



Monday, 11 February 2019

ASX ANNOUNCEMENT

NAB launches NAB Capital Notes 3 offer and announces resale of NAB CPS

National Australia Bank (NAB) today:

- announced an offer of NAB Capital Notes 3, which are expected to be quoted on the ASX; and
- issued a resale notice in respect of NAB Convertible Preference Shares issued by NAB on 20 March 2013 (CPS) in accordance with the CPS terms. That notice confirms that on 20 March 2019, all CPS on issue will be mandatorily purchased by a nominated purchaser appointed by NAB for \$100 per CPS (CPS Resale Proceeds). The resale of the CPS will not impact the final dividend of \$1.2976 per CPS scheduled to be paid by NAB on 20 March 2019.¹

Once all CPS have been resold to the nominated purchaser on 20 March 2019, NAB intends to convert up to \$750m of CPS into Ordinary Shares (equivalent to approximately 19 basis points of Common Equity Tier 1 capital) and redeem the balance of the CPS, in the hands of the nominated purchaser.

The conversion contributes to the transition to a Common Equity Tier 1 capital ratio above 10.5 per cent by January 2020, in line with the Australian Prudential Regulation Authority (APRA) requirement for Unquestionably Strong capital levels.

NAB Capital Notes 3

NAB Capital Notes 3 are convertible, subordinated notes that are scheduled to pay quarterly, floating rate non-cumulative distributions in cash subject to the satisfaction of certain conditions.² Those distributions are expected to be fully franked. The distribution rate is equal to the sum of the Bank Bill Rate plus a Margin (expected to be in the range of 4.00% to 4.20%), adjusted for NAB's Tax Rate.³

The Offer is expected to raise approximately \$750 million, with the ability to raise more or less. Once issued, the NAB Capital Notes 3 will qualify as Additional Tier 1 Capital for the Group. NAB will use the net proceeds of the Offer for general corporate purposes.

Structure of the Offer

The Offer comprises:

- a Reinvestment Offer (see further details below);

¹ Subject to the satisfaction of the dividend payment conditions in the CPS terms.

² A Distribution will only be paid if the Directors resolve to pay it and a Payment Condition does not exist on the Distribution Payment Date.

³ Being the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date, currently 30%.

- a Securityholder Offer (for all existing Australian registered holders of NAB's Ordinary Shares as well as holders of National Income Securities, NAB Subordinated Notes 2, NAB CPS, NAB CPS II, NAB Capital Notes or NAB Capital Notes 2, as at 7.00pm (Melbourne time) on 7 February 2019);
- a Broker Firm Offer; and
- an Institutional Offer by invitation.

There is no general public offer.

Applications under the Securityholder, Broker Firm and Institutional Offers must be for at least 50 NAB Capital Notes 3 and thereafter in multiples of 10 NAB Capital Notes 3.

The Reinvestment Offer

The Reinvestment Offer provides Eligible CPS Holders⁴ the option to have their CPS Resale Proceeds reinvested directly into NAB Capital Notes 3 to maintain an ongoing investment in securities issued by NAB.

Eligible CPS Holders may also apply for additional NAB Capital Notes 3 under the Securityholder Offer.

There is no minimum number of CPS that you must hold to be able to participate in the Reinvestment Offer. If you own less than 50 CPS, you can apply to participate in the Reinvestment Offer but you must apply to reinvest the CPS Resale Proceeds relating to all of your CPS. If you own 50 or more CPS, you must apply to reinvest at least \$5,000 and thereafter in multiples of \$1,000.

There are important differences between CPS and NAB Capital Notes 3 that investors should consider before deciding to apply to participate in the Reinvestment Offer. These differences, and the key risks of participating in the Reinvestment Offer, are set out in the Prospectus.

Key terms of the NAB Capital Notes 3

- NAB Capital Notes 3 are convertible, subordinated notes. They are not guaranteed or secured and are not a deposit account or any other account with NAB.
- NAB Capital Notes 3 are scheduled to pay quarterly, floating rate non-cumulative Distributions in cash subject to the satisfaction of certain conditions.² Those Distributions are expected to be fully franked. However, franking is not guaranteed and the laws relating to the availability of franking may change. The Distribution Rate is equal to the sum of the Bank Bill Rate plus a Margin (expected to be in the range of 4.00% to 4.20%), adjusted for NAB's Tax Rate.³ The Bank Bill Rate is a floating reference rate. The Margin will be determined under the Bookbuild, and will not change for the term of NAB Capital Notes 3. The Distribution Payment Dates are scheduled to be 17 March, 17 June, 17 September and 17 December, with the first Distribution expected to be paid on 17 June 2019.
- NAB Capital Notes 3 do not have a fixed maturity date for repayment. However, NAB Capital Notes 3 will mandatorily Convert into Ordinary Shares on 19 June 2028 or if an Acquisition Event occurs, provided certain conditions are met. With the prior written approval of APRA, NAB may also elect to Convert, Redeem or Resell NAB Capital Notes 3 on 17 June 2026, or on the occurrence of particular events, provided certain conditions are met.

⁴ A registered holder of CPS as at 7.00pm on Thursday, 7 February 2019 (Melbourne time), with a registered address in Australia and who is not an individual residing in a member state of the European Union, is not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person and is not otherwise prevented from receiving the Reinvestment Offer or NAB Capital Notes 3 under the laws of any jurisdiction.

- NAB must immediately Convert NAB Capital Notes 3 into Ordinary Shares if a Loss Absorption Event occurs. A Loss Absorption Event may occur when NAB encounters severe financial difficulty. Depending on the market price of Ordinary Shares at that time, a Conversion in those circumstances is likely to result in Holders receiving Ordinary Shares that are worth significantly less than \$101 for each NAB Capital Note 3 they hold.
- Holders of NAB Capital Notes 3 will have no right to request that NAB Capital Notes 3 be redeemed. Without a Conversion, Redemption or Resale, Holders would have to sell their NAB Capital Notes 3 on the ASX at the prevailing market price.
- In a winding-up of NAB, NAB Capital Notes 3 rank ahead of Ordinary Shares, equally and without preference amongst themselves and Equal Ranking Instruments, and junior to creditors of NAB, including depositors – though the amount of any return in a winding-up will be adversely affected if a Loss Absorption Event has occurred.
- NAB Capital Notes 3 are subject to risks which could affect their performance, including Distribution Rate risk and market price fluctuations. Information about the key risks of investing in NAB Capital Notes 3 is set out in the Prospectus.

An initial Prospectus has been lodged with ASIC and the ASX. The Prospectus does not contain the Margin or the Application Form. A replacement Prospectus containing the Margin and an Application Form will be lodged with ASIC and the ASX once the Margin is determined and will be available within Australia at www.nab.com.au/ncn3offer or by calling the NAB Information Line on 1300 367 647, Monday to Friday from 8.00am to 7.30pm (Melbourne time) during the Offer Period.

This announcement only contains a summary of the features of NAB Capital Notes 3 and the Offer. The Prospectus and Terms of NAB Capital Notes 3 should be read in full before deciding to invest. Applications may only be made using the Application Form attached to or accompanying the Prospectus.

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

Key Dates*

Record Date for determining Eligible Securityholders and Eligible CPS Holders	7 February 2019
Announcement of the Offer and lodgement of Prospectus with ASIC	11 February 2019
Bookbuild	18 February 2019
Announcement of Margin	18 February 2019
Opening Date	19 February 2019
Closing Date (5.00pm)	14 March 2019
Transfer of CPS to CPS Nominated Purchaser	20 March 2019
Issue of NAB Capital Notes 3	20 March 2019
Payment Date for final CPS dividend ⁵	20 March 2019
Commencement of deferred settlement trading	21 March 2019
Completion of despatch of Holding Statements	26 March 2019

⁵ Subject to the satisfaction of the payment conditions in the CPS Terms.

Commencement of trading on normal settlement basis	27 March 2019
First Distribution Payment Date ⁶	17 June 2019
Optional Conversion / Redemption / Resale Date ⁷	17 June 2026
Mandatory Conversion Date ⁸	19 June 2028

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

NAB is acting as Arranger and Joint Lead Manager to the Offer. Morgan Stanley, Morgans, Shaw and Partners, UBS and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer.

For further information:

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Further information

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

The information provided in this announcement is not investment advice and has been prepared without taking into account individual investment objectives, financial situations or particular needs (including financial and taxation issues). Investors should consider the Prospectus and obtain advice from a financial adviser or other professional adviser in deciding whether to apply for NAB Capital Notes 3.

The statement does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, NAB Capital Notes 3 have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the Securities Act) unless the NAB Capital Notes 3 are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

⁶ Subject to the Directors resolving to pay the Distribution and no Payment Condition existing on 17 June 2019.

⁷ With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 3 on 17 June 2026. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 20 March 2019.

⁸ NAB Capital Notes 3 will Convert into Ordinary Shares on 19 June 2028 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes 3 have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 20 March 2019.