type: none"><li>– The Securityholder Offer</li><li>– The Institutional Offer, and</li><li>– The Broker Firm Offer</li></ul></li><li>• Information about the different types of offers and how to apply is provided in Section 3 of the Prospectus “Applying for NAB Capital Notes 2”</li></ul>
<b>How to Apply</b>	<ul style="list-style-type: none"><li>• Eligible Securityholders should apply online at <a href="http://www.nab.com.au/ncn2offer">www.nab.com.au/ncn2offer</a> and pay their Application Monies electronically, or complete a paper Application Form and pay their Application Monies by cheque or money order</li><li>• Broker Firm Applicants should contact their Syndicate Broker</li></ul>
<b>Minimum Application</b>	<ul style="list-style-type: none"><li>• 50 NAB Capital Notes 2 (\$5,000) and thereafter in multiples of 10 NAB Capital Notes 2 (\$1,000)</li></ul>
<b>Fees and expenses associated with the Offer</b>	<ul style="list-style-type: none"><li>• NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus. These are set out in the Prospectus</li></ul>
<b>More Information</b>	<ul style="list-style-type: none"><li>• If there is excess demand for NAB Capital Notes 2, Eligible Securityholders Applications may be subject to scale-back</li><li>• Where the number of NAB Capital Notes 2 allocated is less than the number applied for, or where no allocation is made, surplus Application Monies will be refunded (without interest) as soon as practicable following finalisation of the Offer</li></ul>



# Certain events that may occur during the term of NAB Capital Notes 2

The table below summarises certain events that may occur during the term of NAB Capital Notes 2, and what Holders may receive upon the occurrence of such events. The events are dependent on factors including share price, the occurrence of contingencies and in some cases election by NAB and, accordingly, may not occur

Event	When?	Is APRA approval required? <sup>1</sup>	Do conditions apply?	What value will a Holder receive?	In what form will that value be provided to Holders?
<b>Mandatory Conversion</b>	On 8 July 2024 or the first Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101 <sup>2,5</sup>	Variable number of Ordinary Shares
<b>Optional Conversion</b>	On 7 July 2022	Yes	Yes	Approximately \$101 <sup>2,5</sup>	Variable number of Ordinary Shares
<b>Optional Redemption or Resale</b>	On 7 July 2022	Yes	Yes	\$100 (Face Value)	Cash
<b>Conversion in other circumstances</b>	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	Yes	Yes	Approximately \$101 <sup>2,3,5</sup>	Variable number of Ordinary Shares
	If an Acquisition Event occurs	No	Yes	Approximately \$101 <sup>2,3,5</sup>	Variable number of Ordinary Shares
	If a Loss Absorption Event occurs	No	No	Depending on the market price of Ordinary Shares, likely to receive significantly less than \$101 and may lose a significant amount of money they invested in NAB Capital Notes 2 as a consequence	Variable number of Ordinary Shares If NAB Capital Notes 2 are not Converted for any reason into Ordinary Shares within the required time, NAB Capital Notes 2 will be Written Off <sup>4</sup>
<b>Redemption / Resale in other circumstances</b>	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100 (Face Value) <sup>3</sup>	Cash

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

(2) On the basis of the Conversion calculations (the value of Ordinary Shares received on Conversion may be worth more or less than \$101). The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number

(3) If a Conversion (other than on account of a Loss Absorption Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of the NAB Capital Notes 2 which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 2 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Distribution)

(4) If a NAB Capital Note 2 is Written Off, all rights (including to Distributions) in respect of that NAB Capital Note 2 will be terminated, and the Holder will not have their capital repaid

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

# Key dates for the Offer<sup>1</sup>

Important Dates	
Record Date for Securityholder Offer	26 May 2016
Announcement of the Offer	31 May 2016
Lodgement of Prospectus with ASIC	31 May 2016
Bookbuild	7 June 2016
Announcement of Margin	8 June 2016
Offer Opens	8 June 2016
Securityholder Offer Closes	30 June 2016
Broker Firm and Institutional Offers Close	6 July 2016
Issue of NAB Capital Notes 2	7 July 2016
Commencement of deferred settlement trading	8 July 2016
Despatch of Holding Statements	from 8 July 2016 <sup>2</sup>
Commencement of trading on normal settlement basis	12 July 2016
First Distribution Payment Date	7 October 2016
Optional Conversion / Redemption / Resale Date <sup>3</sup>	7 July 2022
Mandatory Conversion Date <sup>4</sup>	8 July 2024

(1) These dates are indicative only and may change without notice

(2) Expected to be completed by 11 July 2016

(3) With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 2 on 7 July 2022. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 7 July 2016

(4) NAB Capital Notes 2 will Convert into Ordinary Shares on 8 July 2024 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes 2 have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 7 July 2016

# Key risks

<b>NAB Capital Notes 2 are not deposit liabilities or Protected Accounts</b>	NAB Capital Notes 2 do not constitute deposit liabilities of NAB, are not Protected Accounts for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any person.
<b>Distributions may not be paid</b>	There is a risk that Distributions will not be paid, including where the Directors do not resolve to pay a Distribution or where a Payment Condition exists on the Distribution Payment Date. As Distributions are non-cumulative, if a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment. Failure to pay a Distribution when scheduled will not constitute an event of default.
<b>The Distribution Rate will fluctuate</b>	The Distribution Rate will fluctuate up and down. There is a risk that the return on NAB Capital Notes 2 may become less attractive compared to returns on other investments.
<b>Market price of NAB Capital Notes 2</b>	The market price of NAB Capital Notes 2 may fluctuate up or down and there is no guarantee NAB Capital Notes 2 will trade at or above their Face Value. The price at which NAB Capital Notes 2 trade may, for example, be affected by how the Distribution Rate of NAB Capital Notes 2 compares to that of other comparable instruments.
<b>Liquidity of NAB Capital Notes 2</b>	The liquidity of NAB Capital Notes 2 may be low, which means that, at certain times, you may be unable to sell your NAB Capital Notes 2 at an acceptable price, if at all.
<b>Liquidity and price of Ordinary Shares</b>	Where NAB Capital Notes 2 are Converted, the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion, or there may be no liquid market at that time. The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions, NAB's financial performance and position and transactions affecting the share capital of NAB. As a result, the value of any Ordinary Shares received by Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter. The market price of Ordinary Shares is also relevant to determining whether Conversion will occur (except for Conversions on account of a Loss Absorption Event) and the number of Ordinary Shares you will receive. Depending on the market price of Ordinary Shares at the relevant time, Conversion may not occur.
<b>NAB Capital Notes 2 are perpetual and may not Convert</b>	NAB Capital Notes 2 have no fixed maturity date but will Convert into Ordinary Shares on 8 July 2024 if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on 8 July 2024, Conversion will occur on the first Distribution Payment Date on which they are satisfied. If the Mandatory Conversion Conditions are never satisfied, there is a risk that NAB Capital Notes 2 may never Convert.

This is a summary of the key risks only. You should read the NAB Capital Notes 2 Prospectus in full before deciding to invest (including “Key risks of NAB Capital Notes 2” outlined in Section 6 of the Prospectus). See Section 6.2 of the Prospectus for a description of the risks associated with an investment in NAB and the Group

In addition, ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of NAB Capital Notes 2. You can find this guidance by searching “hybrid securities” at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing).

## Key risks (continued)

<b>Holders have no right to request early redemption</b>	<p>Holders have no right to request that their NAB Capital Notes 2 be redeemed. Absent a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their NAB Capital Notes 2 on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in NAB Capital Notes 2 (see Sections 6.1.4 and 6.1.5 of the Prospectus).</p>
<b>NAB has certain early Conversion, Redemption and Resale rights</b>	<p>Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to Convert, Redeem or Resell NAB Capital Notes 2 on 7 July 2022, or because of a Tax Event, or a Regulatory Event and to Convert NAB Capital Notes 2 because of a Potential Acquisition Event. Holders should not expect that APRA’s approval, if requested, will be given for any Conversion, Redemption or Resale of NAB Capital Notes 2.</p>
<b>Conversion or Write Off following Loss Absorption Event</b>	<p>If Conversion occurs following a Loss Absorption Event, depending on the market price of the Ordinary Shares at that time Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NAB Capital Note 2 and may lose a significant amount of the money they invested in NAB Capital Notes 2 as a consequence. In cases where NAB Capital Notes 2 are not Converted for any reason (within five days after the Loss Absorption Event Conversion Date), NAB Capital Notes 2 will be Written Off (with effect on and from the Loss Absorption Event Conversion Date).</p> <p>If a Write Off occurs following a Loss Absorption Event, the rights of Holders to Distributions and returns of capital will be terminated, NAB Capital Notes 2 that are Written Off will not be Converted, Redeemed or Resold on any subsequent date and a Holder will not have their capital repaid.</p>
<b>Ranking in a winding up of NAB</b>	<p>In a winding up of NAB, NAB Capital Notes 2 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (which includes depositors). On a winding up of NAB, there is a risk that Holders may lose some or all of the money they have invested in NAB Capital Notes 2. See also the above and Section 6.1.14 of the Prospectus in relation to returns of capital following a Write Off. If NAB Capital Notes 2 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.</p>
<b>NAB may issue further securities</b>	<p>There is no limit on the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time, which may affect Holders’ ability to be repaid on a winding up of NAB.</p>

This is a summary of the key risks only. You should read the NAB Capital Notes 2 Prospectus in full before deciding to invest (including “Key risks of NAB Capital Notes 2” outlined in Section 6 of the Prospectus). See Section 6.2 of the Prospectus for a description of the risks associated with an investment in NAB and the Group

In addition, ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of NAB Capital Notes 2. You can find this guidance by searching “hybrid securities” at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing)



# Overview & 1H16 Results Summary



# Our strategic focus

Australia and New Zealand's most respected bank

Deliver a great customer experience

Reshape our operating model for the future environment

Keep focused on the basics of banking

Great people

- Organisation-wide focus on customer outcomes
- Customer centric technology deployments
- Leveraging investments and capabilities in business banking
- Investing in Wealth growth opportunities with NAB customers
- Focus on accountability, leadership and talent development

Customer advocacy  
Employee engagement  
Risk management  
ROE relative to peers

Top quartile TSR<sup>1</sup>

(1) TSR = Total Shareholder Return as measured against Australian Financial Services firms as listed in our 2015 Annual Report

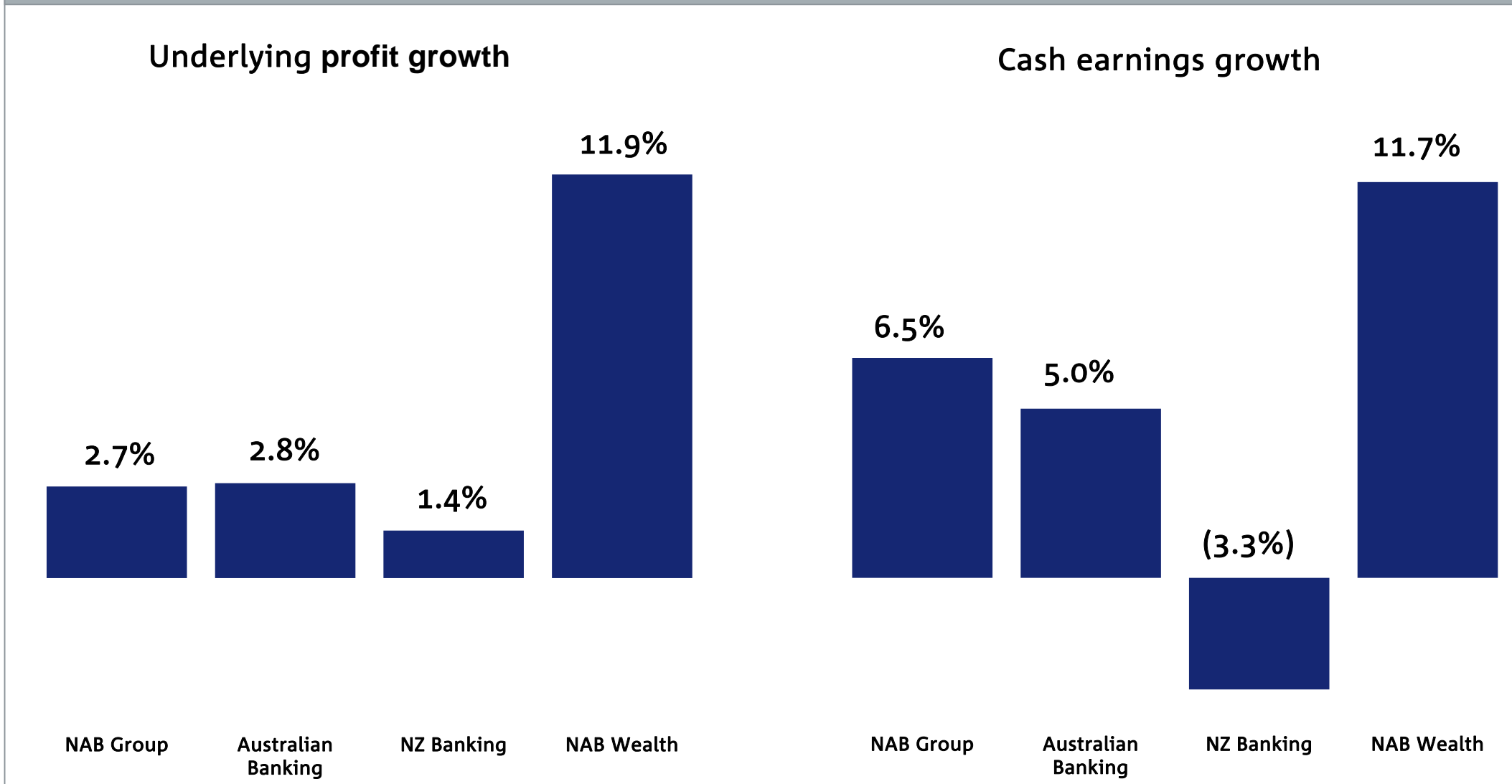
# Group financial result<sup>1</sup>

	Mar 16 Half year (\$m)	Mar 16 vs Sep 15	Mar 16 vs Mar 15
Net operating income	8,923	2.0%	3.3%
Operating expenses	(3,831)	(2.0%)	(4.2%)
Underlying profit	5,092	2.0%	2.7%
Bad & doubtful debts	(375)	(7.4%)	6.0%
Cash earnings	3,310	1.4%	6.5%
Cash ROE	14.1%	(20bps)	(170bps)
Dividend (100% franked cps)	99	-	-
<b>Discontinued operations</b>			
- Loss on demerger and IPO of CYBG (after tax)	(4,218)	N/A	N/A
- CYBG conduct charge	(801)		

(1) Revisions to prior comparative financial information are detailed in NAB's ASX announcement on 22 April 2016 including the impact of the CYBG demerger. In general, information which relates to capital and funding, and/or regulatory information has not been restated

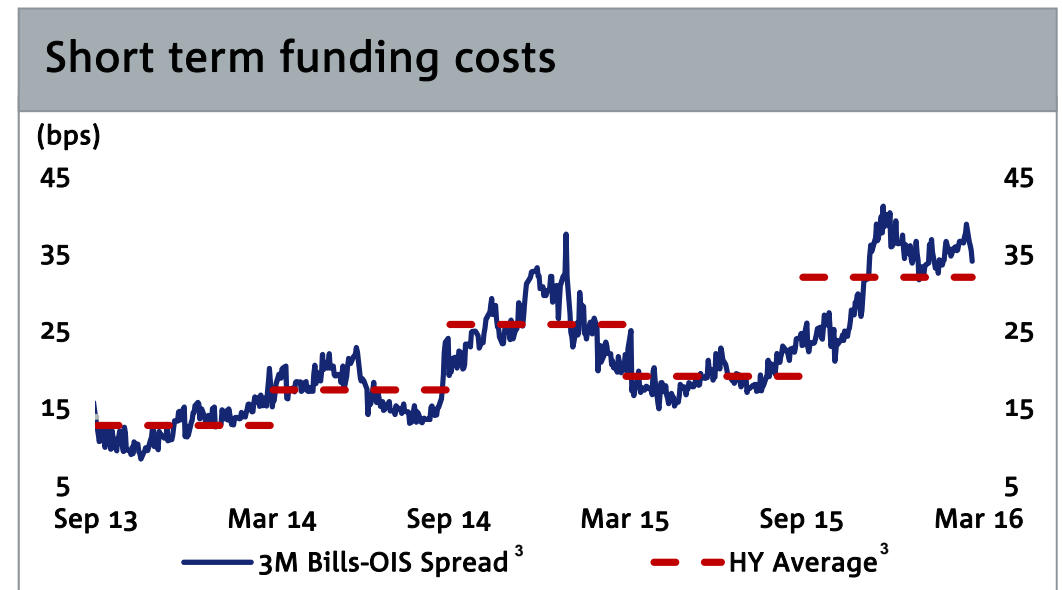
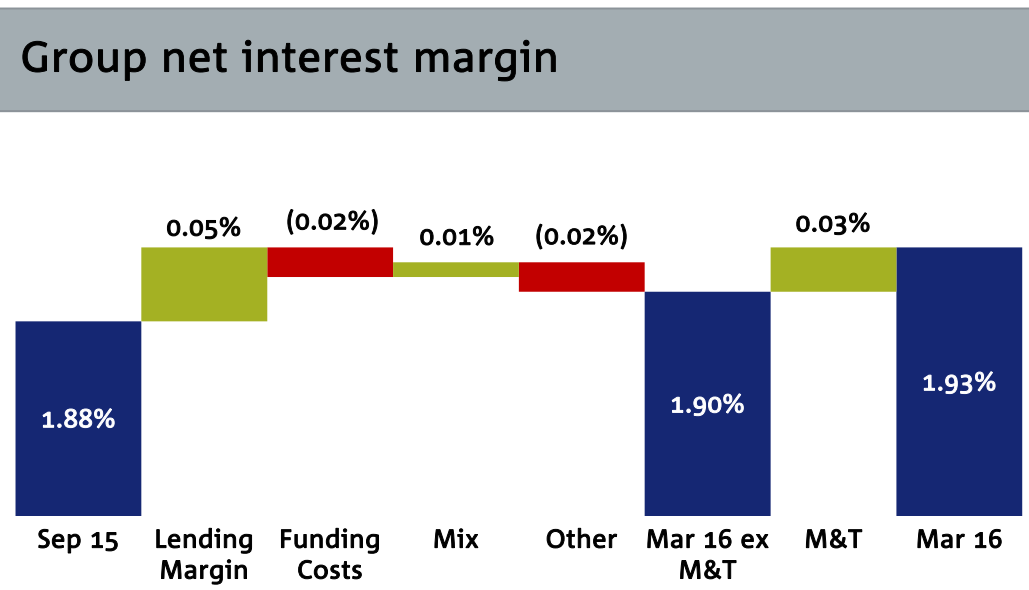
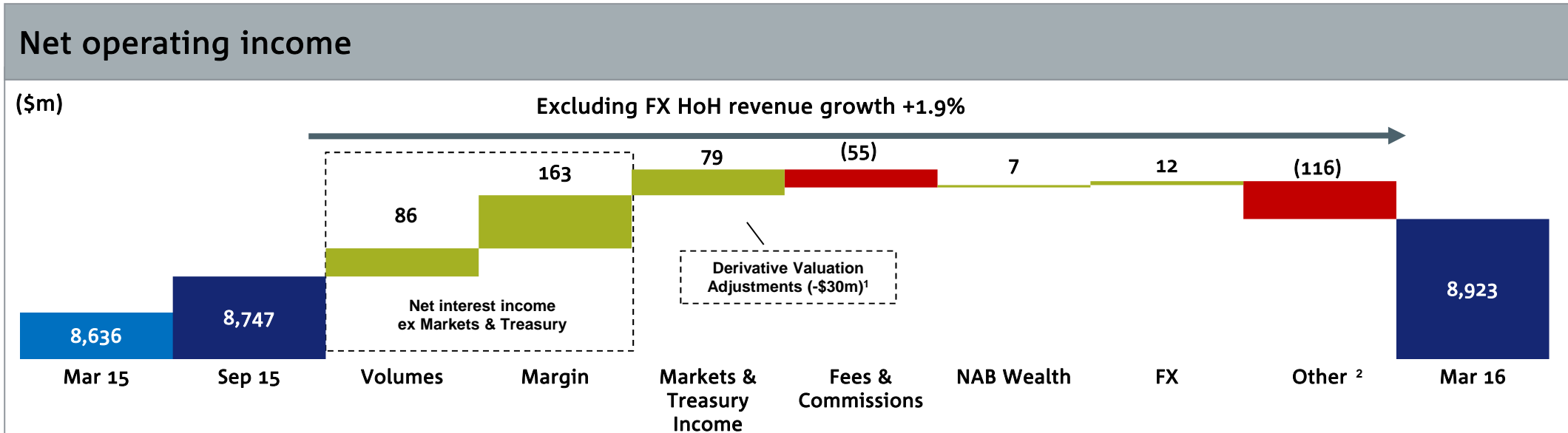
# Solid Australian and New Zealand performance

Underlying profit<sup>1</sup> and cash earnings by business unit (local currency) 1H16 vs 1H15



(1) Underlying profit represents cash earnings before various items, including tax expense and the charge for bad and doubtful debts. It is not a statutory financial measure

# Group revenue and net interest margin

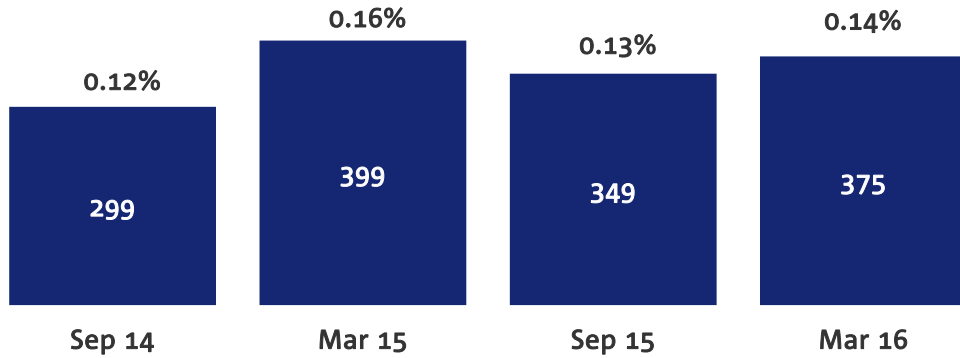


- (1) Derivative Valuation Adjustments consist of CVA, FVA and OIS
- (2) Largely relates to non-recurrence of 2H15 gain on settlement of legal dispute
- (3) Source: Bloomberg. Spread between 3 month AUD Bank Bills and Overnight Index Swaps (OIS). Half year average based on spot rates

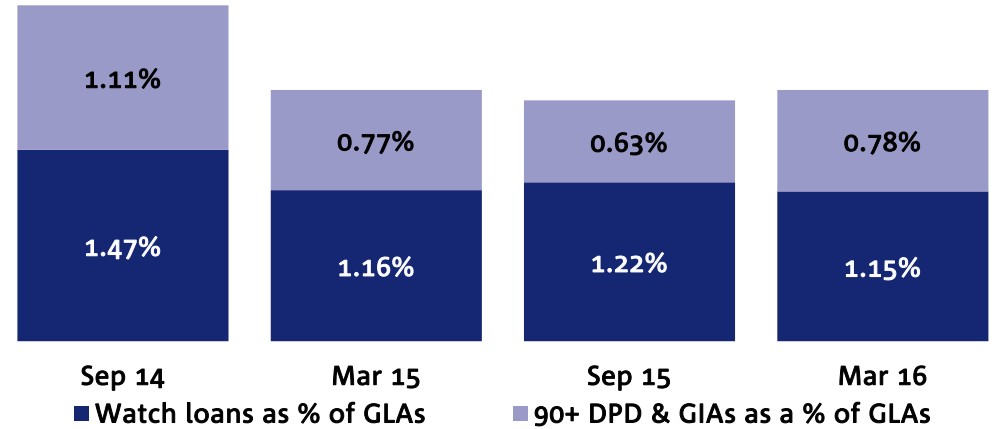
# Asset quality

## B&DDs and as a % of GLAs

(\$m)

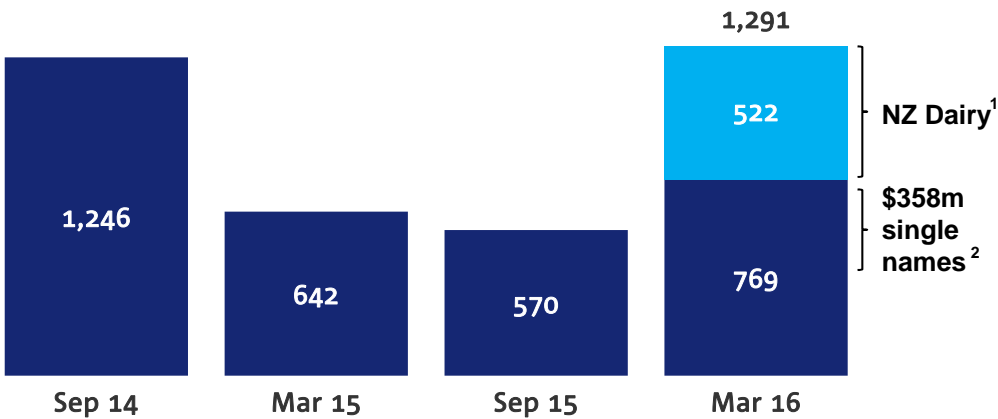


## 90+ DPD & GIAs, and watch loans as a % of GLAs



## New impaired assets

(\$m)



## Collective provisions as a % of cRWAs

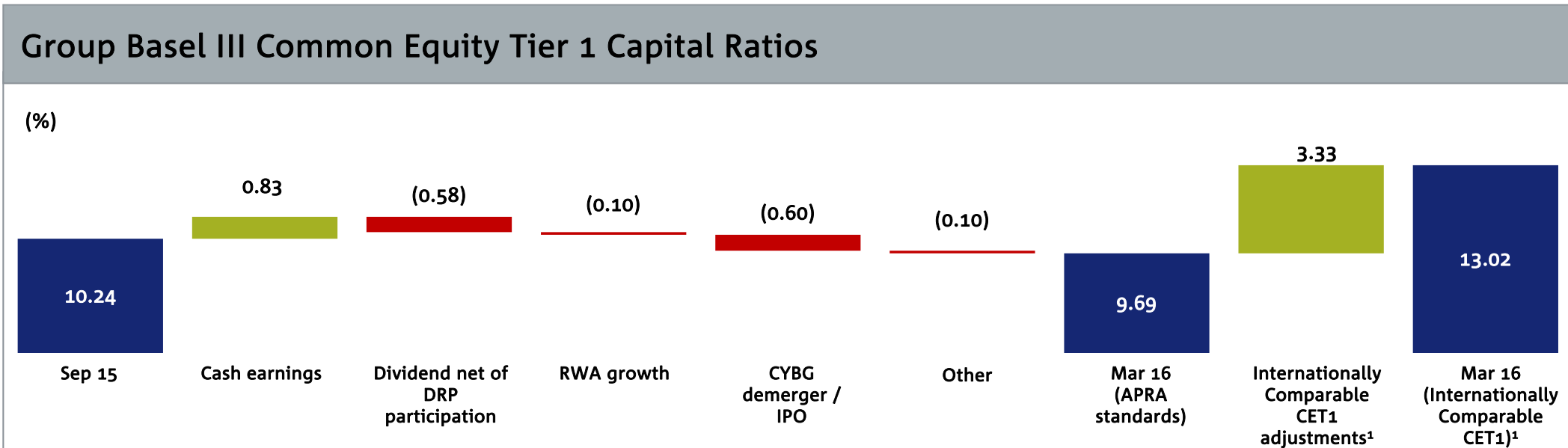


(1) NZ Banking dairy exposures currently assessed as no loss based on security held. 1Q16 balance NZ\$420m

(2) Relates to the 4 largest individual Australian newly impaired corporate exposures. These exposures have specific provision coverage greater than 50% on average



# Strong capital position



## Capital & Funding considerations

- CET1 operating target range of 8.75% – 9.25%
- Pro forma March 2016 CET1 ratio of approximately 9.3% after adjusting for estimated FY16 impacts:
  - 1 July 2016 mortgage risk weight increase (-80bps)<sup>2</sup>
  - Wealth debt maturity (-8bps)<sup>3</sup>
  - Life insurance sale (+50bps)<sup>4</sup>
- Leverage ratio is 5.3% on an APRA basis and 5.7% on an Internationally Comparable basis<sup>5</sup>
- NSFR – subject to APRA final interpretation, estimated ratio slightly below 100% target

## Dividend considerations

- Target payout range of 70-75% – based on ROE and RWA growth expectations
- 1H16 payout ratio 78.8% – comfortable with slightly higher payout ratio as expect to move within target range over medium term
- Current payout ratio optimises the use of franking credits (after payment of the interim dividend, estimated franking surplus of \$590m)
- 1H16 payout falls to 69% after DRP (assuming 12% participation)

(1) Internationally Comparable CET1 ratio at 31 March 2016 aligns with the APRA study entitled “International capital comparison study” released on 13 July 2015. Refer to appendix page 87 for more detail

(2) Based on Australian mortgage portfolio as at March 2016

(3) \$300m of Wealth debt maturing in June 2016 and estimated CET1 impact is based on 31 March 2016 RWA

(4) Based on 80% sale of NAB Wealth’s life insurance business for \$2.4bn less separation and transaction costs

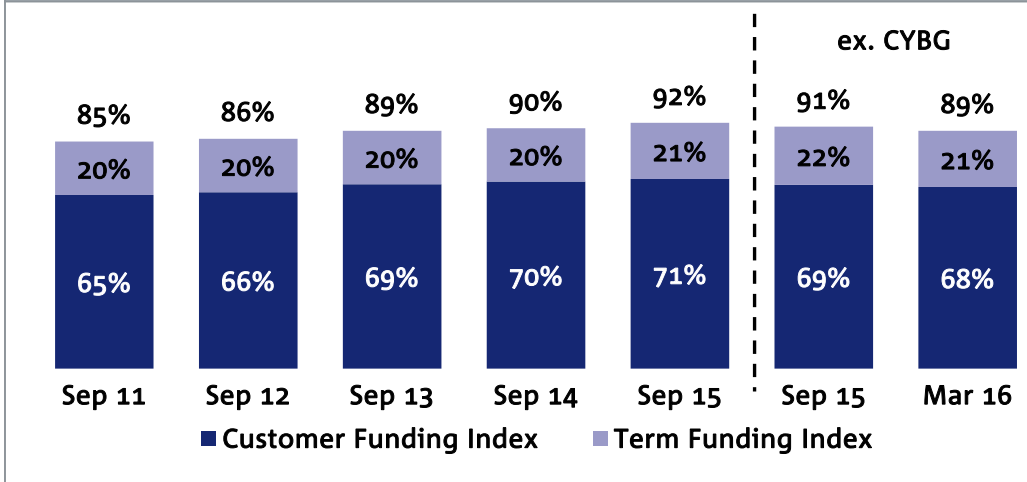
(5) Leverage ratio calculated using an Internationally Comparable Tier 1 capital measure includes transitional relief for non-Basel 3 compliant instruments

# Key regulatory changes impacting capital and funding

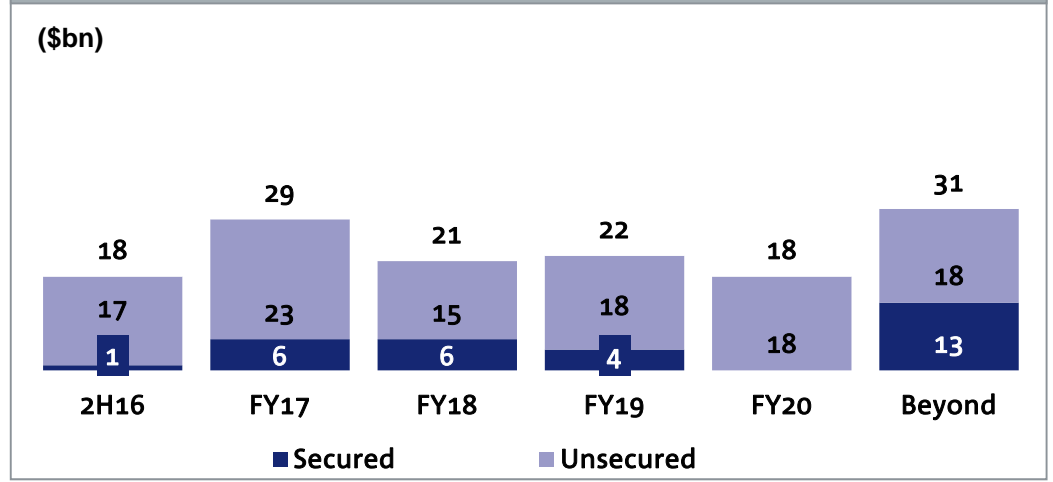
	Description	International regulation status	Domestic regulation status
<b>Fundamental Review of the Banking Book &amp; Credit Valuation Adjustment (CVA)</b>	Aims to replace current trading book capital rules with a more coherent and consistent framework. The proposed CVA risk framework takes into account the market risk exposure component of CVA along with its associated hedges.	Final Basel Committee on Banking Supervision (BCBS) standard released January 2016	Future APRA consultation expected
<b>Net Stable Funding Ratio (NSFR)</b>	Aims to improve resilience in the banking sector by requiring banks to balance the amount of 'stable' assets they have on their balance sheet with the amount of 'stable' funding.	Final BCBS standard released October 2014	APRA consultation commenced March 2016
<b>Leverage Ratio</b>	A non-risk based supplementary measure to the risk-based capital requirements.	Consultation released April 2016	Disclosure requirements implemented, minimum requirement to be determined
<b>Revised standardised approach to credit risk &amp; internal model approaches to credit risk</b>	Refresh of standardised credit risk standards to reduce RWA variability and strengthen the existing regulatory capital standard. BCBS proposed changes to the internal ratings-based approaches (IRB) and adoption of model-parameter floors for credit risk.	Standardised: 2nd BCBS consultation released December 2015 IRB: BCBS consultation released March 2016	Future APRA consultation expected
<b>Capital Floors</b>	A capital floor based on standardised approaches for credit and market. This may limit the influence of internal ratings-based models.	1st BCBS consultation released December 2014	Future APRA consultation expected
<b>Total Loss Absorbing Capacity (TLAC) &amp; Resolution</b>	Enhanced loss-absorbing and recapitalisation capacity of banks in resolution. Initially intended for G-SIBs, but is expected for Australian D-SIBs. TLAC Holdings consultation was issued by BCBS at the same time, covering capital deductions for holding TLAC instruments.	Financial Stability Board (FSB) final standards issued in November 2015	Future APRA consultation expected
<b>Revised standardised approach to operational risk</b>	Proposed revisions to standardised approach for operational risk removes the Advanced Measurement Approaches and introduces a Standardised Measurement Approach to calculate operational risk, using financial statement information and internal loss experience.	2nd BCBS consultation released March 2016	Future APRA consultation expected
<b>Interest Rate Risk in the Banking Book (IRRBB)</b>	Sets supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB as well as its supervision via an enhanced Pillar 2 approach.	Final BCBS standard released April 2016	Future APRA consultation expected
<b>Securitisation</b>	APRA proposal seeks to simplify securitisation for originating ADIs, and incorporate the updated Basel securitisation framework.	Final BCBS standard released December 2014	APRA industry consultation commenced November 2015

# Funding profile is robust

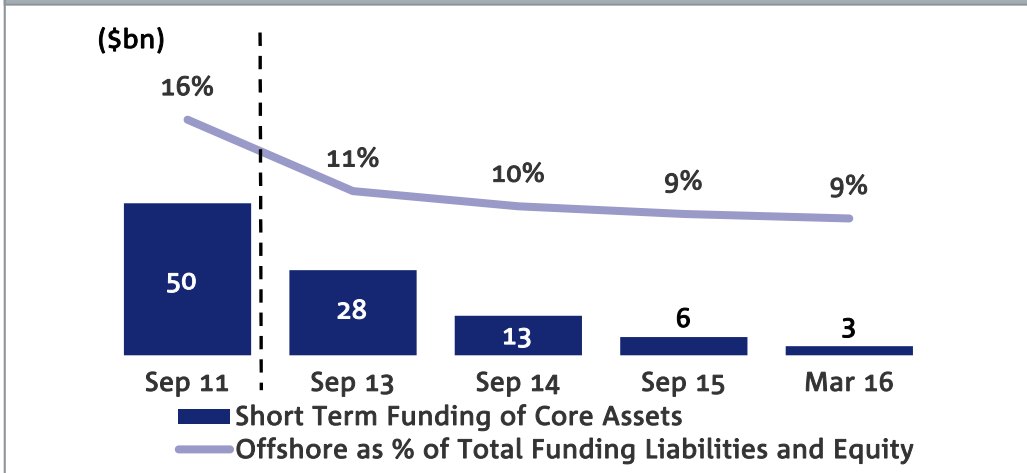
## Group Stable Funding Index (SFI)



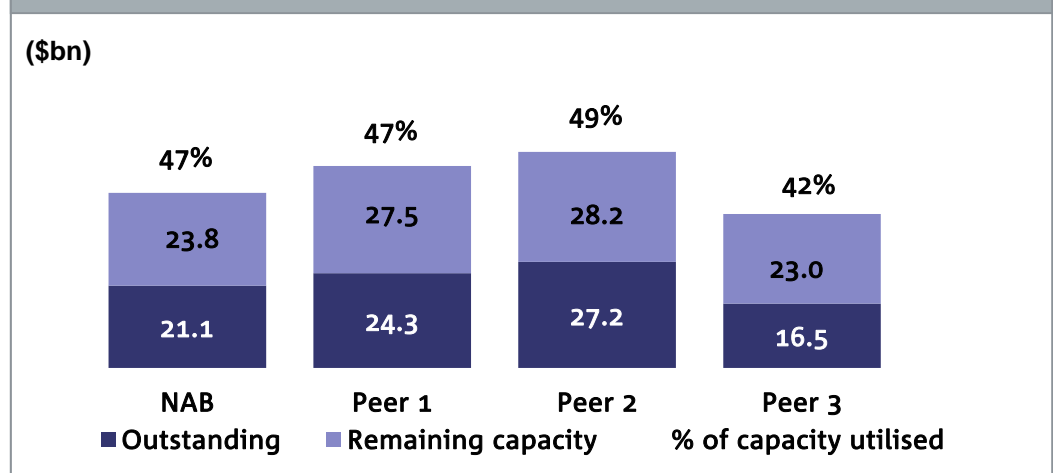
## Term wholesale maturity profile



## Reliance on short term wholesale funding<sup>1</sup> reducing



## Australian covered bond issuance<sup>2</sup>



(1) September 2015 figures presented on a continuing operations basis, prepared in accordance with AASB 9. Prior periods have not been restated per accounting methodology

(2) Latest Bank covered bond investor reports & APRA Monthly Banking Statistics as at March 2016. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit

# 1H16 summary

- Solid 1H16 group result driven by improved Australian Banking performance
  - Good growth in Australian Banking revenue and underlying profit
  - Business Bank has momentum after a significant period of change
- Balance sheet strong - capital, funding and asset quality
- Margin increase, but expect reduced benefit from deposits and higher wholesale funding costs
- Organisational-wide customer centric culture gaining traction
- Now a much simpler bank focused on priority customer segments where returns are higher

# Key Contacts

## Issuer

Shaun Dooley  
Group Treasurer  
Phone: +61 (03) 8641 4089  
Mobile: +61 (0) 411 406 468  
E-mail: Shaun.Dooley@nab.com.au

Tom Wirth  
Head of Group Capital Management  
Phone: +61 (03) 8697 7108  
Mobile: +61 (0) 438 094 009  
E-mail: Tom.C.Wirth@nab.com.au

Eva Zileli  
Head of Group Funding  
Phone: +61 (03) 8634 8219  
Mobile: +61 (0) 417 327 643  
E-mail: Eva.Zileli@nab.com.au

Ross Edwards  
Senior Manager, Group Capital Management  
Phone: +61 (03) 8634 2255  
Mobile: +61 (0) 417 173 353  
E-mail: Ross.A.Edwards@nab.com.au

Nova Young  
Manager, Debt Investor Relations  
Phone: +61 (03) 8641 1029  
Mobile: +61 (0) 455 063 027  
E-mail: Nova.Young@nab.com.au

## Joint Lead Managers

National Australia Bank Limited  
Nicholas Chaplin  
Phone: +61 (02) 9237 9518

Deutsche Bank AG  
Mozammel Ali  
Phone: +61 (02) 8258 1845

Evans and Partners Pty Ltd  
Scott Favaloro  
Phone: +61 (02) 9631 9877

J.P. Morgan Australia Limited  
Andrew Best  
Phone: +61 (02) 9003 8383

Morgans Financial Limited  
Steven Wright  
Phone: +61 (07) 3334 4941

Westpac Institutional Bank  
Allan O'Sullivan  
Phone: +61 (02) 8254 1425