

**OFFERING CIRCULAR DATED 20 NOVEMBER 2019.**



**NATIONAL AUSTRALIA BANK LIMITED**

(ABN 12 004 044 937)

(incorporated with limited liability in the Commonwealth of Australia)



**BANK OF NEW ZEALAND**

(incorporated in New Zealand with limited liability under registered number 428849)



**BNZ INTERNATIONAL FUNDING LIMITED,**

**acting through its London Branch**

(incorporated in New Zealand with limited liability under registered number 1635202

and registered as a branch in England & Wales under numbers BR008377 and FC026206)

**U.S.\$100,000,000,000 Global Medium Term Note Programme**

**unconditionally and irrevocably guaranteed in the case of Notes issued by  
BNZ International Funding Limited, acting through its London Branch by**

**BANK OF NEW ZEALAND**

(incorporated in New Zealand with limited liability under registered number 428849)

Under this U.S.\$100,000,000,000 Global Medium Term Note Programme (the **Programme**), National Australia Bank Limited (ABN 12 004 044 937) (**NAB**), Bank of New Zealand (**BNZ**) and BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each, an **Issuer** and together, the **Issuers**), may from time to time issue notes (the **Notes**, which include Senior Notes (in the case of NAB and BNZ), Guaranteed Senior Notes (in the case of BNZ-IF) and Subordinated Notes (in the case of NAB only) as such terms are defined on pages 112-113 of this Offering Circular) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes in issue prior to the date hereof. The payment of all amounts owing in respect of Guaranteed Senior Notes issued by BNZ-IF will be unconditionally and irrevocably guaranteed by BNZ (in such capacity, the **Guarantor**). Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 2 of this Offering Circular and any additional Dealer appointed under the Programme from time to time by the Issuers (each, a **Dealer** and together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

This Offering Circular has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the **Competent Authority** or the **CSSF**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CSSF only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of any of the Issuers, the Guarantor or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to:

- (i) the CSSF to approve the Offering Circular in connection with the issue by the Issuers of Notes:
  - (a) with a minimum denomination of at least €100,000 (or its equivalent in any other currency) to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange (the Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU as amended (**MiFID II**))); and
  - (b) with a minimum denomination of at least €1,000 (or its equivalent in any other currency) to be admitted to the official list and traded only on a specific segment of the Regulated Market of the Luxembourg Stock Exchange to which only qualified investors (as defined in the Prospectus Regulation) have access,in each case, in accordance with the Prospectus Regulation (**PR Notes**); and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of Notes with a minimum denomination of at least €100,000 (or its equivalent in any other currency) (the **Exempt Notes**) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market (the Euro MTF market is not a regulated market pursuant to the provisions of MiFID II, but is subject to the supervision of the Luxembourg financial sector and stock exchange regulator, the CSSF) (the **Euro MTF Market**).

Each Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market and, where such Notes are, in addition, issued with a minimum denomination of at least €100,000 or otherwise fall within an exemption under the Prospectus Regulation from the requirement to publish a prospectus, such Notes are, in addition, hereinafter also referred to in this Offering Circular as **Exempt Notes**.

For the avoidance of doubt, each Issuer may also issue Notes with a minimum denomination of less than €100,000 (or its equivalent in any other currency) which are offered to the public in the European Economic Area and fall within an exemption under the Prospectus Regulation from the requirement to publish a prospectus.

**This Offering Circular (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). The obligation to supplement this Offering**

Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Offering Circular is no longer valid.

The CSSF has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes, including the form of Final Terms in respect of Exempt Notes. In accordance with Article 6(4) of the Luxembourg act dated 16 July 2019 on prospectuses for securities (the Prospectus Act 2019), by approving this Offering Circular, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuers.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or additional stock exchange(s), or market(s), as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Senior Notes) and the relevant Dealer. References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the official list and to trading on (i) the Regulated Market of the Luxembourg Stock Exchange or (ii) the Euro MTF Market.

Notice of, *inter alia*, the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes and the issue price of Notes which are applicable to each Tranche of Notes will be set out in the applicable Final Terms (the **Final Terms**) which, with respect to all Notes to be listed on the Regulated Market of the Luxembourg Stock Exchange or the Euro MTF Market, will be delivered to the Luxembourg Stock Exchange and, where applicable, the Competent Authority, on or before the date of issue of the Notes of such Tranche.

**Information relating to the ratings of the Programme and issues of Notes under the Programme is set out on pages 61 to 62 of this Offering Circular.**

Neither the Notes nor the Guarantee (as defined under "*Terms and Conditions of the Notes*") (in the case of Guaranteed Senior Notes) have been or will be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered or sold or, in the case of Bearer Notes, delivered in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Investors in Hong Kong should not purchase Subordinated Notes (as defined herein) in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and its subsidiary legislation) only and understand the risks involved. Subordinated Notes are generally not considered suitable for purchase by retail investors.

**An investment in Notes issued under the Programme involves certain risks. In particular, Subordinated Notes are complex financial instruments with high risk. There are risks inherent in the holding of Subordinated Notes, including the risks in relation to their subordination, the circumstances in which the Subordinated Notes may be written down or converted into ordinary shares in the capital of NAB and the implications on holders of Subordinated Notes (such as a substantial loss). The circumstances in which such holders may suffer loss as a result of holding the Subordinated Notes are difficult to predict and the quantum of any loss incurred by investors in the Subordinated Notes in such circumstances is also highly uncertain. For a discussion of these risks see "*Risk Factors*".**

**Arranger**  
**DEUTSCHE BANK**

**Dealers**

**BoFA SECURITIES**  
**CITIGROUP**  
**DEUTSCHE BANK**  
**HSBC**  
**MORGAN STANLEY**  
**RBC CAPITAL MARKETS**  
**UBS INVESTMENT BANK**

**BNP PARIBAS**  
**CREDIT SUISSE**  
**GOLDMAN SACHS INTERNATIONAL**  
**J.P. MORGAN**  
**NATIONAL AUSTRALIA BANK LIMITED**  
**TD SECURITIES**  
**WELLS FARGO SECURITIES**

This Offering Circular comprises (i) a prospectus for the issuance of Notes under the Programme by NAB; (ii) a prospectus for the issuance of Notes under the Programme by BNZ; and (iii) a prospectus for the issuance of Guaranteed Senior Notes under the Programme by BNZ-IF. Each prospectus constitutes, in respect of all Notes other than Exempt Notes issued under the Programme, a base prospectus for the purposes of Article 8 of the Prospectus Regulation and, for Exempt Notes to be listed on the Euro MTF Market, a base prospectus for the purposes of Part IV of the Prospectus Act 2019. When used in this Offering Circular, Prospectus Regulation means Regulation (EU) 2017/1129.

Each Issuer and the Guarantor (together, the Responsible Persons) accepts responsibility for the information contained in this Offering Circular (and the Final Terms for each Tranche of Notes issued under the Programme) in respect to itself only and the Notes. The Responsible Persons, each having taken all reasonable care to ensure that such is the case, confirm that such information is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Copies of Final Terms will be available from the registered office of the relevant Issuer and the Guarantor (in the case of Guaranteed Senior Notes) and specified office set out below of each of the Paying Agents (as defined below).

This Offering Circular is to be read in conjunction with all documents or parts of documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference and Credit Ratings*" below). This Offering Circular shall be read and construed on the basis that those documents are incorporated in, and form part of, this Offering Circular.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference and Credit Ratings*"), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the CSSF.

Following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Competent Authority pursuant to Article 23 of the Prospectus Regulation may be prepared by any of the Issuers (a Supplement to this Offering Circular). Any such Supplement to this Offering Circular will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Each of the Issuers and the Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

In relation to Exempt Notes to be listed, following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Luxembourg Stock Exchange (as competent entity for the purposes of Part IV of the Prospectus Act 2019) may be prepared by any of the Issuers pursuant to Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (an Exempt Notes Supplement to this Offering Circular). In accordance with Article 10.1 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange, any such Exempt Notes Supplement to this Offering Circular will be available, free of charge, at the registered offices of the Issuers and the Guarantor and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained free of charge from the specified office of the Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Each of the Issuers and the Guarantor will, in the event of any significant new factor relating to information included in this Offering Circular which is capable of affecting the assessment of any Exempt Notes to be listed, prepare an Exempt Notes Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Exempt Notes to be listed.

Deutsche Trustee Company Limited, as trustee for the holders of the Notes (the Trustee), has not independently verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers, the Guarantor, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor or any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuers, the Guarantor or any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes nor the issue of any Notes constitutes an offer or invitation by or on behalf of any Issuer or the Guarantor or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning any Issuer and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of any Issuer or the Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the Code), and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Dealers or the Trustee represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any Issuer, the Guarantor, any of the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. No Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except

under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offer and sale of Notes. In addition, there are particular restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and its territories or possessions or to any resident thereof, the EEA (including the United Kingdom, Austria, France, Italy and Belgium), New Zealand, Hong Kong, Japan, Singapore, Switzerland, Canada, China, the Republic of Korea and the Commonwealth of Australia (Australia); see "*Subscription and Sale and Transfer and Selling Restrictions*".

This Offering Circular has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on an EEA regulated market (as defined in MiFID II), or a specific segment of an EEA regulated market, to which only qualified investors (as defined in the Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public in an EEA Member State pursuant to an exemption under Article 1(4) of the Prospectus Regulation.

### **SUITABILITY OF INVESTMENT**

In making an investment decision, investors must rely on their own examination of the relevant Issuer and the Guarantor (in the case of Guaranteed Senior Notes) and the terms of the Notes being offered, including the merits and risks involved.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable Supplement to this Offering Circular;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Subordinated Notes discussed in this Offering Circular are complex financial instruments with high risk. More generally, legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## **MiFID II PRODUCT GOVERNANCE / TARGET MARKET**

The Final Terms in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

## **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## **U.S. INFORMATION**

NEITHER THE NOTES NOR THE GUARANTEE (IN THE CASE OF GUARANTEED SENIOR NOTES) HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED OR SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NONE OF THE DEALERS, THE ISSUERS, THE GUARANTOR OR THE TRUSTEE MAKES ANY REPRESENTATION TO ANY INVESTOR IN THE NOTES REGARDING THE LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE NOTES SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

This Offering Circular has been prepared by the Issuers and the Guarantor for use in connection with the offer and sale of the Notes (1) outside the United States to persons that are not U.S. persons pursuant to Regulation S under the Securities Act and (2) with respect to Registered Notes within the United States, in reliance upon Rule 144A of the Securities Act (Rule 144A) to qualified institutional buyers within the meaning of Rule 144A (QIBs) or in transactions otherwise exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Notes in bearer form, delivered, in the United States or to or for the account or benefit of, United States persons as defined in the Code and regulations thereunder.

#### AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" as defined in Rule 144(a)(3) of the Securities Act, each of the Issuers has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the relevant Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

#### SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

NAB is a corporation organised under the laws of Australia. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of NAB and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Australia upon NAB or such persons, or to enforce judgments against them obtained in courts outside Australia predicated upon civil liabilities of NAB or such directors and officers under laws other than Australian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in Australia in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

BNZ, BNZ-IF and the Guarantor are corporations organised under the laws of New Zealand. All of the respective officers and directors of BNZ, BNZ-IF and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of each of BNZ, BNZ-IF and the Guarantor and of their respective officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside New Zealand upon BNZ or BNZ-IF or the Guarantor or upon such persons, or to enforce judgments against them obtained in courts outside New Zealand predicated upon civil liabilities of BNZ or BNZ-IF or the Guarantor, as the case may be, or their respective directors and officers under laws other than New Zealand law, including any judgment predicated upon United States federal securities laws. Each of BNZ, BNZ-IF and the Guarantor has been advised by Russell McVeagh, their New Zealand counsel, that there is doubt as to the enforceability in New Zealand in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

## **FORWARD-LOOKING STATEMENTS**

**This Offering Circular includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuers' and the Guarantor's financial position, business strategy, plans, targets, intentions and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the relevant Issuer or the Guarantor, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the relevant Issuer or the Guarantor and the environment in which they will operate in the future. These forward-looking statements speak only as of the date of this Offering Circular. Each of the Issuers and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the relevant Issuer or the Guarantor with regard thereto or any change in events, conditions or circumstances on which any such statement is based.**

## **BENCHMARKS REGULATION**

**Amounts payable on certain Floating Rate Notes issued under the Programme may be calculated by reference to LIBOR, EURIBOR, Compounded Daily SONIA, HIBOR, BA-CDOR, SIBOR, CNH HIBOR, NIBOR, BBSW or BKBM as specified in the applicable Final Terms. As at the date of this Offering Circular, each of ICE Benchmark Administration Limited (as administrator of LIBOR), European Money Markets Institute (as administrator of EURIBOR) and Thomson Reuters Benchmark Services Limited (as administrator of BA-CDOR) appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 of the Regulation (EU) No. 2016/1011 (the Benchmarks Regulation). As at the date of this Offering Circular, the administrators of SONIA, CNH HIBOR, SIBOR, HIBOR, NIBOR, BBSW and BKBM do not appear on ESMA's register of administrators and benchmarks under Article 36 of the Benchmarks Regulation. As far as each Issuer is aware, (i) SONIA does not fall within the scope of the Benchmarks Regulation, and (ii) the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that each of the Treasury Markets Association (as administrator of CNH HIBOR), ABS Benchmarks Administration Co Pte Ltd. (as administrator of SIBOR), Norske Finansielle Referanser AS (as administrator of NIBOR), ASX Benchmarks Pty Limited (as administrator of BBSW) and New Zealand Financial Markets Association (as administrator of BKBM) is not currently required to obtain authorisation/registration (or, if located outside the European Union (EU), recognition, endorsement or equivalence).**



## **SECTION 309B NOTIFICATION**

**In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the SFA) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the CMP Regulations 2018), the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), unless otherwise specified before an offer of Notes, that all Notes issued or to be issued under the Programme are classified as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).**

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

**NAB maintains its financial books and records and prepares its financial statements in Australian dollars in accordance with the requirements of the Corporations Act 2001 of Australia, accounting standards and interpretations issued by the Australian Accounting Standards Board which differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP).**

**In this Offering Circular all references to the "NAB Group" refer to NAB and its controlled entities. In addition, references to "U.S. dollars" and "U.S.\$" refer to United States dollars, references to "Australian dollars" and "A\$" refer to Australian dollars, references to "New Zealand dollars" and "NZ\$" refer to New Zealand dollars, references to "£" refer to pounds Sterling, references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended and references to "Renminbi" and "CNY" are to the lawful currency of the People's Republic of China and all references to the "PRC" and "China" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.**

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**In connection with the issue of any Tranche of Notes, any relevant Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions (in each case outside Australia and New Zealand and not on any market in Australia or New Zealand) with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allocation must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

Neither NAB nor BNZ has authorisation of De Nederlandsche Bank N.V. to pursue the business of a bank in the Netherlands and is not registered as a "licensed financial enterprise" pursuant to section 1:107 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*). NAB has authorisation of the Australian Prudential Regulation Authority to pursue the business of a credit institution. BNZ is registered as a bank and prudentially supervised by the Reserve Bank of New Zealand (**RBNZ**). In addition, NAB's London Branch is authorised and regulated by the Financial Conduct Authority, is subject to limited regulation by the Prudential Regulation Authority, and has permission to carry on the regulated activity of (amongst other things) accepting deposits, and is an authorised person for the purposes of the Financial Services and Markets Act 2000.

## **RISK FACTORS**

*Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and none of the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and in the documents incorporated by reference and reach their own views prior to making any investment decision.*

*Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of any of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the relevant Issuer or the Guarantor based on information currently available to them or which they may not currently be able to anticipate.*

***Investors should be aware that the materialisation of any of the below risks may adversely affect the value of any securities.***

*References in the following risk factors to “BNZ” are to BNZ in its capacity as an Issuer and as the Guarantor.*

### **FACTORS THAT MAY AFFECT THE RELEVANT ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE**

#### **NAB - Risks specific to the NAB Group**

Set out below are the principal risks and uncertainties associated with the NAB Group. It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each sub-category that NAB considers most material is listed first, based on the information available at the date of this Offering Circular and NAB's best assessment of the likelihood of each risk occurring and potential magnitude of the negative impact to the NAB Group should such risk materialise. In the event that one or more of these risks materialise, the NAB Group's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

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

#### ***Strategic Risk***

Strategic risk is the risk associated with the pursuit of the NAB Group's strategic objectives including the risk that the NAB Group fails to execute its chosen strategy effectively or in a timely manner.

*Strategic initiatives may fail to be executed, may not deliver all anticipated benefits and may change the NAB Group's risk profile*

The NAB Group's corporate strategy sets its purpose, vision and objectives, and focuses on:

- Becoming the best business bank.
- Simplifying the NAB Group's business to improve efficiency and better service its customers.
- Pursuing new and emerging growth opportunities.
- Attracting and developing people to create a high performing culture.

The NAB Group prioritises, and invests significant resources in, the execution of initiatives that are aligned to its strategy, including transformation and change programmes. These programmes focus on technology, infrastructure, business improvement and cultural transformation. There is a risk that these programmes may not realise some or all of their anticipated benefits. These programmes may also increase operational, compliance and other risks. Any failure by the NAB Group to deliver in accordance with its strategy or to deliver these strategic programmes effectively, may result in material losses to the NAB Group, or a failure to achieve anticipated benefits, and ultimately, may adversely impact the NAB Group's operations and financial performance and position.

#### *The NAB Group faces intense competition*

There is substantial competition across the markets in which the NAB Group operates. The NAB Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower costs and new operating and business models. In addition, evolving industry trends and rapid technology changes may impact customer needs and preferences and the NAB Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to meet customer expectations and keep pace with competitors.

The Australian Commonwealth Government (the **Australian Government**) passed legislation in August 2019 to establish a 'Consumer Data Right' which seeks to improve consumers' ability to compare and switch between products and services. It is proposed to apply to the banking sector from February 2020. These reforms (referred to as 'Open Banking') are expected to reduce the barriers to new entrants into, and increase competition in, the banking industry in Australia. Progress is also being made towards Open Banking in New Zealand (NZ).

Ongoing competition for customers can lead to compression in profit margins and loss of market share, which may ultimately impact on the NAB Group's financial performance and position, profitability and returns to investors.

#### *The NAB Group's intended divestment of its Advice, Platform & Superannuation and Asset Management businesses may not proceed and there are risks in executing the divestment*

The NAB Group intends to divest its Advice, Platform & Superannuation and Asset Management businesses (the **MLC Wealth Divestment**). The NAB Group's decision to proceed with, and its ability to execute, the MLC Wealth Divestment is subject to a number of factors, including market conditions, the impact of regulatory change and investigations (including any implications of the findings of the Final Report (the **Final Report**) of the Australian Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the **Royal Commission**)), the cost and complexity of separation, and obtaining Board and regulatory approvals.

If the NAB Group does proceed with the MLC Wealth Divestment, it will incur costs associated with the transaction. In addition, the MLC Wealth Divestment will result in the NAB Group exiting a financial services market and accordingly will decrease the size of the NAB Group's operations. This will have a consequential impact on the NAB Group's revenues and potentially its profitability and returns to investors.

If the NAB Group decides not to, or is unable to, proceed with the MLC Wealth Divestment, it will still incur costs that it is unable to recover. In addition, the terms of the MLC Wealth Divestment, and the

execution of its separation may create risks and uncertainty for the NAB Group and its customers, aligned advisers, employees, suppliers and other counterparties.

*Risks may arise from pursuing acquisitions and divestments*

The NAB Group regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures and investments.

Pursuit of corporate opportunities inherently involves transaction risks, including over-valuation of an acquisition or investment or under-valuation of a divestment, and exposure to reputational damage. The NAB Group may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on the NAB Group's financial performance and position.

The NAB Group may incur unexpected financial losses following an acquisition, joint venture or investment if the business it invests in does not perform as planned or causes unanticipated changes to the NAB Group's risk profile. Additionally, there can be no assurance that employees, counterparties, suppliers, customers and other relevant stakeholders will remain with an acquired business following the transaction and any failure to retain such stakeholders may have an adverse impact on the NAB Group's overall financial performance and position.

The NAB Group may also have ongoing exposures to divested businesses, including through the provision of continued services and infrastructure or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities, which may have an adverse impact on the NAB Group's business and financial performance and position.

In particular, specific risks exist in connection with the sale of 80 per cent. of MLC Limited to Nippon Life Insurance Company (**Nippon Life**) in 2016. NAB gave certain covenants, warranties and indemnities in favour of Nippon Life and MLC Limited, a breach or triggering of which may result in NAB being liable to Nippon Life or MLC Limited.

The parties also entered into long-term agreements for the distribution of life insurance products and the continued use of the MLC brand by MLC Limited. The duration and nature of these agreements give rise to certain risks, including that changes in the regulatory or commercial environment impact the commercial attractiveness of these agreements. These agreements also limit future opportunities for NAB through non-compete arrangements.

NAB agreed to take certain actions to establish MLC Limited as a standalone entity, including the provision of transitional services, as well as support for data migration activities and the development of technology systems. As this work is yet to be completed, there is a risk that implementation costs may ultimately prove higher than anticipated. NAB may also be liable to MLC Limited or Nippon Life if it fails to perform its obligations in accordance with the agreements relating to these matters. If implementation costs are higher than expected, or if NAB fails to perform its obligations in accordance with the relevant agreements, there may be an adverse impact on the NAB Group's financial performance and position.

## **Credit Risk**

Credit risk is the risk that a customer will fail to meet its obligations to the NAB Group in accordance with agreed terms. Credit risk arises from both the NAB Group's lending activities and markets and trading activities.

*A decline in the residential property market may give rise to higher losses on defaulting loans*

Lending activities account for most of the NAB Group's credit risk. The NAB Group's lending portfolio is largely based in Australia and NZ. Residential housing loans and commercial real estate loans constitute a material component of the NAB Group's total gross loans and acceptances. A decline in the value of residential property has been observed in some areas in Australia. A range of factors could contribute to further declines in residential property prices. This includes regulatory changes which may impact the availability of credit, shifts in government policies that are less favourable to immigration and overseas investment, changes to taxation policy and rising unemployment. If this occurs, the declining value of the residential property used as collateral (including in business lending) may give rise to greater losses to the NAB Group resulting from customer defaults, which, in turn, may impact the NAB Group's financial performance and position, profitability and returns to investors. The most significant impact is likely to be experienced by residential mortgage customers in high loan-to-value-ratio brackets.

*Adverse business conditions in Australia and NZ, particularly in the agriculture sector, the consumer-facing sector, or both, may give rise to increasing customer defaults*

The NAB Group has a large share of the business lending market in Australia and NZ. Should adverse business conditions lead to defaults by business customers in these markets, the NAB Group may experience an adverse impact on its financial performance and position.

Specifically, the NAB Group has a large market share in the Australian and NZ agricultural sectors, particularly the dairy sector in NZ. Volatility in commodity prices, milk prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions, and extreme weather events may negatively impact these sectors. This may result in increased losses to the NAB Group from customer defaults, and ultimately may have an adverse impact on the NAB Group's financial performance and position.

Customers of the NAB Group whose businesses are in consumer-facing industries are also confronting challenges including high levels of household debt, low wage growth and the recent decline in house prices weighing on consumer confidence and impacting their business' performance. These factors may give rise to an increase in customer defaults, ultimately affecting the NAB Group's financial performance and position and profitability and returns to investors.

*Climate change and extreme climate patterns may lead to increasing customer defaults and may decrease the value of collateral*

Credit risk may arise as a result of climate change, including extreme weather events affecting property values or business operations, the effect of new laws and government policies designed to mitigate climate change, and the impact on certain customer segments as the economy transitions to renewable and low-emission technology. There is a risk of increased levels of customer default in affected business sectors. The impact of this on the NAB Group may be exacerbated by a decline in the value and liquidity of assets held by the NAB Group as collateral in these sectors, which may impact the NAB Group's ability to recover under defaulting loans.

For example, parts of eastern Australia are experiencing severe drought conditions. The impact of these conditions is expected to extend beyond primary producers, to customers who are suppliers to the agricultural sector, and to those who reside in and operate businesses within regional communities. Extreme weather events and other climate patterns in other parts of Australia may have similar impacts on other

business sectors. These impacts may increase current levels of customer defaults, thereby increasing the credit risk facing the NAB Group and adversely impacting the NAB Group's financial performance and position, profitability and returns to investors.

*The NAB Group's losses may differ materially from its provisions which may impact its financial performance and position*

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

*The NAB Group may be adversely impacted by macro-economic and geopolitical risks and financial market conditions which pose a credit risk*

The majority of the NAB Group's businesses operate in Australia and NZ, with branches in Asia, the United Kingdom (UK) and the United States (US). Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts most relevantly for the NAB Group in Australia and NZ, but also in the global locations in which the NAB Group operates.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as: economic growth rates; cost and availability of capital; central bank intervention; inflation and deflation rates; level of interest rates; yield curves; market volatility; and uncertainty.

Deterioration in any of these factors may lead to the following negative impacts on the NAB Group:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

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

The following macro-economic and financial market conditions are currently of most relevance to the credit risk facing the NAB Group and may give rise to slower revenue growth and/or increasing customer defaults:

- Global economic growth is trending downwards which may create credit risk for the NAB Group. The NAB Group's key markets of Australia and NZ are small, open economies where national income (and with it, the capacity for businesses and households to service debt) is impacted by

global trends. The current global economic cycle peaked in early 2018 and growth has slowed since this time, due to fading fiscal stimulus, the impact of US-China trade tensions, and tighter monetary policy in the US, Canada and the UK, among other jurisdictions.

- In response to weakening growth, some central banks, including the Reserve Bank of Australia and the US Federal Reserve, have eased monetary policy and indicated further rate cuts could occur. Given extremely low policy rates in some countries, policy easing may also involve additional quantitative easing. Policy easing would be expected to reduce short-term downside risks to growth, but risks building on existing imbalances in various asset classes and regions. Policy easing may also reduce the impetus for highly geared borrowers to deleverage thereby increasing the credit risk posed to the NAB Group by these highly geared customers.
- As a key trading partner, China's economic growth is important to Australia and NZ, with export income and business investment exposed to any sharp slowdown in the rapid pace of Chinese economic growth. China's high and growing debt burden presents a risk to its medium-term growth prospects. Due to its export mix, Australia's economy is exposed to any sudden downturn in China's domestic investment in business, infrastructure or housing. Any such downturn could therefore have a negative impact on the NAB Group's customers who are exposed to these sectors, and may give rise to increasing levels of customer defaults.
- The ongoing trade tensions between the US and China present additional uncertainty that poses risks to global economic growth. There remains the possibility of further trade measures that will negatively impact global economic growth. Although China is the primary target of US trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. A number of emerging markets in East Asia are major trading partners with Australia and NZ and accordingly a negative impact on their economies may increase the credit risk facing the NAB Group.
- Geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. An increasing fragmentation of, and a rise in populism in, many major democratic economies have led to difficulties in policy implementation. Protests in Hong Kong are creating political tensions between the Hong Kong Special Administrative Region and mainland China. The uncertainty surrounding the UK's departure from the European Union continues, with a general election scheduled prior to the recently extended deadline, with the major parties offering differing ways forward for Brexit. In addition, there are a range of other geopolitical risks, particularly given the ongoing uncertainty around the Korean Peninsula, South China Sea and US sanctions on Iran.
- Australia's economic growth has slowed in 2019, which is largely a reflection of weakness in household demand. Wages growth has been weak, and if the slowdown in growth persists, unemployment is expected to rise. NZ's economic growth has also slowed. A slowdown in economic growth in Australia and NZ and any resulting increase in unemployment may negatively impact debt servicing levels, increase customer defaults and negatively impact the NAB Group's financial performance and position and its profitability.
- As commodity exporting economies, Australia and NZ are exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Previous sharp declines in commodity prices in Australia and NZ were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and given the NAB Group's sizeable exposures to commodity producing and trading businesses, this volatility poses a significant source of credit risk to the NAB Group.



## ***Market Risk***

Market risk is the risk of loss from the NAB Group's trading activities. The NAB Group may suffer losses as a result of a change in the value of the NAB Group's positions in financial instruments or their hedges due to adverse movements in market prices. Adverse price movements impacting the NAB Group may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices, in particular during periods of heightened market volatility or reduced liquidity.

Credit spread risk is the risk of the NAB Group's trading book being exposed to movements in the value of securities and derivatives as the result of changes in the perceived credit quality of the underlying company. Credit spread risk accumulates in the NAB Group's trading book when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). The NAB Group may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e. quoting buy and sell prices to clients) in fixed income securities.

Interest rate risk is the risk of the NAB Group's trading book being exposed to changes in the value of securities and derivatives as the result of changes in interest rates. The NAB Group's trading book accumulates interest rate risk when the NAB Group provides interest rate hedging solutions for clients, holds interest rate risk in anticipation of customer requirements or undertakes market-making activity in fixed income securities or interest rate derivatives.

The occurrence of any event giving rise to a material trading loss may have a negative impact on the NAB Group's financial performance and financial position.

## ***Balance Sheet and Liquidity Risk***

Balance sheet and liquidity risk comprises key banking book structural risks of the NAB Group, such as liquidity risk, funding risk, interest rate risk, capital risk and foreign exchange risk.

### *The NAB Group is exposed to funding and liquidity risk*

Funding risk is the risk that the NAB Group is unable to raise short and long-term funding to support its ongoing operations, strategic plans and objectives. The NAB Group accesses domestic and global capital markets to help fund its business, in addition to using customer deposits. Dislocation in any of these capital markets, reduced investor interest in the NAB Group's securities and/or reduced customer deposits, may adversely affect the NAB Group's funding and liquidity position, increase the cost of obtaining funds or impose unfavourable terms on the NAB Group's access to funds, constrain the volume of new lending, or adversely affect the NAB Group's capital position.

Liquidity risk is the risk that the NAB Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as it matures, the payment of interest on borrowings and the payment of operational expenses and taxes. The NAB Group must also comply with prudential and regulatory liquidity obligations across the jurisdictions in which it operates. Any significant deterioration in the NAB Group's liquidity position may lead to an increase in the NAB Group's funding costs, constrain the volume of new lending, result in the NAB Group drawing upon its committed liquidity facility with the Reserve Bank of Australia or cause the NAB Group to breach its prudential or regulatory liquidity obligations. This may adversely impact the NAB Group's reputation and financial performance and position.

### *The NAB Group's capital position may be constrained by prudential requirements*

Capital risk is the risk that the NAB Group does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of the NAB Group's financial strength. It

supports an authorised deposit-taking institution's (ADI's) operations by providing a buffer to absorb unanticipated losses from its activities.

Compliance with prudential capital requirements in the jurisdictions in which the NAB Group operates and any further changes to these requirements may:

- Limit the NAB Group's ability to manage capital across the entities within the NAB Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the NAB Group to raise more capital (in an absolute sense) or raise more capital of higher quality.
- Restrict balance sheet growth.

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

*A significant downgrade in the NAB Group's credit ratings may adversely impact its cost of funds and capital market access*

Credit ratings are an assessment of a borrower's creditworthiness and may be used by market participants in evaluating the NAB Group and its products, services and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for the NAB Group, or sovereign jurisdictions where the NAB Group conducts business. Credit ratings may be affected by operational and market factors, or changes in the credit rating agency's rating methodologies.

A downgrade in the credit ratings or outlook of the NAB Group, the NAB Group's securities, or the sovereign rating of one or more of the countries in which the NAB Group operates, may increase the NAB Group's cost of funds or limit access to capital markets. This may also cause a deterioration of the NAB Group's liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the NAB Group's credit ratings relative to peers may also adversely impact the NAB Group's competitive position and financial performance and position.

*The NAB Group's financial performance and capital position may be adversely impacted by interest rate fluctuations*

Interest rate risk is the risk to the NAB Group's financial performance and capital position caused by changes in interest rates. Factors which may affect the level of interest rate risk include all on-balance sheet and off-balance sheet items that create an interest rate risk exposure within the NAB Group. As interest rates and yield curves change over time, including negative interest rates in certain countries in which the NAB Group operates, the NAB Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of the NAB Group's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced as interest rates approach zero or become negative, thereby impacting net interest margin.

*The NAB Group may fail to or be unable to sell down its underwriting risk*

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

*The value of the NAB Group's banking book may be adversely impacted by foreign exchange rates*

Foreign exchange and translation risk arises from the impact of currency movements on the value of the NAB Group's cash flows, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

The NAB Group's ownership structure includes investment in overseas subsidiaries and associates which gives rise to foreign currency exposures, such as repatriation of capital and dividends. The NAB Group also conducts business outside of Australia and transacts with customers, banks and other counterparties in a number of different currencies. The NAB Group's businesses may therefore be affected by a change in currency exchange rates, or a change in the reserve status of any of these currencies.

The NAB Group's financial statements are prepared and presented in Australian dollars, and any adverse fluctuations in the Australian dollar against other currencies in which the NAB Group invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

### ***Operational Risk***

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

*Disruption to technology may adversely impact the NAB Group's reputation and operations*

Most of the NAB Group's operations depend on technology, and therefore the reliability and security of the NAB Group's information technology systems and infrastructure are essential to the effective operation of its business and consequently to its financial performance and position. The reliability of technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems in acceptable timeframes, or a physical or cyber-attack.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose the NAB Group to new operational challenges.

Any disruption to the NAB Group's technology (including disruption to the technology systems of the NAB Group's external providers) may be wholly or partially beyond the NAB Group's control and may result in: operational disruption; regulatory enforcement actions; customer redress; litigation; financial losses; theft or loss of customer data; loss of market share; loss of property or information; or may adversely impact the speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect the NAB Group's reputation, including the view of regulators or ratings agencies, which may result in loss of customers, a reduction in share price, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for the NAB Group and negatively impact the NAB Group's reputation.

*Privacy, security and data breaches may adversely impact the NAB Group's reputation and operations*

The NAB Group processes, stores and transmits large amounts of personal and confidential information through its technology systems and networks. Threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated.

The NAB Group may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimise the resulting damage. As with other business activities, the NAB Group uses select external providers (in Australia and overseas) to store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure.

A breach of the security at any of these external providers or within the NAB Group may be wholly or partially beyond the control of the NAB Group and may result in theft or loss of customer data, a breach of privacy laws and subsequent regulatory enforcement actions, customer redress, litigation, or financial losses. This may adversely impact the financial performance and position of the NAB Group.

In addition, any such breach may adversely affect the NAB Group's reputation, including the view of regulators or ratings agencies, which may result in loss of customers, a reduction in share price, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for the NAB Group and negatively impact the NAB Group's reputation.

*Deficient policies, processes, infrastructure and models give rise to a significant risk to the NAB Group's operations*

The NAB Group's business involves the execution of a large number of complex transactions. The NAB Group is reliant on its policies, processes and supporting infrastructure functioning as designed, along with third parties appropriately managing their own operational risk and delivering services to the NAB Group as required. A failure in the design or operation of these policies, processes and infrastructure, failure of the NAB Group to manage external service providers, or the disablement of a supporting system all pose a significant risk to the NAB Group's operations and consequently its financial performance and reputation. Reputational damage may adversely impact the NAB Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. Reputational damage may also result in a higher risk premium being applied to the NAB Group, and impact the cost of funding the NAB Group's operations or its financial condition. Further, reputational damage may result in regulators requiring the NAB Group to hold additional capital, pay fines or incur additional costs, including costs to undertake remedial action. These impacts may affect the viability of some or all of the NAB Group's business activities.

Models are used extensively in the conduct of the NAB Group's business, for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect the NAB Group's financial performance and position.

*The NAB Group is exposed to the risk of human error*

The NAB Group's business, including the internal processes and systems that assist in business decisions, relies on inputs from its employees, agents and third party vendors. The NAB Group is exposed to operational risk due to process or human errors including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. The NAB Group uses select external providers (in Australia and overseas) to provide services to the NAB Group and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

*The NAB Group may not be able to attract and retain suitable personnel*

The NAB Group is dependent on its ability to attract and retain key executives, employees and Board members with a deep understanding of banking and technology, who are qualified to execute the NAB Group's strategy, as well as the technology transformation the NAB Group is undertaking to meet the changing needs of its customers. Weaknesses in employment practices, including diversity, discrimination and workplace health and safety, are sources of operational risk that can impact the NAB Group's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability.

The NAB Group's capacity to attract and retain key personnel is dependent on its ability to design and implement effective remuneration structures. This process may be constrained by regulatory requirements

(particularly in the highly regulated financial services sector), as well as investor expectations, which may be somewhat disparate.

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact the NAB Group's ability to operate effectively and efficiently, or to meet the NAB Group's strategic objectives.

*External events may adversely impact the NAB Group's operations*

Operational risk can arise from external events such as natural disasters, biological hazards or acts of terrorism. The NAB Group has branches in regional areas in Australia (including in Queensland, Western Australia and New South Wales) that are prone to seasonal natural disasters, including fires and floods.

In addition, the NAB Group has branches and office buildings in Christchurch and Wellington in NZ, which have experienced significant earthquakes and aftershocks in recent years and which may be exposed to the risk of future earthquakes.

Given the NAB Group's physical presence in the central business districts of major cities in Australia and NZ, it may also be exposed to the risk of a terrorist attack.

External events such as natural disasters, biological hazards and acts of terrorism may cause property damage and business disruption, which may adversely impact the NAB Group's financial performance. In addition, if the NAB Group is unable to manage the impacts of such external events, it may lead to reputational damage and compromise the NAB Group's ability to provide a safe workplace for its personnel.

*If there is a 'second strike' shareholder vote against NAB's 2019 Remuneration Report and a spill resolution is passed at NAB's 2019 Annual General Meeting, there is a risk of disruption to the governance and oversight of the NAB Group*

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

The receipt of a 'second strike' and subsequent passing of a 'spill resolution' may also cause reputational damage to the NAB Group, which may adversely impact the NAB Group's ability to attract and retain customers, employees and investors in the short and long-term and the ability to pursue new business opportunities.

***Compliance Risk***

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives.

*The NAB Group may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime*

Supervision, regulation and enforcement in relation to anti-bribery and corruption, anti-money laundering (AML) and counter-terrorism financing (CTF) laws and trade sanctions has increased. In June 2018, Australia's financial intelligence agency, AUSTRAC, reached an agreement with another major Australian

bank for a A\$700 million penalty relating to serious breaches of AML/CTF laws. NAB has reported a number of AML/CTF compliance breaches to relevant regulators and has responded to a number of requests from regulators requiring the production of documents and information. The NAB Group is currently investigating and remediating a number of AML/CTF compliance issues. The potential outcome and total costs associated with the investigation and remediation process remain uncertain. A negative outcome to any investigation or remediation process may adversely impact the NAB Group's reputation and its business, financial position and results of operations. Further, given the large volume of transactions that the NAB Group processes, the undetected failure of internal AML/CTF controls, or the ineffective implementation or remediation of compliance issues, could result in a significant number of breaches of AML/CTF obligations and significant monetary penalties for the NAB Group.

Refer to 'Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments' on page 146 in the 2019 NAB Annual Financial Report under the heading 'Regulatory activity, compliance investigations and associated proceedings - Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) program uplift and compliance issues', which is incorporated by reference in this Offering Circular, for more information.

*Matters arising during the Royal Commission may result in legal proceedings against the NAB Group*

The Royal Commission has referred two matters to the Australian Prudential Regulation Authority (**APRA**) regarding the conduct of the NAB Group's superannuation trustee, NULIS Nominees (Australia) Ltd (**NULIS**). It is possible that APRA may bring proceedings against NULIS in relation to these matters. In addition, litigation funder IMF Bentham and William Roberts Lawyers recently announced that they are working to bring a class action against NULIS and are seeking customers to register their interest in participating in the class action.

The Royal Commission also referred other instances of potential misconduct to the Australian Securities and Investments Commission (**ASIC**) for consideration. ASIC subsequently commenced civil proceedings against NAB in relation to its 'Introducer Payment Program', alleging contraventions of the National Consumer Credit Protection Act 2009 in relation to 297 loan applications that were made between 2013 and 2016. The potential outcome and total costs associated with this matter remain uncertain. ASIC may bring further proceedings against the NAB Group in relation to other matters referred to it by the Royal Commission, which may result in the imposition of civil or criminal penalties on the NAB Group or the issuing of a class action or other civil litigation against the NAB Group.

It is also possible that legal actions may be commenced against relevant individuals within the NAB Group.

Any damages awards or penalties may adversely impact the NAB Group's reputation and financial performance and position. Refer to 'Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments' on pages 143-148 in the 2019 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, for more information.

*Responsible lending obligations are evolving and may create additional operational complexity for the NAB Group*

The responsible lending obligations applicable to the NAB Group under the National Consumer Credit Protection Act 2009 have evolved in recent years. Changes to these obligations, including their interpretation by the courts, or any increased regulatory and public scrutiny, may require the NAB Group to change its consumer lending processes or procedures. This may lead to additional operational complexity for the NAB Group, as well as increased costs, which may adversely impact the NAB Group's financial performance and position.

*Ensuring compliance with laws and regulations that apply to the NAB Group is complex and costly*

The NAB Group is highly regulated and subject to various regulatory regimes which differ across the jurisdictions in which it operates, trades or raises funds.

Ensuring compliance with all applicable laws is complex. There is a risk the NAB Group will be unable to implement the processes and controls required by relevant laws and regulations in a timely manner or that the NAB Group's internal controls will prove to be inadequate or ineffective in ensuring compliance. Any failure to comply with relevant laws and regulations may have a negative impact on the NAB Group's reputation and financial performance and position, and may give rise to class actions, regulatory enforcement or litigation.

In addition, there is significant cost associated with the systems, processes and personnel required to ensure compliance with applicable laws and regulations. Such costs may negatively impact the NAB Group's financial performance and position.

*Failure to comply with laws or regulatory requirements may expose the NAB Group to class actions*

There have been a number of domestic and international firms facing high profile enforcement actions for alleged instances of non-compliance with laws or regulatory requirements. In some cases, these enforcement actions have also given rise to class actions. Plaintiff law firm Slater & Gordon has filed a class action in the Federal Court of Australia, alleging that NAB and MLC Limited engaged in unconscionable conduct and misleading and deceptive conduct in connection with the sale of a particular type of consumer credit insurance (being 'NAB Credit Card Cover') and unconscionable conduct in connection with the sale of a second consumer credit insurance product (being 'NAB Personal Loan Cover'). Refer to 'Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments' on page 146 in the 2019 NAB Annual Financial Report under the heading 'Regulatory activity, compliance investigations and associated proceedings - Consumer Credit Insurance (CCI)', which is incorporated by reference in this Offering Circular, for more information.

It is possible that class actions may arise against members of the NAB Group in relation to allegations of which the NAB Group is currently aware or other matters of which it is not yet aware. Any class action may impact the NAB Group's reputation, divert management time from operations and affect the NAB Group's financial performance and position, profitability and returns to investors.

*The NAB Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect*

Preparation of the NAB Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. A higher degree of judgement is required for the estimates used in the calculation of provisions (including for customer-related remediation), the valuation of goodwill and intangible assets, and the fair value of financial instruments. Changes in the methodology or assumptions on which the assessment of goodwill and intangible balances is based, together with expected changes in future cash flows (including changes flowing from current and potential regulatory reforms), could result in the potential write-off of a part or all of that goodwill or intangible balances.

If the judgements, estimates and assumptions used by the NAB Group in preparing financial statements are subsequently found to be incorrect, there could be a significant loss to the NAB Group beyond that anticipated or provided for, which may adversely impact the NAB Group's reputation, and financial performance and position.

*The NAB Group may be exposed to litigation and contingent liabilities*

Entities within the NAB Group may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability and costs in respect thereof cannot be estimated with any certainty.

Currently, there are a number of ongoing investigations and court proceedings involving the NAB Group. These include matters relating to: the provision of financial advice; the inappropriate charging of fees for services; engaging in regulated credit activities with unlicensed persons; selling practices and advice in relation to consumer credit insurance products and compliance with licence conditions and the National Credit Code. Where appropriate, provisions are held for litigation matters based on a number of assumptions derived from a combination of past experience, forecasts, industry comparison and the exercise of subjective judgement based on (where appropriate) external professional advice. As with other accounting, judgements, risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to the NAB Group. There is inherent uncertainty regarding the possible outcome of any court proceedings involving the NAB Group. It is also possible that further class actions, regulatory investigations or the imposition of new licence conditions could arise in relation to these matters or other matters of which the NAB Group is not yet aware.

A negative outcome to investigations or litigation involving the NAB Group may divert management time from operations and adversely impact the NAB Group's reputation, and financial performance and position.

Refer to 'Notes to the Financial Statements – Note 29 – Contingent liabilities and credit commitments' on pages 143-148 in the 2019 NAB Annual Financial Report, which is incorporated by reference in this Offering Circular, for details in relation to certain legal proceedings and contingent liabilities.

**Conduct Risk**

Conduct risk is the risk that any action of the NAB Group, or those acting on behalf of the NAB Group, will result in unfair outcomes for any of the NAB Group's customers.

*The NAB Group is heavily reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way*

Organisational culture can greatly influence individual and group behaviours which can expose an organisation and lead to unfair customer outcomes. The behaviours that could expose the NAB Group to conduct risk include:

- Selling, or unduly influencing customers to purchase, products or services that do not meet their needs.
- Being a party to fraud.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in the customers' interests.
- Delays in appropriately escalating regulatory issues.
- Failure to resolve issues and remediate customers in a timely manner.

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

- Increased costs of compliance, fines, additional capital requirements, public censure, litigation, settlements and restitution to customers.



- Increased supervision, oversight or enforcement by regulators or other stakeholders.
- Unenforceability of contracts such as loans, guarantees and other security documents.
- Enforced suspension of operations, amendments to licence conditions or loss of licence to operate all or part of the NAB Group's businesses.
- Other enforcement or administrative action or agreements, including legal proceedings.

A failure of the NAB Group's conduct controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact the NAB Group's reputation, financial performance and position, profitability, operations and returns to investors.

### ***Regulatory Risk***

Regulatory risk is the risk of failing to identify or appropriately respond to changes to the regulatory environment or of damaging the NAB Group's standing with its regulators as a result of the NAB Group not meeting regulatory expectations.

#### *Extensive regulatory change poses a significant risk to the NAB Group*

Globally, the financial services and banking industries are subject to a significant and increasing number of regulatory reviews and political scrutiny, including in Australia and NZ. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond the NAB Group's control, and may not be harmonised across the jurisdictions in which the NAB Group operates.

Regulatory change may result in significant capital and compliance costs, changes to the NAB Group's corporate structure and increasing demands on management, employees and information technology systems. This may also impact the viability of the NAB Group's participation in certain markets, or give rise to the need to divest a part of the NAB Group's business.

The Royal Commission made a considerable number of recommendations, most of which have received political support. The Royal Commission's recommendations are expected to result in significant legislative and regulatory change that will impact the operations of the NAB Group. The Australian Government has committed to a compressed timeframe for introducing the large number of legislative changes required to effect the Royal Commission's recommendations. The compressed timeframe for implementation poses a particular risk to the NAB Group's operations as the necessary controls may not be able to be implemented in a timely and considered manner. Following the Royal Commission, further inquiries and regulatory reviews impacting the financial services industry may be commissioned by the Australian Government, which, depending on their scope, findings and recommendations, may adversely impact the NAB Group.

Other reviews and regulatory reforms currently relevant to the NAB Group which present a potential regulatory risk include:

- APRA's various reforms in relation to loss-absorbing capacity. These include the requirement, due to be implemented by 1 January 2024, that Domestic Systemically Important Banks (**D-SIBs**), such as NAB, increase total capital by 3 per cent. of risk weighted assets (**RWA**), which is expected to be satisfied primarily by issuing additional Tier 2 Capital. Based on the NAB Group's RWA of A\$416 billion as at 30 September 2019, this requirement represents an incremental increase of A\$12.5 billion of total capital. In addition, APRA intends to consult on a target of additional capital amounting to a further 1-2 per cent. of RWA. The NAB Group's funding costs are expected to increase due to the higher cost of Tier 2 Capital issuance relative to senior debt.
- APRA's proposed revisions to the credit risk management framework for ADIs include broadening requirements for credit risk management practices; revising credit standards; and aligning asset

classification and provisioning with the Basel Committee on Banking Supervision's (BCBS) recent accounting standard changes and guidance.

- The RBNZ's proposal that banks deemed systemically important in NZ (including NAB's subsidiary, BNZ) be required to hold Tier 1 capital amounting to 16 per cent. of RWA, consisting of a minimum Tier 1 requirement of 6 per cent. of RWA and prudential capital buffer of Common Equity Tier 1 equal to 10 per cent. of RWA over a proposed five-year staged transition period. It remains unclear the extent to which APRA will incorporate aspects of the RBNZ's proposals as part of its review of the Australian capital framework.
- APRA's ongoing consultation on revisions to the capital framework, reaffirming its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. The major Australian banks (including NAB) are expected to meet APRA's 'unquestionably strong' target benchmark beginning January 2020. Final revised prudential standards in relation to the risk-weighting framework and other capital requirements are expected to be released in 2020, and may require additional capital to be held by the NAB Group from January 2022.
- The NZ Financial Markets Authority (FMA) and RBNZ have undertaken a review of conduct and culture in the NZ financial services industry. Alongside industry-wide recommendations released as a result of the review, further specific findings were provided to individual NZ banks (including BNZ) in November 2018. The review has led to a NZ Government announcement in September 2019 that it will introduce legislation to create an oversight regime for regulating conduct in the banking and insurance sectors by the end of 2019.
- The Australian Banking Executive Accountability Regime (BEAR) has been legislated and applies to the NAB Group. The Royal Commission made a number of recommendations regarding BEAR, including to introduce a new accountable person responsibility for end-to-end product value chains within an ADI (including any necessary remediation of customers in respect of an ADI's products). APRA is currently seeking submissions on this proposal, with a target implementation date of 1 July 2020.
- The Australian Government has directed the Australian Competition and Consumer Commission (ACCC) to commence an inquiry into home loan pricing. The ACCC will investigate a wide range of issues, including the rates paid by new and existing customers, how the cost of financing for banks has affected interest rate decisions and the interaction between home loan pricing and rate-setting by the Reserve Bank of Australia. A preliminary report is expected by the end of March 2020, with a final report due on 30 September 2020.

Other material regulatory changes include new requirements for the design and distribution of financial products, responsible lending reforms, and the implementation of Open Banking reforms. In addition, there are a number of other ongoing or proposed regulatory changes and inquiries relevant to the NAB Group such as: changes to the NAB Group entities eligible for inclusion in the Level 1 group for prudential purposes; changes to financial benchmarks; derivatives reform; payments; data protection and privacy laws; data quality; competition inquiries; accounting and reporting requirements; and tax reform.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known. Depending on the specific nature of the requirements and how they are implemented or enforced, they may have an adverse impact on the NAB Group's business, operations, structure, compliance costs or capital requirements, and ultimately its reputation, and financial performance and position.

*There is a risk of the NAB Group failing to deliver on commitments made to its regulators and to the public or otherwise damaging its relationship with regulators*

In response to the Royal Commission, the NAB Group has made certain public commitments to change the way it operates. In addition, in November 2018, the NAB Group published its self-assessment on governance, accountability and culture to APRA and has undertaken to regularly report on the NAB Group's progress in implementing the findings.

If the NAB Group does not deliver on the matters identified in its self-assessment, fails to deliver on its public commitments following the Royal Commission, or otherwise fails to comply with the representations it makes to the public or to its regulators, this may negatively impact the NAB Group's reputation. Such reputational damage may adversely impact the NAB Group's ability to attract and retain customers or employees in the short and long-term. It may also result in a higher risk premium being applied to the NAB Group, and impact the cost of funding the NAB Group's operations, or its financial performance and position.

*The enforcement approach of the NAB Group's principal regulators has changed, resulting in a greater risk of enforcement actions*

A number of measures were recommended by the Royal Commission to improve the effectiveness and oversight of ASIC and APRA in deterring, and imposing appropriate penalties for, misconduct. These included a recommendation for ASIC to change its approach to enforcement, with a focus on instigating court actions in relation to conduct matters where a breach of law is more likely than not, and the matter is in the public interest. Accordingly, the NAB Group may be exposed to a greater risk of enforcement action initiated by its primary regulators, ASIC and APRA, which may result in the imposition of civil or criminal penalties on the NAB Group. The issuing of any such enforcement action, and any subsequent imposition of penalties, may negatively impact on the NAB Group's reputation and financial performance and position.

## **BNZ and BNZ-IF - Risks specific to BNZ and BNZ-IF**

Set out below are the principal risks and uncertainties associated with BNZ and its controlled entities (including BNZ-IF). It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each sub-category that BNZ considers most material is listed first, based on the information available at the date of this Offering Circular and BNZ's best assessment of the likelihood of each risk occurring and potential magnitude of the negative impact to BNZ should such risk materialise. In the event that one or more of these risks materialise, BNZ's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

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

### ***Risk specific to BNZ-IF as an offshore funding entity of BNZ***

*BNZ-IF is an offshore funding entity*

BNZ-IF is a funding entity, the primary business of which is carrying out offshore wholesale funding for BNZ through the issuance of debt securities (see "*Description of BNZ-IF*" on pages 198 to 200 of this Offering Circular for further details). BNZ-IF's debt securities are unconditionally and irrevocably guaranteed by BNZ to enable BNZ-IF to carry out such fundraising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations in respect of Guaranteed Senior Notes will be entirely dependent on the ability of BNZ to fund its debt obligations to BNZ-IF.

## ***Strategic Risk***

Strategic risk is the risk associated with the pursuit of BNZ's strategic objectives, including the risk that BNZ fails to execute its chosen strategy effectively or in a timely manner.

*Strategic initiatives may fail to be executed, may not deliver all anticipated benefits and may change BNZ's risk profile*

BNZ's corporate strategy sets its purpose, vision and objectives, and focuses on:

- Delivering great customer outcomes.
- Simplifying BNZ's business to improve efficiency and better service its customers.
- Targeting growth opportunities including new and emerging propositions.
- Attracting and developing people to create a high performing organisation.

BNZ prioritises, and invests significant resources in, the execution of initiatives that are aligned to its strategy, including transformation and change programmes. These programmes focus on technology, infrastructure, business improvement and cultural transformation. There is a risk that these programmes may not realise some or all of their anticipated benefits. These programmes may also increase operational, compliance and other risks. Any failure by BNZ to deliver in accordance with its strategy or to deliver these strategic programmes effectively, may result in material losses to BNZ, or a failure to achieve anticipated benefits, and ultimately may adversely impact BNZ's operations and financial performance and position.

### ***BNZ faces intense competition***

There is substantial competition across the markets in which BNZ conducts business. BNZ faces competition from established financial services providers as well as foreign banks and new market entrants, particularly non-bank competitors with lower costs and new operating and business models. In addition, evolving industry trends and rapid technology changes may impact customer needs and preferences and BNZ may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to meet customer expectations and keep pace with competitors. Progress is also being made towards open data sharing in NZ, with Payments NZ (a governance organisation in respect of core payment systems) negotiating the development of payment initiation and account information standards in May 2019. Ongoing competition for customers can lead to compression in profit margins and loss of market share, which may ultimately impact BNZ's financial performance and position, profitability and returns to investors.

### ***Risks may arise from pursuing acquisitions and divestments***

BNZ regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures and investments.

Pursuit of corporate opportunities inherently involves transaction risks, including over-valuation of an acquisition or investment or under-valuation of a divestment and exposure to reputational damage. BNZ may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on BNZ's financial performance and position.

BNZ may incur unexpected financial losses following an acquisition, joint venture or investment if the business it invests in does not perform as planned or causes unanticipated changes to BNZ's risk profile. Additionally, there can be no assurance that employees, counterparties, suppliers, customers and other

relevant stakeholders will remain with an acquired business following the transaction and any failure to retain such stakeholders may have an adverse impact on BNZ's overall financial performance and position.

BNZ may also have ongoing exposures to divested businesses, including through the provision of continued services and infrastructure or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities, which may have an adverse impact on BNZ's business and financial performance and position.

### ***Credit Risk***

Credit risk is the risk that a customer will fail to meet its obligations to BNZ in accordance with agreed terms. Credit risk arises from both BNZ's lending activities and markets and trading activities.

*Adverse business conditions in NZ, particularly in the agriculture sector, the consumer facing sector, or both, may give rise to increasing customer defaults*

BNZ has a large share of the business lending market in NZ. Should adverse business conditions lead to defaults by business customers in these markets, BNZ may experience an adverse impact on its financial performance and position.

Specifically, BNZ has a large market share in the NZ agricultural sectors, particularly the dairy sector. Volatility in commodity prices, milk prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions and extreme weather events may negatively impact these sectors. This may result in increased losses to BNZ from customer defaults, and ultimately may have an adverse impact on BNZ's financial performance and position.

A significant decrease in global dairy prices, milk solid pay-outs, or both, could also materially and adversely impact the NZ dairy sector's ability to service debt. The financial impact on BNZ of a decrease in the ability of dairy sector participants to service debt could be compounded by the low liquidity and volatility in dairy farm values evident in NZ at present.

Customers of BNZ whose businesses are in consumer facing industries are also confronting challenges including high household debt, and low wage growth weighing on consumer confidence and impacting their business' performance. These factors may give rise to an increase in customer defaults, ultimately affecting BNZ's financial performance and position, profitability and returns to investors.

*A decline in the residential property market may give rise to lower recoveries for defaulting loans*

Lending activities account for most of BNZ's credit risk. BNZ's lending portfolio is largely based in NZ. Residential housing loans and commercial real estate loans constitute a material component of BNZ's total gross loans and acceptances. A decline in value of residential property used as collateral (including in business lending) may give rise to greater losses to BNZ resulting from customer defaults, which, in turn, may impact BNZ's financial performance and position, profitability and returns to investors. The most significant impact is likely to be experienced by residential mortgage customers in high loan-to-value-ratio brackets.

*Climate change and extreme climate patterns may lead to increasing customer defaults and may decrease the value of collateral*

Physical and transitional risks associated with climate change have led to regulatory change in NZ, such as the New Zealand Climate Change Response (Zero Carbon) Amendment Act 2019, which commits NZ to a net zero carbon economy by 2050 or sooner. These changes may disrupt the operations of BNZ's customers involved in a wide range of sectors and industries. As NZ transitions to a net zero carbon economy, there are transitional risks which may lead to an increase in adoption of emission-reducing technology, changes to farming and manufacturing practices, changes to insurance practices, tax changes and revised land use

regulation, any of which may impact security values. Changing physical conditions may also reduce the ability of businesses to service loans. Participants in the agricultural sector are particularly vulnerable including businesses in their supply chains. NZ could also see damage to its natural assets that may reduce tourism income. This may lead to changes to BNZ's operations, strategy, risk profile and risk appetite, which may adversely impact BNZ's financial performance and position, profitability and returns to investors.

*BNZ's losses may differ materially from its provisions which may impact its financial performance and position*

BNZ provides for expected losses from loans, advances and other assets. Estimating losses in the loan portfolio is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgements. If the assumptions upon which these assessments are made prove to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact BNZ's financial performance and position.

*BNZ may be adversely impacted by macro-economic and geopolitical risks and financial market conditions which pose a credit risk*

As BNZ primarily conducts business in NZ, BNZ's performance is dependent on the performance of the economy in NZ. Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates and other economic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as: economic growth rates; cost and availability of capital; central bank intervention; inflation and deflation rates; level of interest rates; yield curves; market volatility; and uncertainty. Deterioration in any of these factors may lead to the following negative impacts on BNZ:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

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

The following macro-economic and financial market conditions are currently of most relevance to the credit risk facing BNZ and may give rise to slower revenue growth and/or increasing customer defaults:

- Global economic growth is trending downwards which may create credit risk for BNZ. NZ, which is BNZ's key market, is a small and open economy where national income (and with it, the capacity for businesses and households to service debt) is impacted by global trends. The current global economic cycle peaked in early 2018 and growth has slowed since this time, due to fading fiscal stimulus, the impact of US-China trade tensions, and tighter monetary policy in the US and UK among other jurisdictions.
- In response to weakening growth, some central banks have eased monetary policy and indicated further rate cuts could occur. Given extremely low policy rates in some countries, policy easing may also involve additional quantitative easing. Policy easing would be expected to reduce short-term downside risks to growth, but risks building on existing imbalances in various asset classes and regions. Policy easing may also reduce the impetus for highly geared borrowers to deleverage thereby increasing the credit risk posed to BNZ by these highly geared customers.
- As a key trading partner, China's economic growth is important to NZ, with export income and business investment exposed to any sharp slowdown in the rapid pace of Chinese economic growth. China's high and growing debt burden presents a risk to its medium-term growth prospects. Due to its export mix, NZ's economy is exposed to any slowdown in China.
- The ongoing trade tensions between the US and China present additional uncertainty that poses risks to global economic growth. There remains the possibility of further trade measures that will negatively impact global economic growth. Although China is the primary target of US trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. A number of emerging markets in East Asia are major trading partners with NZ and accordingly a negative impact on their economies may increase the credit risk facing BNZ.
- Geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. These geopolitical risks include (but are not limited to) an increasing fragmentation of, and a rise in populism in, many major democratic economies which have led to difficulties in policy implementation, and uncertainty surrounding the UK's departure from the European Union which continues, with a general election scheduled prior to the recently extended deadline, with the major parties offering differing ways forward for Brexit.
- NZ's economic growth has slowed in 2019. The NZ tourism sector, in particular, is challenged with capacity constraints and the potential for reduced demand for long-haul travel. Any such slowdown could therefore have a negative impact on BNZ's customers who are exposed to this sector, and may give rise to increasing levels of customer defaults. A slowdown in economic growth in NZ and any resulting increase in unemployment may negatively impact debt servicing levels, increase customer defaults and negatively impact BNZ's financial performance and position and its profitability.
- As a commodity exporting economy, NZ is exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Previous sharp declines in commodity prices in NZ were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and given BNZ's sizeable exposures to commodity producing and trading businesses, this volatility poses a significant source of credit risk to BNZ.

### ***Market Risk***

Market risk is the risk of loss from BNZ's trading activities. BNZ may suffer losses as a result of a change in the value of BNZ's positions in financial instruments or their hedges due to adverse movements in market prices. Adverse price movements impacting BNZ may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices, in particular during periods of heightened market volatility or reduced liquidity.

Credit spread risk is the risk of BNZ's market operations and trading activities being exposed to movements in the value of securities and derivatives as the result of changes in the perceived credit quality of the underlying company. Credit spread risk accumulates in BNZ's market operations and trading activities when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). BNZ may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e. quoting buy and sell prices to clients) in fixed income securities.

Interest rate risk is the risk of BNZ's market operations and trading activities being exposed to changes in the value of securities and derivatives as the result of changes in interest rates. BNZ's market operations and trading activities accumulate interest rate risk when BNZ provides interest rate hedging solutions for clients, holds interest rate risk in anticipation of customer requirements or undertakes market-making activity in fixed income securities or interest rate derivatives.

The occurrence of any event giving rise to a material trading loss may have a negative impact on BNZ's financial performance and financial position.

### ***Balance Sheet and Liquidity Risk***

Balance sheet and liquidity risk comprises key banking book structural risks of BNZ such as liquidity risk, funding risk, interest rate risk, capital risk and foreign exchange risk.

#### ***BNZ is exposed to funding and liquidity risk***

Funding risk is the risk that BNZ is unable to raise short and long-term funding to support its ongoing operations, strategic plans and objectives. BNZ accesses domestic and global capital markets to help fund its business, in addition to using customer deposits. Dislocation in any of these capital markets, reduced investor interest in BNZ's securities and/or reduced customer deposits may adversely affect BNZ's funding and liquidity position, increase the cost of obtaining funds or impose unfavourable terms on BNZ's access to funds, constrain the volume of new lending, or adversely affect BNZ's capital position.

Liquidity risk is the risk that BNZ is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as it matures, the payment of interest on borrowings and the payment of operational expenses and taxes. BNZ must also comply with prudential and regulatory liquidity obligations as part of NAB Group. Any significant deterioration in BNZ's liquidity position may lead to an increase in BNZ's funding costs, constrain the volume of new lending or cause BNZ to breach its prudential or regulatory liquidity obligations. This may adversely impact BNZ's reputation and financial performance and position.

#### ***BNZ's capital position may be constrained by prudential requirements***

Capital risk is the risk that BNZ does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of BNZ's financial strength. It supports BNZ's operations by providing a buffer to absorb unanticipated losses from its activities.

BNZ is required by its prudential obligations to hold minimum levels of capital relative to the size of its balance sheet and its operational risk profile.

Compliance with prudential capital requirements in NZ and any further changes to these requirements may:

- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require BNZ to raise more capital (in an absolute sense) or raise more capital of higher quality.



- Restrict balance sheet growth.

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

*A significant downgrade in BNZ's credit ratings may adversely impact its cost of funds and capital market access*

Credit ratings are an assessment of a borrower's creditworthiness and may be used by market participants in evaluating BNZ and its products, services and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for BNZ, or sovereign jurisdictions where BNZ conducts business. Credit ratings may be affected by operational and market factors, or changes in the credit rating agency's rating methodologies.

A downgrade in the credit ratings or outlook of BNZ, BNZ's securities, or the sovereign rating of one or more of the countries in which BNZ conducts business, may increase BNZ's cost of funds or limit access to capital markets. This may also cause a deterioration of the liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A significant downgrade to BNZ's credit ratings relative to peers may also adversely impact BNZ's competitive position and financial performance and position.

*BNZ's financial performance and capital position may be adversely impacted by interest rate fluctuations*

Interest rate risk is the risk to BNZ's financial performance and capital position caused by changes in interest rates. Factors which may affect the level of interest rate risk include all on-balance sheet and off-balance sheet items that create an interest rate risk exposure within BNZ.

As interest rates and yield curves change over time, including negative interest rates in certain countries and, potentially, in NZ, BNZ may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of BNZ's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced as interest rates approach zero or become negative, thereby impacting net interest margin.

*BNZ may fail to or be unable to sell down its underwriting risk*

As a financial intermediary, BNZ underwrites or guarantees different types of transactions, risks and outcomes, including the placement of listed and unlisted debt. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and BNZ may therefore be exposed to potential losses, which may be significant, if it fails to sell down some or all of this risk to other market participants.

*The value of BNZ's banking book may be adversely impacted by foreign exchange rates*

Foreign exchange and translation risk arises from the impact of currency movements on the value of BNZ's cash flows, profits and losses and assets and liabilities due to participation in global financial markets and international operations.

BNZ's financial statements are prepared and presented in New Zealand dollars, and any adverse fluctuations in the New Zealand dollar against other currencies in which BNZ invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

### ***Operational Risk***

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

*Disruption to technology may adversely impact BNZ's reputation and operations*

Most of BNZ's operations depend on technology, and therefore the reliability and security of BNZ's information technology systems and infrastructure are essential to the effective operation of its business and consequently to its financial performance and position. The reliability of technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems in acceptable timeframes, or a physical or cyber-attack.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose BNZ to new operational challenges.

Any disruption to BNZ's technology (including disruption to the technology systems of BNZ's external providers) may be wholly or partially beyond BNZ's control and may result in operational disruption; regulatory enforcement actions; customer redress; litigation; financial losses; theft or loss of customer data; loss of market share; loss of property or information; or may adversely impact the speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect BNZ's reputation including the view of regulators or ratings agencies, which may result in loss of customers, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for BNZ and negatively impact BNZ's reputation.

*Privacy, security and data breaches may adversely impact BNZ's reputation and operations*

BNZ processes, stores and transmits large amounts of personal and confidential information through its technology systems and networks. Threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated.

BNZ may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimise the resulting damage. As with other business activities, BNZ uses select external providers (in NZ and overseas) to store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure.

A breach of the security at any of these external providers or within BNZ may be wholly or partially beyond the control of BNZ and may result in theft or loss of customer data, a breach of privacy laws and subsequent regulatory enforcement actions, customer redress, litigation, or financial losses. This may adversely impact BNZ's financial performance and position.

In addition, any such breach may adversely affect BNZ's reputation, including the view of regulators or ratings agencies, which may result in loss of customers, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for BNZ and negatively impact BNZ's reputation.

*Deficient policies, processes, infrastructure and models give rise to a significant risk to BNZ's operations*

BNZ is reliant on its policies, processes and supporting infrastructure functioning as designed, along with third parties appropriately managing their own operational risk and delivering services to BNZ as required. A failure in the design or operation of these policies, processes and infrastructure, failure of BNZ to manage external service providers, or the disablement of a supporting system all pose a significant risk to BNZ's operations and consequently its financial performance and reputation. Reputational damage may adversely impact BNZ's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. Reputational damage may also result in a higher risk premium being applied to BNZ, and impact the cost of funding BNZ's operations or its financial condition. Further, reputational damage may result in regulators requiring BNZ to hold additional capital, pay fines or incur

additional costs, including costs to undertake remedial action. These impacts may affect the viability of some or all of BNZ's business activities.

Models are used extensively in the conduct of BNZ's business, for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect BNZ's financial performance and position.

*BNZ is exposed to the risk of human error*

BNZ's business, including the internal processes and systems that assist in business decisions, relies on inputs from its employees, agents and third party vendors. BNZ is exposed to operational risk due to process or human errors, including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. BNZ uses select external providers (in NZ and overseas) to provide services to BNZ and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

*BNZ may not be able to attract and retain suitable personnel*

BNZ is dependent on its ability to attract and retain key executives, employees and Board members with a deep understanding of banking and technology, who are qualified to execute BNZ's strategy, as well as the technology transformation BNZ is undertaking to meet the changing needs of its customers. Weaknesses in employment practices, including diversity, discrimination and workplace health and safety, are sources of operational risk that can impact BNZ's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability.

BNZ's capacity to attract and retain key personnel is dependent on its ability to design and implement effective remuneration structures. This process may be constrained by regulatory requirements (particularly in the highly regulated financial services sector).

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact BNZ's ability to operate effectively and efficiently, or to meet BNZ's strategic objectives.

*External events may adversely impact BNZ's operations*

Operational risk can arise from external events such as natural disasters, biological hazards or acts of terrorism.

In addition, BNZ has branches and office buildings in Christchurch and Wellington in NZ, which have experienced significant earthquakes and aftershocks in recent years and which may be exposed to the risk of future earthquakes.

Given BNZ's physical presence in the central business districts of major cities in NZ, it may also be exposed to the risk of a terrorist attack.

External events such as natural disasters, biological hazards and acts of terrorism may cause property damage and business disruption, which may adversely impact BNZ's financial performance. In addition, if BNZ is unable to manage the impacts of such external events, it may lead to reputational damage and compromise BNZ's ability to provide a safe workplace for its personnel.

***Compliance Risk***

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives.

*BNZ may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime*

Supervision, regulation and enforcement in relation to anti-bribery and corruption, AML and countering financing of terrorism laws (CFT) and trade sanctions have increased. BNZ has reported a number of potential compliance issues to the RBNZ and has responded to a number of requests from the RBNZ requiring the production of documents and information. BNZ is currently investigating and remediating a number of potential AML/CFT compliance issues. The potential outcome and total costs associated with the investigation and remediation process remain uncertain. A negative outcome to any investigation or remediation process may adversely impact BNZ's reputation and its business, financial position and results of operations. Further, given the large volume of transactions that BNZ processes, the risk of undetected failure of internal AML/CFT controls, or the ineffective implementation or remediation of compliance issues, could result in a significant number of breaches of AML/CFT obligations and significant monetary penalties for BNZ.

Refer to 'Notes to and Forming Part of the Financial Statements – Note 29 – Contingent Liabilities and Other Commitments' on page 49 of the 2019 Disclosure Statement under the heading 'Other contingent liabilities', which is incorporated by reference in this Offering Circular, for more information.

*Ensuring compliance with laws and regulations that apply to BNZ is complex and costly*

BNZ is highly regulated across the jurisdictions in which it conducts business.

Ensuring compliance with all applicable laws is complex. There is a risk BNZ will be unable to implement the processes and controls required by relevant laws and regulations in a timely manner or that BNZ's internal controls will prove to be inadequate or ineffective in ensuring compliance. Any failure to comply with relevant laws and regulations may have a negative impact on BNZ's reputation and financial performance and position and may give rise to representative actions, regulatory enforcement or litigation.

In addition, there is significant cost associated with the systems, processes and personnel required to ensure compliance with applicable laws and regulations. Such costs may negatively impact BNZ's financial performance and position.

*BNZ may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect*

Preparation of BNZ's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. A higher degree of judgement is required for the estimates used in the calculation of provisions (including for customer-related remediation), the valuation of goodwill and intangible assets, and the fair value of financial instruments. Changes in the methodology or assumptions on which the assessment of goodwill and intangible balances is based, together with expected changes in future cash flows (including changes flowing from current and potential regulatory reforms), could result in the potential write-off of a part or all of that goodwill or intangible balances.

If the judgements, estimates and assumptions used by BNZ in preparing financial statements are subsequently found to be incorrect, there could be a significant loss to BNZ beyond that anticipated or provided for, which may adversely impact BNZ's reputation, and financial performance and position.

*BNZ may be exposed to litigation and contingent liabilities*

BNZ may be involved from time to time in legal proceedings arising from the conduct of its business. The aggregate potential liability and costs in respect thereof cannot be estimated with any certainty.

Where appropriate, provisions are held for conduct and litigation matters based on a number of assumptions derived from a combination of past experience, forecasts, industry comparison and the exercise of subjective judgement based on (where appropriate) external professional advice. As with other accounting judgements, risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to BNZ. There is inherent uncertainty regarding the possible outcome of any court proceedings involving BNZ. It is also possible that representative actions, regulatory investigations or the imposition of new licence conditions could arise in relation to these matters or other matters of which BNZ is not yet aware.

A negative outcome to investigations or litigation involving BNZ may divert management time from operations and adversely impact BNZ's reputation, and financial performance and position. Refer to '*Notes to and Forming Part of the Financial Statements – Note 29 – Contingent Liabilities and Other Commitments*' on page 49 of the 2019 Disclosure Statement, under the heading '*Other contingent liabilities*', which is incorporated by reference in this Offering Circular, for details in relation to BNZ's contingent liabilities.

### **Conduct Risk**

Conduct risk is the risk of negative outcomes arising as a result of behaviour or actions of BNZ, or those acting on behalf of BNZ, that lead to unfair customer, employee, community or other stakeholder outcomes.

*BNZ is heavily reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way*

Organisational culture can greatly influence individual and group behaviours which can expose an organisation and lead to unfair outcomes. The behaviours that could expose BNZ to conduct risk include:

- Selling, or unduly influencing customers to purchase, products or services that do not meet their needs.
- Being a party to fraud.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in the customers' interests.
- Delays in appropriately escalating regulatory issues.
- Failure to resolve issues and remediate customers in a timely manner.

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

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

A failure of BNZ's conduct controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact BNZ's reputation, financial performance and position, profitability, operations and returns to investors.

### ***Regulatory Risk***

Regulatory risk is the risk of failing to identify or appropriately respond to changes to the regulatory environment or of damaging BNZ's standing with its regulators as a result of BNZ not meeting regulatory expectations.

#### *Extensive regulatory change poses a significant risk to BNZ*

Globally, the financial services and banking industries are subject to a significant and increasing number of regulatory reviews and political scrutiny, including in NZ. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond BNZ's control, and may not be harmonised across the jurisdictions in which BNZ conducts business.

Regulatory change may result in significant capital and compliance costs, changes to corporate structure and increasing demands on management, employees and information technology systems. This may also impact the viability of BNZ's participation in certain markets, or give rise to the need to divest a part of BNZ's business.

The NZ Government and its agencies, including the RBNZ and the FMA have supervisory oversight of BNZ, as does APRA, indirectly through its supervisory oversight of NAB. BNZ expects a continued increase in regulatory focus on capital and liquidity requirements, macro-prudential tools, customer outcomes and other aspects of its business that may impose increased regulatory burdens. BNZ's failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by agencies or compensatory action by affected persons, and could damage BNZ's reputation and financial position.

BNZ is a registered bank under the Reserve Bank of New Zealand Act 1989 (New Zealand) (**RBNZ Act**) and supervised by the RBNZ. BNZ is subject to conditions of registration imposed by the RBNZ (**Conditions of Registration**). The Conditions of Registration may be changed at any time and any changes may be beyond BNZ's control. If the RBNZ concluded that BNZ did not satisfy the Conditions of Registration, sanctions could be imposed on BNZ. These sanctions could include disclosure of the breach, increases in required levels of capital, fines, additional limitations on the conduct of BNZ's business and, in the case of a material breach or breaches, cancellation of BNZ's registration as a bank or a recommendation that BNZ be placed under statutory management. In addition, the RBNZ could require BNZ to take additional steps and incur additional expense to satisfy the Conditions of Registration.

Reviews and regulatory reforms currently relevant to BNZ which present a potential regulatory risk include:

- The FMA and RBNZ have undertaken a review of conduct and culture in the financial services industry. Alongside industry-wide recommendations released as a result of the review, further specific findings were provided to individual NZ banks (including BNZ) in November 2018. The review has led to a NZ Government announcement in September 2019 that it will introduce legislation to Parliament to create an oversight regime for regulating conduct in the banking and insurance sectors by the end of 2019.
- The FMA and RBNZ have also undertaken a review of life insurance providers in NZ, releasing their thematic report in January 2019 and insurer specific reports in February 2019. BNZ distributes insurance products, including those manufactured by BNZ Life Insurance Limited which provided its response to the FMA and RBNZ review in June 2019. The proposed new conduct legislation described above will also cover insurers and is likely to result in increased regulatory scrutiny of the financial services and banking industry in NZ, which could adversely impact BNZ's reputation, operations, financial performance and position.

- The RBNZ has proposed that banks deemed systemically important in NZ (including BNZ) be required to hold Tier 1 capital amounting to 16 per cent. of RWA, consisting of a minimum Tier 1 requirement of 6 per cent. of RWA and prudential capital buffers of Common Equity Tier 1 equal to 10 per cent. of RWA over a proposed five-year staged transition period. The RBNZ is expected to confirm final outcomes of the RBNZ capital review, including capital requirements and transition period in December 2019. On 1 October 2019, the RBNZ published three independent international experts' assessments of the capital review. These assessments were broadly supportive of the direction proposed by the RBNZ. This proposal has significant implications for the level of capital and the type of capital BNZ is required to hold, which may have associated costs. In addition, the transition to higher capital levels may influence borrowing costs for BNZ customers.
- Phase 2 of the RBNZ Act review is a comprehensive review of the RBNZ's legislative framework. The second round of consultation sought further feedback on several in principle decisions following the first round of consultation including:
  - Introducing a single overarching 'financial stability' objective.
  - Combining the separate regulatory regimes for banks and non-bank deposit takers into a single 'licensed deposit taker' perimeter.
  - Developing a formal depositor protection scheme that will protect depositors' savings up to an insured limit, currently proposed within a range of NZ\$30,000-50,000.
  - The establishment of a new governance board, which will be given statutory authority over all RBNZ decisions (other than those reserved for the Monetary Policy Committee).

The second round of consultation also sought feedback on the RBNZ's macro prudential powers, formulation of its balance sheet, its coordination with other government agencies and its funding and resourcing. It questions whether the RBNZ needs greater oversight and accountability of prudential policy from the Minister of Finance/NZ Treasury and proposes that the RBNZ's crisis management toolkit needs overhauling. A third round of consultation for Phase 2 is expected in early 2020.

- The RBNZ has consulted on the terms under which the RBNZ would be prepared to accept NZ\$ mortgage bonds (such as internal residential mortgage backed securities (**RMBS**) or covered bonds) as repo-eligible collateral for the RBNZ's lending operations in the future, and proposed a new Residential Mortgage Obligations (**RMO**) standard. The RBNZ proposes to gradually phase-in RMO to replace RMBS over a transition period of 5 years once the standard is finalised. The outcome of this consultation may lead to higher costs associated with BNZ's holdings of RMO securities to support the liquid asset portfolio.

In addition, there are a number of other ongoing or proposed regulatory changes and inquiries within NZ and globally that are relevant to BNZ such as changes to financial benchmarks; derivatives reform; payments; data protection and privacy laws; data quality; competition inquiries; accounting and reporting requirements; and tax reform.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known. Depending on the specific nature of the requirements and how they are implemented or enforced, they may have an adverse impact on BNZ's business, operations, structure, compliance costs or capital requirements, and ultimately its reputation, and financial performance and position.

*Regulatory investigations may expose BNZ to the risk of enforcement action*

Since 2015, BNZ has been reviewing its compliance with the Credit Contracts and Consumer Finance Act 2003 (**CCCFA**), with a particular focus on disclosure requirements. As part of this process, in late 2018,

BNZ provided information to the NZ Commerce Commission (**Commerce Commission**) in relation to issues identified regarding the level and timing of disclosure made to certain credit and loan product customers, and the remediation of these customers. In May 2019, the Commerce Commission informed BNZ that it had commenced an investigation into BNZ's compliance with particular disclosure requirements under the CCCFA. BNZ is responding to the Commerce Commission's request for BNZ to provide information to support the investigation. The potential outcome of the investigation remains uncertain.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### **Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

#### ***Risks applicable to all Notes***

*If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Senior Notes and Guaranteed Senior Notes when its cost of borrowing is lower than the interest rate on those Senior Notes and Guaranteed Senior Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes and Guaranteed Senior Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Under certain circumstances, NAB will have the right to redeem or repurchase Subordinated Notes before their stated maturity. However, it may only do so with APRA's approval. Noteholders should not expect that APRA's approval will be given for any early redemption of Subordinated Notes.

*If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, the Notes as the change of interest basis may result in a lower return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.



*Holders of Notes issued in the form of global Notes and deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, a sub-custodian for the CMU or with a nominee for DTC will have to rely on their procedures, including for transfer, payment and communications*

Notes issued under the Programme will be represented on issue by one or more global Notes that may be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, a sub-custodian for the CMU or with a nominee for DTC (each as defined under "*Form of the Notes*"). Except in the circumstances described in each global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, CMU, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each global Note held through it. While the Notes are represented by a global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants, and investors will have to rely on the procedures of the relevant clearing system and of their respective participants, including for transfer, payment and communications.

A holder of a beneficial interest in a global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any global Note.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

*The obligations of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor under the Notes are structurally subordinated to the indebtedness and other obligations, including trade payables, of the subsidiaries of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor*

The obligations of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor under the Notes are structurally subordinated to all indebtedness and other obligations, including trade payables, of the subsidiaries of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor. The effect of this structural subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving a subsidiary of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor, the assets of the affected entity could not be used to pay holders of the relevant Notes until all other claims against that subsidiary, including trade payables, have been fully paid.

*The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks*

Interest rates and indices which are deemed to be "benchmarks" (including, amongst others, LIBOR, SONIA, EURIBOR, BBSW and BKBM, each as defined below) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

In Australia, examples of reforms that are already effective include changes to the methodology for calculation of the Australian Bank Bill Swap Rate (**BBSW**), and amendments to the Corporations Act made by the Treasury Laws Amendment (2017 Measures No. 5) Act 2018 of Australia which, among other things, enable ASIC to make rules relating to the generation and administration of financial benchmarks. On 6 June 2018, ASIC designated BBSW as a "significant financial benchmark" and made the ASIC Financial

Benchmark (Administration) Rules 2018 and the ASIC Financial Benchmarks (Compelled) Rules 2018. On 27 June 2019, ASIC granted ASX Benchmarks Pty Limited a licence to administer BBSW.

In New Zealand, the current regulatory regime for the bank bill benchmark rate (**BKBM**) has been judged as not sufficient to meet the EU equivalence standard under the Benchmarks Regulation. Without regulatory reform, the use of BKBM will be restricted in the EU from 1 January 2020. To address this, the Financial Markets (Derivatives Margin and Benchmark) Reform Amendment Act 2019 was enacted on 30 August 2019 which introduced a licensing regime for administrators of financial benchmarks. Regulations setting out further detail of licence obligations are expected to be introduced in early 2020.

In Europe, the Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

*These reforms (including the Benchmarks Regulation) could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements imposed thereunder. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.*

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the United Kingdom Financial Conduct Authority (the **FCA**) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcements**). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021 (as further described under “*The market continues to develop in relation to SONIA as a reference rate*” below).

Separate workstreams are also underway in Europe to reform the euro interbank offered rate (**EURIBOR**) using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk free rate and €STR was first published by the European Central Bank (the **ECB**) on 2 October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR, BBSW, BKBM or any other benchmark will continue to be supported going forwards. This may cause LIBOR, EURIBOR, BBSW, BKBM or any other such benchmark to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential transition from LIBOR to SONIA, or

EURIBOR to €STR, or the elimination of LIBOR, EURIBOR, BBSW, BKBM or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that in the case of certain Floating Rate Notes, the Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate (such as LIBOR or EURIBOR) or another relevant reference rate (such as BBSW or BKBM) ceases to exist or be published or another Benchmark Event (as defined in the Terms and Conditions of the Notes) occurs. These fallback arrangements include the possibility that the Rate of Interest could be determined by reference to a Successor Rate or an Alternative Rate and that an Adjustment Spread may be applied to such Successor Rate or Alternative Rate as a result of the replacement of the relevant benchmark or screen rate (as applicable) originally specified with the Successor Rate or the Alternative Rate (as the case may be), together with the making of certain Benchmark Amendments to the Terms and Conditions of such Notes (without the consent of the Noteholders, Receiptholders or Couponholders, as further described under Condition 5.5(c) “*Benchmark Discontinuation—Benchmark Amendments*” of the Terms and Conditions of the Notes), which in the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments shall be determined by the relevant Issuer (acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser). An Adjustment Spread that is applied could be positive, negative or zero and may not be effective in reducing or eliminating any economic prejudice to investors arising out of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be). The use of a Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in any Notes referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form. In the case of Subordinated Notes, any Successor Rate or Alternative Rate determined in accordance with Condition 5.5 will be subject to APRA’s prior written approval. Investors should note that APRA’s approval may not be given for any Successor Rate or Alternative Rate it considers to have the effect of increasing the Rate of Interest contrary to applicable prudential standards. By way of example, the prudential standards applicable to the Subordinated Notes prohibit the inclusion of any ‘step-ups’ in interest rates or other incentives to redeem.

In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or the initial Rate of Interest applicable to such Notes on the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of any Successor Rate or Alternative Rate, any determinations that may need to be made by the relevant Issuer and the involvement of any Independent Adviser, the relevant fallback provisions may not operate as expected or as intended at the relevant time.

Any such consequences could have a material adverse effect on the value or liquidity of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the relevant Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, such Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible

application of the benchmark discontinuation provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

*The market continues to develop in relation to SONIA as a reference rate*

Where the applicable Final Terms for a Series of Floating Rate Notes identifies that the Rate of Interest for such Notes will be determined by reference to SONIA, the Rate of Interest will be determined on the basis of Compounded Daily SONIA (as defined in the Terms and Conditions). Compounded Daily SONIA differs from LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for Notes issued under the Programme. The use of Compounded Daily SONIA as a reference rate for Eurobonds is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing Compounded Daily SONIA.

Accordingly, prospective investors in any Notes referencing Compounded Daily SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. For example, in the context of backwards-looking SONIA rates, market participants and relevant working groups are, as at the date of this Offering Circular, currently assessing the differences between compounded rates and weighted average rates, and such groups are also exploring forward-looking 'term' SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The adoption of SONIA may also see component inputs into swap rates or other composite rates transferring from LIBOR or another reference rate to SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions as applicable to Notes referencing Compounded Daily SONIA that are issued under this Offering Circular. Furthermore, each of the Issuers may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued by it under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under the Programme from time to time.

Furthermore, the Rate of Interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period (as defined in Condition 5.2(b)(iii)) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable.

In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes.

### ***Risks applicable to Exempt Notes***

#### **(a) *Risks applicable to certain types of Exempt Notes***

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile and may be linked to factors other than the credit of the relevant Issuer;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, potential investors should consult their respective financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of their particular circumstances.

In the case of Notes linked to or referencing a benchmark, potential investors should also refer to the risk factor entitled “*The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks*” above.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of its investment*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of its Notes could result in such investor losing all of its investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

**(b) *Risks related to the structure of Subordinated Notes***

*NAB's obligations under Subordinated Notes are subordinated to its senior indebtedness, the incurrence of which is not restricted by the terms of the Subordinated Notes*

NAB's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of Senior Creditors as defined in Condition 3.2, *pari passu* among themselves, *pari passu* with Equal Ranking Instruments as defined in Condition 3.2 and ahead of Junior Ranking Instruments as defined in Condition 3.2. As a result, although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Subordinated Notes will lose all or some of its investment should NAB become insolvent. Potential investors in Subordinated Notes should understand that the Subordinated Notes will rank equally with the U.S.\$250 million undated subordinated Floating Rate Notes issued by NAB on 9 October 1986 and behind instruments issued as Lower Tier 2 Capital prior to 1 January 2013. See "*General Information – Additional Disclosure in relation to the Ranking of Subordinated Notes*".

The liabilities which are preferred by Australian law to the claims of a holder in respect of a Subordinated Note will be substantial and the terms and conditions of Subordinated Notes do not limit the amount of such liabilities which may be incurred or assumed by NAB or its subsidiaries from time to time. Further, under the terms of the Subordinated Notes, there is no restriction on the amount of debt that NAB may issue that ranks senior to or *pari passu* with the Subordinated Notes. The issue of debt by NAB or its subsidiaries may reduce the amount recoverable by a holder upon any Winding Up (as defined in Condition 3.2) of NAB. NAB's ability to make payments on a timely basis or at all on its outstanding debt may depend on the amount and terms of NAB's other obligations.

*There are restrictions on the payment of interest, principal and other amounts on Subordinated Notes*

Payment of interest, principal and other amounts in respect of Subordinated Notes is conditional upon NAB being solvent when and immediately after such payment is made.

*There are limited remedies available to holders for non-payment of amounts owing under Subordinated Notes*

If NAB fails to pay any amount of interest or principal on Subordinated Notes when due to be paid, the Trustee may, either at its own discretion or at the direction of the requisite number of holders but subject in each case to it being indemnified and/or secured and/or pre-funded to its satisfaction, take action to recover the amount unpaid provided that NAB may only be compelled to pay the unpaid amount to the extent that it is, and immediately after the payment is made would remain, solvent.

*There may be a limited right to accelerate amounts owing under Subordinated Notes*

The only circumstance where amounts owing under Subordinated Notes may be accelerated by the Trustee or a requisite number of holders is, in summary, upon the making of a court order or the passing of an effective resolution for the winding up of NAB (which is not successfully appealed or permanently stayed within 60 days of making the order).

*Investors in Subordinated Notes shall not have any right to set-off*

To the fullest extent permitted by applicable law, a holder of a Subordinated Note 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.

*Subordinated Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of NAB*

Under the Terms and Conditions of the Notes, Subordinated Notes are subject to mandatory Conversion into ordinary shares in the capital of NAB (**Ordinary Shares**) or Write-Off if a Non-Viability Trigger Event occurs. The applicable Final Terms will specify whether the Subordinated Notes are to be Converted upon a Non-Viability Trigger Event (or, in certain limited circumstances, Written-Off) (**Conversion Option**) or are to be Written-Off upon a Non-Viability Trigger Event (**Write-Off Option**). Capitalised terms defined in the Terms and Conditions of the Notes shall have the same meanings in this risk factor unless otherwise stated.

A **Non-Viability Trigger Event** occurs when APRA has provided a written determination to NAB that (i) the conversion or write-off of certain regulatory capital instruments of NAB is necessary because without the conversion or write-off, APRA considers that NAB would become non-viable or (ii) without a public sector injection of capital into, or equivalent support with respect to, NAB, APRA considers that NAB would become non-viable.

On the date on which a Non-Viability Trigger Event occurs (the **Conversion Date**), where the requirements of the determination are not satisfied by the conversion or write-off of Tier 1 Capital Instruments of NAB which, in accordance with their terms or by operation of law, are capable of being written-off or converted in the event of non-viability, NAB will be required:

- (i) if the Conversion Option applies:
  - (a) to Convert immediately and irrevocably all or some of the nominal amount of the Subordinated Notes into Ordinary Shares; or
  - (b) alternatively, if, for any reason (including if NAB is prevented by applicable law, order or other reason from Converting the Subordinated Notes into Ordinary Shares) Conversion has not been effected within five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes), NAB will be required to Write-Off and immediately and irrevocably terminate all or some of the nominal amount of the Subordinated Notes with effect on and from the Conversion Date; or
- (ii) if the Write-Off Option applies, to Write-Off and immediately and irrevocably terminate all or some of the nominal amount of the Subordinated Notes.

For the purposes of paragraph (i) and (ii) above, the Subordinated Notes will be Converted or Written-Off (as applicable) on an approximately proportionate basis with other Tier 2 Capital Instruments of NAB, which in accordance with their terms or by operation of law, are capable of being written-off or converted in the event of non-viability.

Noteholders should note that APRA will not approve partial conversion or partial write-off in those exceptional circumstances where a public sector injection of funds is deemed necessary. In circumstances where APRA considers that NAB would be non-viable without a public sector injection of capital, NAB must immediately convert or write-off all Relevant Capital Instruments. If APRA does not consider that a public sector injection of capital is required, and APRA is satisfied that conversion or write-off of a proportion of Relevant Capital Instruments will be sufficient to ensure that NAB does not become non-viable, NAB must immediately convert or write-off that proportion.

*The holders of Subordinated Notes issued under this Offering Circular are likely to be in a worse position in the event of NAB becoming non-viable than holders of NAB's term subordinated debt issued prior to 1 January 2013*

It is a requirement under APRA's prudential standards, which came into effect on 1 January 2013, that any instruments, in order to be eligible for inclusion as regulatory capital known as Additional Tier 1 Capital and Tier 2 Capital (including term subordinated debt), contain provisions for conversion or write-off in the event of non-viability.

Potential investors in Subordinated Notes should understand that NAB has on issue Tier 1 Capital Instruments and Tier 2 Capital Instruments which were issued prior to the implementation of the above prudential requirements and which, in the event of non-viability, are not capable of being written-off or converted in accordance with their terms or by operation of law. Accordingly, the Subordinated Notes may be Converted or Written-Off before any such instruments (notwithstanding that claims of holders of Tier 1 Capital Instruments may, in the Winding Up (as defined in Condition 3.2) of NAB, rank junior to the claims of the holders of Subordinated Notes). Without limiting the foregoing, the requirement for conversion or write-off on account of non-viability does not apply to certain of NAB's existing term subordinated debt and accordingly the holders of Subordinated Notes issued under this Offering Circular are likely to be in a worse position in the event of NAB becoming non-viable than holders of such existing term subordinated debt of NAB.

*The circumstances under which APRA would consider NAB non-viable are uncertain*

APRA's prudential standards do not define non-viability and APRA has not provided specific guidance on how it would determine non-viability. Non-viability could be expected to include a serious impairment of NAB's financial position. However, it is possible that APRA's view of non-viability may not be confined to solvency or capital measures and APRA's position on these matters may change over time. APRA has indicated that non-viability is likely to arise prior to the insolvency of an ADI. Non-viability may be significantly impacted by a number of factors, including factors which impact the business, operation and financial condition of NAB, such as systemic and non-systemic macro-economic, environmental and operational factors.

*A Non-Viability Trigger Event could occur at any time*

A Non-Viability Trigger Event could occur on dates not previously contemplated by investors or which may be unfavourable in light of the prevailing market conditions or investors' individual circumstances or timing preferences.

*Investors may suffer adverse consequences if Subordinated Notes are Converted into Ordinary Shares as a result of a Non-Viability Trigger Event*

Potential investors in Subordinated Notes should understand that, if a Non-Viability Trigger Event occurs and Subordinated Notes are Converted into Ordinary Shares, investors are obliged to accept the Ordinary Shares or a cash amount pursuant to Condition 10A.9(e)(ii) even if they do not consider Ordinary Shares (or cash) to be an appropriate investment for them at the time and despite any change in the financial position of NAB since the issue of the Subordinated Notes or any disruption to the market for those shares or to capital



markets generally. Further, investors have no right to elect to have Subordinated Notes Written-Off instead of Converted.

Potential investors in Subordinated Notes should also consider the additional issues outlined below, which may adversely impact them in the event of Conversion.

- The number of Ordinary Shares that a holder will receive on Conversion is calculated in accordance with a formula which provides for a calculation based on a discounted volume weighted average price (**VWAP**) over five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) but cannot be greater than a maximum conversion number based on 20 per cent. of the VWAP during the period of 20 Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) preceding the issue date of the Relevant Subordinated Notes (as defined in the Schedule to the Terms and Conditions of the Notes) (the **Issue Date VWAP**). For more information on the conversion mechanics see Condition 10A and the Schedule to the Terms and Conditions of the Notes.
- The Issue Date VWAP is adjusted for only limited corporate actions of NAB, including bonus issues and divisions. Accordingly, a holder of Subordinated Notes may receive Ordinary Shares on Conversion worth significantly less than the nominal amount of the holder's Subordinated Notes.
- The Ordinary Shares may not be able to be sold at prices representing the VWAP used to determine the number of Ordinary Shares to be issued, or at all. In particular, the VWAP will be based wholly or partly on trading days which occurred before the Non-Viability Trigger Event.
- The calculation for the number of Ordinary Shares that a holder may receive upon a Conversion of Subordinated Notes relies upon a conversion of Australian dollar amounts (being the currency in which the Ordinary Shares are denominated and are quoted on the Australian Securities Exchange (the **ASX**)). If the Subordinated Notes are denominated in a Specified Currency other than Australian dollars, there are risks that the exchange rate between Australian dollars and the Specified Currency in which the Subordinated Notes are denominated may be subject to material changes, and the imposition or modification of exchange controls by the applicable governments, which may also affect exchange rates. In recent years, exchange rates between certain currencies, including (but not limited to) the exchange rate between the Australian dollar and U.S. dollar, have been highly volatile. Volatility between these currencies or with other currencies may occur in the future, though fluctuations in exchange rates in the past are not necessarily indicative of fluctuations that may occur in the future. Depending upon the exchange rates prevailing around the time that a Non-Viability Trigger Event occurs, the number of Ordinary Shares that a holder of Subordinated Notes actually receives upon a Conversion relating to a particular Non-Viability Trigger Event may be significantly less than the number of Ordinary Shares the holder may have received had the Conversion taken place on a different date or that the holder otherwise expected to receive. Prospective investors in Subordinated Notes could lose a substantial portion of their investment in these circumstances. No interest or other compensation is payable in the event of a loss by an investor due to foreign currency conversions. See risk factor entitled "*Depreciation of the Australian dollar against the Specified Currency of the Subordinated Notes may make it more likely that the maximum conversion number will apply*" for more detail on the risks associated with changes to exchange rates between Australian dollars and the Specified Currency.
- To enable NAB to issue Ordinary Shares to a holder of Subordinated Notes on Conversion, investors need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to NAB, no later than the Conversion Date, their name and address and certain security holder account and other details. Holders of Subordinated Notes should understand that a failure to provide this information to NAB on time, or where the holder is a Foreign Holder (as defined in Condition 10A.9) or notifies NAB that it does not wish to receive Ordinary Shares in connection with a Conversion, or the requirement to make a FATCA Withholding (as defined in Condition

10A.16) in respect of such Ordinary Shares, may result in NAB issuing the Ordinary Shares to a nominee. The nominee may then sell the Ordinary Shares received on Conversion, paying the net proceeds (if any) to the holders. The nominee will have no duty or obligation to seek a fair market price, or to engage in an arm's length transaction in such sale. NAB and the nominee give no assurance as to whether a sale will be achieved or the price at which it may be achieved and each has no liability to holders of Subordinated Notes for any loss suffered as a result of the sale of Ordinary Shares. In this situation, holders of Subordinated Notes will have no further rights against NAB in relation to the Conversion.

- There may be no market in Ordinary Shares received on Conversion and holders may not be able to sell the Ordinary Shares at a price equal to the value of their investment and, as a result, may suffer loss. The sale of Ordinary Shares in NAB may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of Ordinary Shares within 12 months of their issue (except where certain exemptions apply) on account of the Subordinated Notes and the Ordinary Shares being issued without disclosure by NAB as required by the Corporations Act. The restrictions may apply to sales by any nominee for holders as well as sales by holders and, by restricting sales, holders may suffer loss. Holders of Subordinated Notes agree under the Terms and Conditions of the Notes not to trade Ordinary Shares issued on Conversion (except where relevant exemptions apply), until NAB has taken all actions required under the Corporations Act, other applicable laws and the listing rules of the ASX (**ASX Listing Rules**) for the Ordinary Shares to be freely tradeable without further disclosure or other action.
- Potential investors in Subordinated Notes should also understand that if NAB is required to Convert a nominal amount of Subordinated Notes but, for any reason (including if NAB is prevented from doing so by applicable law, court order, government action) the Conversion is not effected within five Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) after the Conversion Date, the Conversion will not occur and the rights of holders in relation to those Subordinated Notes will be Written-Off and immediately and irrevocably terminated. Such holders will have no recourse to NAB if NAB fails to issue Ordinary Shares in respect of any Subordinated Notes, or portions thereof. In this situation also, holders will lose some or all of the value of their investment and will not receive any compensation.
- The rules and regulations of ASX in certain circumstances limit NAB's ability, without shareholder approval, to issue Ordinary Shares and other equity securities (which may include convertible notes) without the approval of holders of Ordinary Shares. If the issue or Conversion of Subordinated Notes would contravene that limit, then NAB may be prevented from Converting Subordinated Notes and such Subordinated Notes may be required to be Written-Off.
- As described further under "*Description of NAB – Major Shareholders*" on page 188 of this Offering Circular, there are provisions of Australian law that are relevant to the ability of any person to acquire interests in NAB beyond the limits prescribed by those laws. These provisions could apply to the Conversion of Subordinated Notes into Ordinary Shares and, in some circumstances, could apply to the acquisition of Subordinated Notes.
- Potential investors in Subordinated Notes should take care to ensure that by acquiring any Subordinated Notes which provide for such Subordinated Notes to be Converted to Ordinary Shares as provided in Condition 10A (taking into account any Ordinary Shares into which they may Convert), such holders do not breach any applicable restrictions on the ownership of interests in NAB. Without limiting this, if Conversion of Subordinated Notes into Ordinary Shares (whether in the hands of the Noteholder or a nominee) would breach those restrictions, NAB may be prevented from Converting such Subordinated Notes and, where Conversion is required under Condition 10A, such Subordinated Notes may be required to be Written-Off.

*Holders of Subordinated Notes will lose some or all of the value of their investment and will not receive any compensation if their Subordinated Notes are Written-Off*

If Subordinated Notes are Written-Off, holders of such Subordinated Notes will lose some or all of the value of their investment and will not receive any compensation. The rights of the holders of such Subordinated Notes or portions thereof (including rights to payment of interest with respect to such principal amount, both in the future or as accrued but unpaid) will be immediately and irrevocably terminated for no consideration in respect of such amount Written-Off and holders of such Subordinated Notes may receive no consideration for their investment. Noteholders have no right to elect to have Subordinated Notes Converted instead of being Written-Off.

*Depreciation of the Australian dollar against the Specified Currency of the Subordinated Notes may make it more likely that the maximum conversion number will apply*

As the maximum conversion number is calculated based on the market price of Ordinary Shares and the exchange rate in respect of the Australian dollar and the Specified Currency in the 20 Business Days (as defined in the Schedule to the Terms and Conditions of the Notes) (or other period specified in the applicable Final Terms) preceding the issue date of the relevant Subordinated Notes, any depreciation of the Australian dollar against the Specified Currency by the time that the VWAP is calculated for the purpose of determining the Conversion Number (as defined in the Schedule to the Terms and Conditions of the Notes) may make it more likely that the maximum conversion number will apply (especially if accompanied by a deterioration in the market price of Ordinary Shares at the time of a Non-Viability Trigger Event). See the risk factor entitled “Investors may suffer adverse consequences if Subordinated Notes are Converted into Ordinary Shares as a result of a Non-Viability Trigger Event” for more detail about the maximum conversion number.

Further, the realisable value in the Specified Currency of Ordinary Shares issued, or the proceeds from any sale of such Ordinary Shares, following a Non-Viability Trigger Event could be substantially lower than that implied by the exchange rate in respect of the Australian dollar and the Specified Currency at the time of a Non-Viability Trigger Event.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

*Noteholders’ ability to enforce certain rights in connection with the Notes may be limited or affected by APRA*

APRA has extensive powers to intervene in the operations of NAB, including a power to direct NAB to conduct or not to conduct certain activities or transactions, or not to make payments in certain circumstances. In addition, under the Banking Act 1959 of Australia (the **Banking Act**), APRA may appoint a Banking Act statutory manager to an ADI (of which NAB is one) in certain circumstances, including where APRA considers that the ADI may become unable to meet its obligations or may suspend payment. Under section 15C of the Banking Act, a party to a contract with an ADI may not deny any obligations under that contract, accelerate any debt under that contract, close out any transaction relating to that contract or enforce any security under that contract, on the grounds that a Banking Act statutory manager is in control of the ADI’s business. Accordingly, this may prevent Noteholders from accelerating repayment of Notes on the grounds that a Banking Act statutory manager has been appointed. Noteholders may also be subject to similar restrictions on enforcement if APRA otherwise intervenes in the conduct of the ADI’s business, including by requiring a compulsory transfer of the ADI’s business. Further, an obligation relating to the issue of Ordinary Shares by NAB on Conversion of Subordinated Notes may be cancelled, and any such Ordinary Shares or rights attaching to them may be varied or cancelled by a Banking Act statutory manager under section 14AA of the Banking Act, notwithstanding the constitution of NAB, the Corporations Act, the terms of any contract or arrangement to which NAB is party or the listing rules of any financial market in whose official list NAB is included.

On 5 March 2018, the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018 of Australia (the **Crisis Management Act**) came into effect. The Crisis Management Act amended the Banking Act (among other statutes applicable to financial institutions in Australia) and was intended to enhance certain of APRA's powers. Specifically, the Crisis Management Act enhanced APRA's powers to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers given to APRA under the Crisis Management Act which could impact the NAB Group and potentially the position of Noteholders, include greater oversight, management and directions powers in relation to NAB and the NAB Group entities which were previously not regulated by APRA, increased statutory management powers over regulated entities within the NAB Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the **Statutory Conversion and Write-Off Provisions**).

The Statutory Conversion and Write-Off Provisions apply in relation to regulatory capital instruments issued by certain financial sector entities (including ADIs, of which NAB is one) that contain provisions for conversion or write-off for the purposes of APRA's prudential standards. Where the Statutory Conversion and Write-Off Provisions apply to an instrument, that instrument may be converted in accordance with its terms. This is so despite any law (other than specified laws, currently those relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity), the constitution of the issuer, any contract or arrangement to which the issuer is a party, and any listing rules, operating rules or clearing settlement rules applicable to the instrument. In addition, the Banking Act includes a moratorium on the taking of certain actions on grounds relating to the operation of the Statutory Conversion and Write-Off Provisions.

*Notes issued under the Programme are not deposit liabilities of NAB*

Division 2AA of Part II of the Banking Act sets out arrangements for the protection of protected account holders of an insolvent ADI under the Financial Claims Scheme. Pursuant to the Financial Claims Scheme a person who holds a protected account with a net credit balance at an ADI which APRA has applied to be wound up or whose business is under the control of a Banking Act statutory manager and which has been declared by the responsible Australian Government Minister to be covered by the Financial Claims Scheme will be entitled to receive payment from APRA in respect of that balance and certain accrued but uncredited interest, subject to various adjustments and preconditions (including a maximum payment entitlement of A\$250,000 per customer). The rights of account-holders with protected accounts will be reduced to the extent protected under the Financial Claims Scheme and, to the extent of that reduction, will become rights of APRA.

A **protected account** is, subject to certain conditions, an account kept with an ADI and recorded in Australian currency:

- (i) where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or
- (ii) otherwise prescribed by regulation.

The Banking Regulation 2016 of Australia prescribes protected accounts for the purposes of the Banking Act and also formally excludes foreign branches of Australian ADIs from the coverage of the Financial Claims Scheme.

**Notes issued under the Programme are not deposit liabilities of NAB, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia, Her Majesty the Queen in right of New Zealand or any other jurisdiction.**

*The conditions of the Notes contain provisions which may permit their modification (including for principal and interest) with the consent of a defined majority of investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such, or (iii) the substitution of another company as principal debtor under certain Notes in place of the relevant Issuer, in the circumstances described in Condition 15 of the conditions of the Notes. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.5 without the consent of the Noteholders, Receiptholders or Couponholders.

APRA's prior written approval is required for any modifications which may affect the eligibility of the Subordinated Notes as Tier 2 Capital.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

*The value of the Notes could be adversely affected by a change in English law or administrative practice or other applicable laws*

The conditions of the Notes (except for the subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the Schedule to the Conditions (in relation to NAB)) are based on English law in effect as at the date of this Offering Circular. The subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the Schedule to the Conditions (in relation to NAB) are based on the jurisdiction of incorporation of NAB. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or the laws of the jurisdiction of incorporation of the relevant Issuer or the Guarantor after the date of this Offering Circular and any such decision or change to English law or administrative practice or the laws of the jurisdiction of

incorporation of the relevant Issuer or the Guarantor could materially adversely impact the value of any Notes affected by it.

### **Risk factors specific to Notes denominated in Renminbi**

*Renminbi is not completely freely convertible, and there are significant restrictions on remittance of Renminbi into and out of the PRC*

As at the date of this Offering Circular, Renminbi is not completely freely convertible. The PRC government (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. While regulation in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually, remittance of Renminbi by foreign investors into and out of the PRC for the purposes of capital account items, such as capital contributions, is currently generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system.

Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket of currencies, in addition to the U.S. dollar, euro, Japanese yen and pound Sterling, created by the International Monetary Fund as an international reserve asset, and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China (the **PBOC**) in 2018. There is no assurance that the PRC Government will liberalise its control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the relevant Issuer's ability to source Renminbi outside the PRC to make payments under the Notes*

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

While the PBOC has entered into agreements on the clearing of Renminbi business (the **Settlement Agreements**) with financial institutions that have been permitted to engage in the settlement of current account trade transactions in Renminbi in a number of financial centres and cities (the **Renminbi Clearing Banks**), including but not limited to Hong Kong, the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, and are not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

The offshore Renminbi market is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended so as to have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service the Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in the Notes is subject to exchange rate risks*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. Except in the limited circumstances stipulated in Condition 6.9 of the Terms and Conditions of the Notes, all payments of interest and principal will be made with respect to Renminbi-denominated Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other applicable foreign currency between the Issue Date of the relevant Series of Notes and when the relevant Issuer pays back the principal of such Renminbi-denominated Notes in Renminbi at maturity, the value of a Noteholder's investment in U.S. dollar or other applicable foreign currency terms will have declined.

*An investment in the Notes is subject to interest rate risks*

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions. Consequently, the trading price in the secondary market of Fixed Rate Notes denominated in Renminbi will vary with fluctuations in interest rates. If a holder of the Notes tries to sell such Notes before their maturity, they may receive an offer that is less than the amount invested.

*If Renminbi is not available in certain circumstances as described in the Terms and Conditions of the Notes, the relevant Issuer can make payments under the Renminbi-denominated Notes in U.S. dollars*

There can be no assurance that access to Renminbi for the purposes of making payments under Renminbi-denominated Notes by the relevant Issuer or generally will remain or that new PRC regulations will not be promulgated which have the effect of restricting availability of Renminbi outside of the PRC.

Although the relevant Issuer's primary obligation is to make all payments with respect to such Notes in Renminbi, in the event access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Terms and Conditions of the Notes), the relevant Issuer is unable to make any payment in respect of such Notes in Renminbi, the terms of such Notes permit (i) the relevant Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, and/or (ii) such payments to be made after the original date that, but for the occurrence of the CNY Disruption Event (as defined in the Terms and Conditions of the Notes), would have been the date of such payments, all as provided in the Terms and Conditions of the Notes. The value of these Renminbi payments in U.S. dollars may vary with the prevailing exchange rates in the market place.

*Payments in respect of Renminbi-denominated Notes will only be made to investors in the manner specified in such Renminbi-denominated Notes*

All payments to investors in respect of Renminbi-denominated Notes will be made solely by (i) when the Renminbi-denominated Notes are represented by global certificates deposited with a sub-custodian for CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) when the Renminbi-denominated Notes are represented by global certificates held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, or (iii) for so long as the Renminbi-denominated Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the

Terms and Conditions of the Notes, the relevant Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

### **Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes*

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

*If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the relevant Issuer, the Guarantor (if applicable) or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Notes, the relevant Issuer or the Guarantor. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold any Notes in so far as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for a given period of time and any rating may be revised, suspended or withdrawn by the relevant rating agency at



any time, if, in the judgment of such relevant rating agency, circumstances warrant. The relevant Issuer is under no obligation to update information regarding such ratings should they change over time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in the Offering Circular, see "*Documents Incorporated by Reference and Credit Ratings*".

## DOCUMENTS INCORPORATED BY REFERENCE AND CREDIT RATINGS

### (A) *Documents Incorporated by Reference*

The following documents, which have previously been published or are published simultaneously with this Offering Circular shall be incorporated in, and form part of, this Offering Circular:

- (a) (i) NAB's Annual Financial Report for the financial year ended 30 September 2018 in its entirety, containing the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial year ended 30 September 2018 (the **2018 NAB Annual Financial Report**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/10f015f94e2b0241c380dfb6db739df5e2>; and
- (ii) NAB's Annual Financial Report for the financial year ended 30 September 2019 in its entirety (but excluding the section entitled "Chairman's message" on pages 3-4 thereof), containing the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial year ended 30 September 2019 (the **2019 NAB Annual Financial Report**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/106dd570366cda4684b0732d9be7569e4a>;
- (b) (i) BNZ's Disclosure Statement for the financial year ended 30 September 2018 in its entirety, containing the consolidated audited financial statements of BNZ and its subsidiaries (the **2018 Disclosure Statement**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/1018b031eec29840c491408bf648fa79ea>; and
- (ii) BNZ's Disclosure Statement for the financial year ended 30 September 2019 in its entirety, containing the consolidated audited financial statements of BNZ and its subsidiaries (the **2019 Disclosure Statement** and together with the 2018 Disclosure Statement, the **Disclosure Statements**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/10d95b0ff6450f489a962c3101148ca3fa>;
- (c) (i) BNZ-IF's Annual Report and Financial Statements for the financial year ended 30 September 2018 in its entirety, containing the audited financial statements of BNZ-IF (the **2018 BNZ-IF Annual Report**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/10ebfcfe859a4b427492d9b7fb7c15840f>; and
- (ii) BNZ-IF's Annual Report and Financial Statements for the financial year ended 30 September 2019 in its entirety, containing the audited financial statements of BNZ-IF (the **2019 BNZ-IF Annual Report**), which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and is available via <http://dl.bourse.lu/dlp/1034d4b863230b4711938c55b0e382536c>;
- (d) the statutory documents of NAB, BNZ and BNZ-IF as follows, each of which is published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)):
  - (i) the constitution of NAB (available via <http://dl.bourse.lu/dlp/105d3c133f3b514f5b9f7b411fcf802d3b>);

- (ii) the constitution of BNZ (available via <http://dl.bourse.lu/dlp/10fc2434e36fad4fb49c650fdef85f58ea>); and
  - (iii) the constitution of BNZ-IF (available via <http://dl.bourse.lu/dlp/10585ec017783544978344e95d5866d2cf>); and
- (e) for the purposes of an issue of Notes when the first tranche of Notes which is being increased was issued under an Offering Circular with an earlier date, the Terms and Conditions of the Notes set out on:
- (i) pages 87 to 133 of the Offering Circular dated 15 December 2011 (as amended by the Supplement dated 23 November 2012) (available via <http://dl.bourse.lu/dlp/1063afa6204361436cb154f29b7af39c46> and <http://dl.bourse.lu/dlp/10011c88833ca3411cbaefba22a7c424d5>, respectively);
  - (ii) pages 115 to 173 of the Offering Circular dated 14 December 2012 (available via <http://dl.bourse.lu/dlp/1011292bd2f2dd426793baef3f061412b2>);
  - (iii) pages 123 to 183 of the Offering Circular dated 16 December 2013 (available via <http://dl.bourse.lu/dlp/10605006ceaa434f688a36fab39714f5c3>);
  - (iv) pages 113 to 171 of the Offering Circular dated 15 December 2014 (available via <http://dl.bourse.lu/dlp/10b88ea7c6ddb34bda81ede029a0797f91>);
  - (v) pages 123 to 185 of the Offering Circular dated 19 November 2015 (available via <http://dl.bourse.lu/dlp/10bfc2fea43267414abebf902220a52bfc>);
  - (vi) pages 122 to 181 of the Offering Circular dated 17 November 2016 (available via <http://dl.bourse.lu/dlp/102ec1a144fa4c4cf7a56fee5ed8b90490>);
  - (vii) pages 130 to 188 of the Offering Circular dated 17 November 2017 (available via <http://dl.bourse.lu/dlp/1038cdefdda2eb446697826f8d6457d572>); and
  - (viii) pages 140 to 207 of the Offering Circular dated 21 November 2018 (available via <http://dl.bourse.lu/dlp/107b16cb09881849f18f923587231f98cd>),

shall be incorporated in, and form part of, this Offering Circular, each of which is also published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular will not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either (i) not considered by the relevant Issuer to be relevant for investors or (ii) included elsewhere in this Offering Circular.

Any statement contained herein or in a document and/or information which is incorporated by reference herein shall be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any such subsequent document and/or information which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of supplement to the Offering Circular pursuant to Article 23 of the Prospectus Regulation (in the case of PR Notes) or Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (in the case of Exempt Notes).

The content of websites or URLs referred to in this Offering Circular do not form part of this Offering Circular.

The documents listed in (a) – (c) above contain financial information on the Issuers and the Guarantor as described in the "Cross-Reference Table" below. Other information contained in such documents, but not specifically set out in the tables below, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EU) No 2019/980.

## Cross-Reference Table

	NAB	BNZ (as an Issuer and as the Guarantor)	BNZ-IF
<b>Balance sheet</b>	2019 NAB Annual Financial Report, page 76	2019 Disclosure Statement, page 10	2019 BNZ-IF Annual Report, page 3
	2018 NAB Annual Financial Report, page 73	2018 Disclosure Statement, page 10	2018 BNZ-IF Annual Report, page 3
<b>Income statement</b>	2019 NAB Annual Financial Report, page 74	2019 Disclosure Statement, page 8	2019 BNZ-IF Annual Report, page 1
	2018 NAB Annual Financial Report, page 71	2018 Disclosure Statement, page 8	2018 BNZ-IF Annual Report, page 1
<b>Cash flow statement</b>	2019 NAB Annual Financial Report, page 77-78	2019 Disclosure Statement, pages 11-12	2019 BNZ-IF Annual Report, pages 4-5
	2018 NAB Annual Financial Report, pages 74	2018 Disclosure Statement, pages 11-12	2018 BNZ-IF Annual Report, pages 4-5
<b>Accounting policies and explanatory notes</b>	2019 NAB Annual Financial Report, pages 81-164	2019 Disclosure Statement, pages 13-75	2019 BNZ-IF Annual Report, pages 6-16
	2018 NAB Annual Financial Report, pages 77-157	2018 Disclosure Statement, pages 13-76	2018 BNZ-IF Annual Report, pages 6-16
<b>Audit reports</b>	2019 NAB Annual Financial Report, pages 166-173	2019 Disclosure Statement, pages 76-81	2019 BNZ-IF Annual Report, pages 17-18
	2018 NAB Annual Financial Report, pages 159-164	2018 Disclosure Statement, pages 77-80	2018 BNZ-IF Annual Report, pages 17-18
<b>Legal and arbitration proceedings</b>	2019 NAB Annual Financial Report, Note 29, at pages 145 -148	2019 Disclosure Statement, page 3	None
	2018 NAB Annual Financial Report, Note 29, at pages 140-142	2018 Disclosure Statement, page 3	None

(B) *Credit Ratings*

Each of the Issuers and the Programme is, as of the date of this Offering Circular, rated as follows:

	NAB	BNZ	BNZ-IF
Issuer credit rating (Long-Term / Short-Term)	S&P Global Ratings Australia Pty Ltd:  AA- / A-1+  Moody's Investors Service Pty Limited:  Aa3 / Prime-1  Fitch Australia Pty Ltd:  AA- / F1+	S&P Global Ratings Australia Pty Ltd:  AA- / A-1+  Moody's Investors Service Pty Limited:  A1 / Prime-1  Fitch Australia Pty Ltd:  AA- / F1+	Moody's Investors Service Pty Limited:  A1 / Prime-1
Senior Notes and Guaranteed Senior Notes with a maturity of less than one year	S&P Global Ratings Australia Pty Ltd:  A-1+  Moody's Investors Service Pty Limited:  Prime-1	S&P Global Ratings Australia Pty Ltd:  A-1+  Moody's Investors Service Pty Limited:  Prime-1	S&P Global Ratings Australia Pty Ltd:  A-1+  Moody's Investors Service Pty Limited:  Prime-1
Senior Notes and Guaranteed Senior Notes with a maturity of more than one year	S&P Global Ratings Australia Pty Ltd:  AA-  Moody's Investors Service Pty Limited:  Aa3	S&P Global Ratings Australia Pty Ltd:  AA-  Moody's Investors Service Pty Limited:  A1	S&P Global Ratings Australia Pty Ltd:  AA-  Moody's Investors Service Pty Limited:  A1
Subordinated Notes	S&P Global Ratings Australia Pty Ltd:  BBB+  Moody's Investors Service Pty Limited:  Baa1	N/A	N/A

Notes issued under the Programme may be unrated or rated by either of S&P Global Ratings Australia Pty Ltd (**S&P Australia**) and/or Moody's Investors Service Pty Limited (**Moody's Australia**) or by another independent credit rating agency. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency (if applicable).

There are credit ratings contained in certain of the documents incorporated by reference into this Offering Circular. In the case of the 2018 NAB Annual Financial Report and the 2019 NAB Annual Financial Report, these credit ratings are assigned by S&P Australia, Moody's Australia and Fitch Australia Pty Ltd (**Fitch Australia**). In the case of BNZ's Disclosure Statements, these credit ratings are assigned by S&P Australia, Moody's Australia and Fitch Australia.

S&P Australia, Moody's Australia and Fitch Australia are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings of S&P Australia, Moody's Australia and Fitch Australia have been endorsed by S&P Global Ratings Europe Limited (**S&P Europe**), Moody's Investors Service Limited (**Moody's Europe**) and Fitch Ratings Limited (**Fitch Europe**) respectively in accordance with the CRA Regulation. Each of S&P Europe, Moody's Europe and Fitch Europe is established in the European Union and registered under the CRA Regulation. As such each of S&P Europe, Moody's Europe and Fitch Europe is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> in accordance with the CRA Regulation. The European Securities Markets Authority has indicated that ratings issued in Australia, which have been endorsed by S&P Europe, Moody's Europe or Fitch Europe may be used in the EU by the relevant market participants.

Any credit rating in respect of any Notes or Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

### Information relating to the Issuers and the Guarantor

Description of the Issuers and the Guarantor: National Australia Bank Limited: registered in Australia with ABN 12 004 044 937 and having its registered office at Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

Bank of New Zealand: incorporated as a company under the New Zealand Companies Act 1993 with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.

BNZ International Funding Limited, acting through its London Branch: incorporated as a company under the New Zealand Companies Act 1993 with company number 1635202 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand, acting through its London Branch at 88 Wood Street, London EC2V 7QQ, United Kingdom.

Issuers' Legal Entity Identifiers (LEIs): NAB: F8SB4JFBSYQFRQEH3Z21

BNZ: N7LGVZM7X4UQ66T7LT74

BNZ-IF: 549300HVMZ89HDMELW08

Business of the Issuers and the Guarantor: National Australia Bank Limited (ABN 12 004 044 937): NAB was incorporated on 23 June 1893. The NAB Group is a financial services organisation with more than 34,000 people, operating through a network of almost 900 locations, with more than 573,000 shareholders and serving over nine million customers. The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United States and the United Kingdom.

Bank of New Zealand (in its capacity as an Issuer and the Guarantor): BNZ is one of New Zealand's oldest banks, founded in 1861. It provides a broad range of banking and financial products and services to retail, business, agribusiness, corporate and institutional clients. It has been a member of the NAB Group since 1992.

BNZ International Funding Limited, acting through its London Branch: BNZ-IF is a subsidiary of BNZ carrying out offshore wholesale funding requirements through the issuance of debt securities.

## Information relating to the Programme

Description:	Global Medium Term Note Programme
Arranger:	Deutsche Bank AG, London Branch
Dealers:	BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc National Australia Bank Limited RBC Europe Limited The Toronto-Dominion Bank UBS AG London Branch Wells Fargo Securities International Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> "), including, in relation to BNZ and BNZ-IF, the following restrictions applicable at the date of this Offering Circular.  <b>Notes having a maturity of less than one year</b>  Notes issued by BNZ or BNZ-IF having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the United Kingdom Financial Services and Markets Act 2000 ( <b>FSMA</b> ) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent; see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
Trustee:	Deutsche Trustee Company Limited
Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrars:	Deutsche Bank Trust Company Americas Deutsche Bank Luxembourg S.A.



CMU Lodging Agent:	Deutsche Bank AG, Hong Kong Branch
Programme Size:	Up to U.S.\$100,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to such Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by 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 of the relevant Series); or</li> <li>(ii) on the basis of the reference rate set out in the applicable Final Terms; or</li> <li>(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p>
Exempt Notes:	The relevant Issuer may issue Exempt Notes which are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Notes, Dual

Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

***Dual Currency Notes:*** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

***Partly Paid Notes:*** The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

***Notes redeemable in instalments:*** The relevant Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

The relevant Issuer and, in the case of Notes issued by BNZ-IF, the Guarantor may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Final Terms.

Zero Coupon Notes:

Zero Coupon Notes will be (i) offered and sold at a discount to their nominal amount or (ii) offered and sold at their nominal amount and redeemed at a premium to their nominal amount, and in each case will not bear interest.

Benchmark Discontinuation:

In the case of certain Floating Rate Notes, if the relevant Issuer determines that a Benchmark Event has occurred, the relevant benchmark or screen rate may be replaced by a Successor Rate or, if there is no Successor Rate but the Issuer determines there is an Alternative Rate (acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser), such Alternative Rate. An Adjustment Spread may also be applied to the Successor Rate or the Alternative Rate (as the case may be), together with any Benchmark Amendments (which in the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments shall be determined by the relevant Issuer acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser). For further information, see Condition 5.5. In the case of Subordinated Notes, any Successor Rate or Alternative Rate will be subject to APRA's prior written approval, which may not be given for any Successor Rate or Alternative Rate (as the case may be) that APRA considers may have the effect of increasing the Rate of Interest contrary to applicable prudential standards.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity date (other than, in the

case of Exempt Notes, in specified instalments, if applicable or for certain taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer upon giving notice to the Noteholders, as specified in the applicable Final Terms, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Unless previously redeemed or purchased and cancelled, each Note, which is not a Zero Coupon Note or an Exempt Note, will be redeemed at an amount equal to at least 100 per cent. of its nominal value on its scheduled maturity date.

Repayment:	In relation to BNZ and BNZ-IF, Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution; see " <i>Certain Restrictions—Notes having a maturity of less than one year</i> " above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note (other than an Exempt Note) that will be admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000, or where it is a Note to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access, €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amounts in such currency at the date of issue) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency; see " <i>Certain Restrictions—Notes having a maturity of less than one year</i> " above.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes unless required by law, to the extent provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Senior Notes) will, save in certain limited circumstances provided in Conditions 6 and 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will not contain a negative pledge.
Cross Default:	The terms of the Notes will not contain cross default provisions.
Set-off:	A holder of a Subordinated Note (or any related Receipt or Coupon) issued by NAB shall not, on any account, set-off against any amounts owing to it in respect of such Subordinated Note, Receipt or Coupon amounts owing by the holder thereof to NAB and NAB shall not have any right to set-off any amounts owing by it to a holder against any amount owing by the holder to it.
Status of the Senior Notes and	The Senior Notes and Guaranteed Senior Notes will be unsubordinated,

Guaranteed Senior Notes:	direct and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the relevant Issuer (save for certain obligations preferred by mandatory provisions of applicable law). Senior Notes issued by NAB do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.
Status of Subordinated Notes:	The Subordinated Notes will be direct and unsecured obligations of NAB and will be subordinated to the claims of all Senior Creditors of NAB in right of payment with respect to the assets of NAB in the event of a Winding Up of NAB as defined and further described in Condition 3.2 and are liable to be mandatorily Converted into Ordinary Shares or Written-Off where this is determined by APRA to be necessary on the grounds that NAB would otherwise become non-viable as further described in Condition 10A. Subordinated Notes do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.
Status of the Guarantee & Guaranteed Senior Notes:	Only Notes issued by BNZ-IF will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of BNZ-IF and the Guarantor under the Guaranteed Senior Notes will constitute unsubordinated, direct and unsecured obligations of BNZ-IF and the Guarantor and will rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of BNZ-IF and the Guarantor (save for certain obligations required to be preferred by law).
Rating:	<p>See pages 61 to 62 of this Offering Circular for further information on ratings.</p> <p>A rating is not a recommendation to buy, sell or hold any Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.</p> <p>Any credit rating in respect of any Notes or any Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive the Offering Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.</p>
Listing and admission to trading:	<p>Application has been made to:</p> <ul style="list-style-type: none"> <li>(i) the Competent Authority to approve this Offering Circular in connection with the issue by the Issuers of PR Notes (as defined above) to be admitted to the official list and traded on the</li> </ul>

Regulated Market of the Luxembourg Stock Exchange and on the Professional Segment of the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Regulation; and

- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of certain Tranches of Exempt Notes (as defined above) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market (the **Euro MTF Market**).

The Notes may be listed or admitted to trading, as the case may be, on such other or additional stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Senior Notes) and the relevant Dealer.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Delivery:** The Notes may be settled on a delivery against payment basis or a delivery free of payment basis, as specified in the applicable Final Terms.

**Risk Factors:** There are certain factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme or the Guarantor's ability to fulfil its obligations under the Guarantee. These factors are set out under "*Risk Factors*" and include, *inter alia*, the risk of subsequent changes in the actual or perceived creditworthiness of the relevant Issuer or the Guarantor (as applicable), which may adversely affect the market value of the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, which include, *inter alia*, risks related to the structure of particular types of Notes, modifications and waivers of the terms and conditions of the Notes in certain circumstances without the consent of all of the Noteholders, changes in laws, taxation laws or regulations which affect the Notes, risks related to secondary market trading of the Notes, exchange rate risks and interest rate risks. For further particulars, please see "*Risk Factors*".

**Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law save that in the case of Notes issued by NAB, Conditions 3.2, 10A and the conversion mechanisms set out in the Schedule to the Conditions will be governed by and construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Austria, France, Republic of Italy and Belgium), New Zealand, Hong Kong, Japan, Singapore, Switzerland, Canada, China, the Republic of Korea and Australia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale and Transfer and Selling Restrictions*".

**United States Selling** Regulation S Compliance Category 1/2/3, Rule 144A, TEFRA C or

Restrictions:

TEFRA D or TEFRA not applicable, as specified in the applicable Final Terms.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

### **Bearer Notes**

Each Tranche of Bearer Notes will initially be issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with the Temporary Bearer Global Note, the **Bearer Global Notes** which, in either case, will:

- (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (ii) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to (A) a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg or (B) a sub-custodian for the Central Moneymarkets Unit Service (the **CMU**), operated by the Hong Kong Monetary Authority (the **HKMA**) (the **CMU Service**).

*It is anticipated that all Bearer Notes issued by the Issuers under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ and/or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.*

Where the global Notes issued in respect of any Tranche of Notes are in NGN form, the applicable Final Terms will also indicate whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life, as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent, as applicable, has given a like certification (based on the certification it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for

definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a), in the case of Notes held by a Common Depositary or Common Safekeeper for Euroclear and/or Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b), in the case of Notes held through the CMU Service, from the relevant person(s) for whose account(s) interests in the relevant Bearer Global Note are credited, as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service (each, an **Accountholder**) therein to the CMU Lodging Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have and, in the case of Notes held through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary or Common Safekeeper for Euroclear or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant Accountholder therein, and/or (c) the Trustee, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent, requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.



**Tranches of Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.**

A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Bearer Note in respect of such holding and would need to purchase a principal amount of Notes so that it holds an amount equal to one or more Specified Denominations.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts, interest coupons and talons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts, interest coupons or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**); (ii) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg, (iii), when represented by a Regulation S Global Note, be deposited with a common depositary or a common safekeeper, for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, or (iv), when represented by a Regulation S Global Note, be deposited with a sub-custodian for the HKMA as operator of the CMU Service, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the relevant Issuer, (in the case of Guaranteed Senior Notes) the Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries 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.

Payments of interest in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg, and in the case of Notes held through the CMU Service, the CMU Service, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories of the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear, Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the relevant Issuer may also give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging Agent.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions; see "Subscription and Sale and Transfer and Selling Restrictions".**

### **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number or, where the CMU Service is able to generate a

temporary CMU Instrument Number, a CMU instrument number which are different from the common code, ISIN, CUSIP, CINS and CMU instrument number assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream, Luxembourg and/or the CMU Service, each person (other than Euroclear, Clearstream, Luxembourg and/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 and/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 relevant Issuer, the Guarantor, 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 relevant Issuer, the Guarantor and the Agents 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 to, or to the order of, the bearer or at the direction of the registered holder 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 (as defined in the Trust Deed) 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) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

So long as 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, the Agency Agreement and such 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.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC 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.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor unless the Trustee, having become bound so to proceed, fails or is unable so to do within a reasonable period and the failure or inability shall be continuing.

## FORM OF FINAL TERMS

### APPLICABLE FINAL TERMS IN RESPECT OF PR NOTES

*Set out below is the form of Final Terms for the purposes of Article 8(2)(a) of the Prospectus Regulation which will be completed for each Tranche of PR Notes issued under the Programme*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (where **Prospectus Regulation** means Regulation (EU) 2017/1129). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]]<sup>2</sup>

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]<sup>3</sup>

## FINAL TERMS

[Date]

**[National Australia Bank Limited (ABN 12 004 044 937)/Bank of New Zealand/  
BNZ International Funding Limited, acting through its London Branch]**

**Legal Entity Identifier (LEI): [F8SB4JFBSYQFRQEH3Z21/N7LGVZM7X4UQ66T7LT74/  
549300HVMZ89HDMELW08]**

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled “Prohibition of Sales to EEA Investors” should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the “ICMA 1” approach.

<sup>3</sup> To amend notification if the Notes are “capital markets products other than prescribed capital markets products” pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[guaranteed by Bank of New Zealand]  
under the U.S.\$100,000,000,000

Global Medium Term Note Programme

[The Notes will only be admitted to trading on the Professional Segment of the Regulated Market of the Luxembourg Stock Exchange, which is a specific segment of an EEA regulated market (as defined in MiFID II), to which only qualified investors (as defined in the Prospectus Regulation) can have access and shall not be offered or sold to non-qualified investors.]<sup>4</sup>

PART A—CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 20 November 2019 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular is available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

*(The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.)*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017/21 November 2018] [and the supplement to it dated 23 November 2012]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Offering Circular dated 20 November 2019 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017/21 November 2018], in order to obtain all the relevant information. The Offering Circular is available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.)*

*(If the Notes issued by Bank of New Zealand or BNZ International Funding Limited, acting through its London Branch have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.)*

- |    |     |  |   |
|----|-----|--|---|
| 1. | (a) | Series Number:   | [       ]   |
|    | (b) | Tranche Number:  | [       ]   |
|    | (c) | Date on which the Notes will be consolidated and form a single | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the |

<sup>4</sup> Legend to be included for PR Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) which will only be admitted to trading on the Professional Segment of the Regulated Market of the Luxembourg Stock Exchange.

Series: date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in Paragraph 22 below, which is expected to occur on or about [date]][Not Applicable]

2. Specified Currency or Currencies: [ ]

3. Aggregate Nominal Amount:

(a) Series: [ ]

(b) Tranche: [ ]

4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (include in the case of fungible issues only, if applicable)

5. (a) Specified Denominations: [ ]

*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) unless they are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors have access, in which case the Notes must have a minimum denomination of at least €1,000 (or equivalent). It is anticipated that Notes issued by BNZ and BNZ-IF under the Programme that are to be admitted to trading on a regulated market, or a specific segment of a regulated market, to which only qualified investors have access, shall be issued with a minimum denomination of €100,000 (or equivalent).)*

*(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

*"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*

(b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ]

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

6. (a) Issue Date: [ ]

(b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

7. Maturity Date:

*[Fixed rate—specify date/undated/Interest Payment Date falling in or nearest to [specify month and year]]*

*[Floating rate—Interest Payment Date falling in or nearest to [specify month and year]]/[Undated]*

*(N.B. for certain Fixed Rate Notes, including Notes denominated in Renminbi or Hong Kong dollars, or Fixed Rate Notes which apply a Business Day Convention other than Following Business Day Convention specified in paragraph 14(f) below, where the Interest Payment Dates are subject to modification it will be necessary to use the “Interest Payment Date falling in or nearest to [specify month and year]” formulation)*

*(N.B. for Zero Coupon Notes, include relevant Business Day Convention language if the Maturity Date is to be postponed or brought forward (as applicable) in accordance with a Business Day Convention. For a Zero Coupon Note with a Maturity Date that is to be postponed or brought forward (as applicable) in accordance with the Modified Following Business Day Convention consider including: “[date] [month] [year], unless [date] [month] [year] is not a [specify applicable financial centres, as appropriate] Business Day, in which case the Maturity Date shall be postponed to the next day which is a [specify applicable financial centres, as appropriate] Business Day unless it would thereby fall into the next calendar month, in which event the Maturity Date shall be brought forward to the immediately preceding [specify applicable financial centres, as appropriate] Business Day. [Specify applicable financial centres, as appropriate] 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 [specify applicable financial centres, as appropriate].”)*

8. Interest Basis:

*[[ ] per cent. per annum Fixed Rate]*

*[[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW Rate/BKBM Rate] +/- [ ] per cent. per annum Floating Rate]  
[Zero Coupon]  
(further particulars specified below)*

*(N.B. It is expected that BBSW Rate or BKBM Rate will*

*only be selected where “BBSW Determination” or “BKBM Determination”, respectively, are marked as “Applicable” below)*

9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis: *[Specify details of any provision for change of Notes into another Interest Basis or cross refer Paragraphs 14 and 15 below if details are included there]* [Not Applicable]
11. U.S. Dollar Equivalent: [Applicable/Not Applicable]
- (N.B. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked “Applicable”).*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior]/[Subordinated]/[Guaranteed Senior]
- (b) Date of [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ]], respectively][Not Applicable]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year, commencing on [ ], up to (and including) the Maturity Date *(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]



- [RBA Bond Basis/Australian Bond Basis]  
 [Actual/Actual (ISDA)][Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30E/360] [Eurobond Basis]  
 [30E/360 (ISDA)]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (i) Adjusted: [Applicable/Not Applicable]
- (ii) Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centre(s): [ ] [Not Applicable]
- (h) Determination Date(s): [[ ] in each year] [Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
15. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): [ ] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/BBSW Determination/BKBM Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Reference Rate and Relevant Financial Reference Rate: [ ] month  
 [LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH]

Centre: HIBOR/NIBOR] [Compounded Daily SONIA]

Relevant Time: [ ]

Relevant Financial Centre:  
[London/Brussels/Hong Kong/Toronto/Singapore/Oslo]

(ii) Interest Determination Date(s): [the first day of each Interest Period][the second/[specify] business day prior to the start of each Interest Period][the second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first/[specify]] London Banking Day falling after the last day of the relevant Observation Period][specify other]

(iii) Relevant Screen Page: [ ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(iv) SONIA Lag Period (p): [5/[specify other] London Banking Days][Not Applicable]

*(It is anticipated that Screen Rate Determination will be used on an issue by issue basis, unless otherwise agreed between the Relevant Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)*

*(N.B. When setting the SONIA Lag Period (p), the practicalities of this period should be discussed with the Agent or, if applicable, such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms. It is anticipated that '(p)' will be no fewer than 5 London Banking Days unless otherwise agreed with the Agent or, if applicable/required, such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, in relation to the relevant issuance)*

(g) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Floating Rate Option: [ ]

(ii) Designated Maturity: [ ]

(iii) Reset Date: [ ]

*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are*

*reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

- (h) BBSW Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Relevant Financial Centre: [Sydney]
- (ii) Interest Determination Date(s): [ ]
- (i) BKBM Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Relevant Financial Centre: [Auckland and Wellington]
- (ii) Interest Determination Date(s): [ ]
- (j) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (k) Margin(s): [+/-] [ ] per cent. per annum
- (l) Minimum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (m) Maximum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (n) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA) RBA Bond Basis Australian Bond Basis] (*See Condition 5.7 for alternatives*)
- (o) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this Paragraph*)

- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7.2: Minimum period: [30/[ ]] days  
Maximum period: [[60/[ ]] days] [Not Applicable]
18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount] / [In accordance with the table below]
- | Optional Redemption Date | Optional Redemption Amount (as a percentage of the Calculation Amount) |
|--------------------------|--|
| [ ]                      | [ ]  |
- (NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [5/[ ]] days  
Maximum period: [10/[ ]] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example,*

as between the Issuer and the Agent or Trustee)

19. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [[ ] per Calculation Amount] / [In accordance with the table below]

Optional Redemption Date	Optional Redemption Amount (as a percentage of the Calculation Amount)
--------------------------	--

[ ]	[ ]
-----	-----

*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*

(c) Notice periods: Minimum period: [15/[ ]] days

Maximum period: [30/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

20. Final Redemption Amount: [ ] per Calculation Amount

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[ ] per Calculation Amount] / [Condition 7.5 applies]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. (a) Form of Notes: [Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 5(a) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a sub-custodian for the CMU/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (specify nominal amounts)]

*(It is anticipated that all Registered Notes issued by NAB, BNZ or BNZ-IF under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC and/or a sub-custodian for the CMU, because Registered Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange event upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 5(a) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for a Definitive Bearer Note.)*

(b) New Global Note:

[Yes] [No]

*[It is anticipated that all Bearer Notes issued by NAB,*

*BNZ or BNZ-IF under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

23. Additional Financial Centre(s): [ ] [Not Applicable]

*(Note that this Paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub-paragraph 15(c) relates.)*

24. Talons for future Coupons 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/No]

### THIRD PARTY INFORMATION

*[Relevant third party information (for example: “The description[s] of the [‘AA-’] and [‘Aa3’] credit rating[s] in Item [2] of Part B of these Final Terms”)] [has/have] been extracted from [specify source(s)] [respectively]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from such information published by [specify source(s)], no facts have been omitted which would render the reproduced information inaccurate or misleading. [Complete/amend as appropriate]*

Signed on behalf of *[insert name of Issuer]*:

[Signed on behalf of Bank of New Zealand:

By: .....

By: .....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the [Professional Segment of the] Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the [Professional Segment of the] Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Not Applicable.]

*(When documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

- (b) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].] [Not Applicable] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: *[specify rating(s) and rating agencies]*]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider. Consider including the following (to be completed at the time of the relevant issuance):*

*[[S&P Global Ratings] has, in its [month, year] publication "[S&P Global Ratings Definitions]", described a [long-term issue] credit rating of ['AA'] in the following terms: ["An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong ... Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories."].] [Complete as applicable]*

*[[Moody's Investors Service] has, in its [month, year] publication "[Rating Symbols and Definitions]", described a credit rating of ['Aa'] in the following terms: ["Obligations rated Aa are judged to be of high quality and are subject to very low credit risk ... Note:*



*Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.''] [Complete as applicable].*

### 3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to *[specify names of dealers/managers]* (the **[Dealers]/[Managers]**), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The **[Dealers/Managers]** and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and *[its/their]* affiliates in the ordinary course of business. — *Amend as appropriate if there are other interests]*

*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 23 of the Prospectus Regulation.)*

### 4. **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

(i) Reasons for the offer: [See "Use of Proceeds" in the Offering Circular/*Give details]*

*(See "Use of Proceeds" wording in Offering Circular – if reasons for offer different from what is disclosed in the Offering Circular, give details)*

(ii) Estimated net proceeds: [ ]

### 5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield: [ ] [Not Applicable]

### 6. **OPERATIONAL INFORMATION**

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(d) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(e) [CMU Instrument Number:] [ ]

*(Only applicable for Notes held through the CMU Service)*

- (f) [CUSIP/CINS/Other securities code(s):] *[Insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly]*
- (g) Any clearing system(s) other than [Euroclear and Clearstream, Luxembourg,] [CMU Service] [and DTC] *[delete as applicable]* and the relevant identification number(s): *[Not Applicable/give name(s) and number(s)]*
- (h) Delivery: Delivery [against/free of] payment
- (i) If syndicated, names of Managers: *[Not Applicable/give names]*
- (j) Date of Subscription Agreement: [ ] *[Not Applicable]*
- (k) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ] *[Not Applicable]*
- (l) Deemed delivery of clearing system notices for the purposes of Condition 14: *[Any notice delivered to Noteholders through [Euroclear and/or Clearstream, Luxembourg] [and/or DTC] [and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service] will be deemed to have been given on the [day]/[[second] day after the day] on which it was given to [Euroclear and Clearstream, Luxembourg,] [DTC] [or the persons shown in a CMU Instrument Position Report issued by the CMU Service,] [as applicable].]*
- (m) Intended to be held in a manner which would allow Eurosystem eligibility: *[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [include this text for Registered Notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]*

*[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common*

safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] [*include this text if "no" selected*]

## 7. SELLING RESTRICTIONS

- (a) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3];  
[TEFRA D/TEFRA C/TEFRA not applicable]
- (b) The Republic of Korea (**Korea**) Selling Restrictions: [Not Applicable/The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum Specified Denomination specified in these Final Terms shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea.
- Furthermore, by purchasing the Notes, each Noteholder will be deemed to represent, warrant and agree that it shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.<sup>5</sup>
- (c) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

<sup>5</sup> Only applicable for Notes offered into Korea otherwise state 'Not Applicable'.

- (d) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

## APPLICABLE FINAL TERMS IN RESPECT OF EXEMPT NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Exempt Notes.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (where **Prospectus Regulation** means Regulation (EU) 2017/1129). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/[Professional investors and eligible counterparties only] target market** [– Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]/[*appropriate target market legend to be included.*] [*complete/amend as appropriate*]]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>3</sup>

**THE CSSF HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED IN  
THESE FINAL TERMS IN RESPECT OF EXEMPT NOTES**

## FINAL TERMS

[Date]

**[National Australia Bank Limited (ABN 12 004 044 937)/Bank of New Zealand/  
BNZ International Funding Limited, acting through its London Branch]**

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled “Prohibition of Sales to EEA Investors” should be specified to be “Applicable”.

<sup>2</sup> This version of the legend to be included on front of the Final Terms if transaction involves one or more manufacturer(s) subject to MiFID II and if following the “ICMA 1” approach.

<sup>3</sup> To amend notification if the Notes are “capital markets products other than prescribed capital markets products” pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Relevant Manager(s)/Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

**Legal Entity Identifier (LEI): [F8SB4JFBSYQFRQEH3Z21/N7LGVZM7X4UQ66T7LT74/  
549300HVMZ89HDMELW08]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[guaranteed by Bank of New Zealand]  
under the U.S.\$100,000,000,000**

**Global Medium Term Note Programme**

**PART A—CONTRACTUAL TERMS**

**[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any [Dealer/Manager] to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.]<sup>4</sup>**

This document constitutes the Final Terms of the Notes described herein. This document must be read in conjunction with the Offering Circular dated 20 November 2019 [as supplemented by the supplement[s] to it dated [date[s]]] (the **Offering Circular**). Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Copies of the Offering Circular may be obtained free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [15 December 2011/14 December 2012/16 December 2013/15 December 2014/19 November 2015/17 November 2016/17 November 2017/21 November 2018] [and the supplement to it dated 23 November 2012] and attached hereto].] *(Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.)*

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.)*

*(If the Notes issued by Bank of New Zealand or BNZ International Funding Limited, acting through its London Branch have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.)*

- |    |     |                 |   |
|----|-----|-----------------|---|
| 1. | (a) | Issuer:         | [National Australia Bank Limited (ABN 12 004 044 937) /Bank of New Zealand/BNZ International Funding Limited, acting through its London Branch]   |
|    | (b) | [Guarantor:     | Bank of New Zealand   |
|    |     |                 | The Notes described herein are not guaranteed by any government, government agency or compensation scheme of the Commonwealth of Australia, Her Majesty the Queen in right of New Zealand or any other jurisdiction.] |
| 2. | (a) | Series Number:  | [       ]   |
|    | (b) | Tranche Number: | [       ]   |

<sup>4</sup> Do not include if the "Prohibition of Sales to EEA Retail Investors" legend is included (because the Notes potentially constitute "packaged" products and **no** key information document will be prepared) and the related selling restriction is specified to be "Applicable".

- (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in Paragraph 28 below, which is expected to occur on or about *[date]*][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] (*include in the case of fungible issues only, if applicable*)
6. (a) Specified Denominations: [ ] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Regulation, the [€100,000] minimum denomination is not required. It is anticipated that Notes to be admitted to trading on the Euro MTF Market will be issued in minimum denominations of at least €100,000.)
- (b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (a) Issue Date: [ ]
- (b) Interest [Specify/Issue Date/Not Applicable]

Commencement Date:

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date:

[Fixed rate—[Specify date]/[Interest Payment Date falling in or nearest to [specify month and year]/[Undated]]  
[Floating rate—Interest Payment Date falling in or nearest to [specify month and year]/[Undated]]

*(N.B. for certain Fixed Rate Notes, including Notes denominated in Renminbi or Hong Kong dollars, or Fixed Rate Notes which apply a Business Day Convention other than Following Business Day Convention specified in in paragraph 16(f) below, where the Interest Payment Dates are subject to modification it will be necessary to use the “Interest Payment Date falling in or nearest to [specify month and year]” formulation)*

*(N.B. for Zero Coupon Notes, include relevant Business Day Convention language if the Maturity Date is to be postponed or brought forward (as applicable) in accordance with a Business Day Convention. For a Zero Coupon Note with a Maturity Date that is to be postponed or brought forward (as applicable) in accordance with the Modified Following Business Day Convention consider including: “[date] [month] [year], unless [date] [month] [year] is not a [specify applicable financial centres, as appropriate] Business Day, in which case the Maturity Date shall be postponed to the next day which is a [[specify applicable financial centres, as appropriate] Business Day unless it would thereby fall into the next calendar month, in which event the Maturity Date shall be brought forward to the immediately preceding [specify applicable financial centres, as appropriate] Business Day. [Specify applicable financial centres, as appropriate] 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 [specify applicable financial centres, as appropriate].”)*

9. Interest Basis:

[ [ ] per cent. per annum Fixed Rate]

[ [LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/CNH  
HIBOR/NIBOR] [Compounded Daily SONIA] [BBSW  
Rate/BKBM Rate] +/- [ ] per cent. per annum Floating  
Rate]

*(N.B. It is expected that BBSW Rate or BKBM Rate will only be selected where “BBSW Determination” or “BKBM Determination”, respectively, are marked as “Applicable” below)*

*([Where interpolated rates for the first Interest Period use the following: “The ISDA Rate” in respect of the first Interest Period (such period for the avoidance of doubt being from (and including) the Interest Commencement Date to (but excluding)*



the Interest Payment Date falling in [ ] shall be determined through the use of straight-line interpolation by reference to two rates based on the Floating Rate Option, one of which shall be determined as if the Designated Maturity were [ ] months and the other of which shall be determined as if the Designated Maturity were [ ] months))

[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[Specify other]  
(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par] [(subject to Condition 10A.2A) (*include in the case of Subordinated Notes only, if applicable*)]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[Specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] [Not Applicable]
12. U.S. Dollar Equivalent: [Applicable/Not Applicable]  
  
(*N.B. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked "Applicable".*)
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Event Call]  
[(further particulars specified below)]  
[Not Applicable]
14. (a) Status of the Notes: [Senior]/[Subordinated]/[Guaranteed Senior]  
  
[(see further particulars in paragraph 15 below)]  
(*N.B. Further particulars statement only relevant where the Issuer is NAB and "Subordinated" is selected*)  
  
(b) [Date of [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively]]  
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)

## PROVISIONS RELATING TO SUBORDINATED NOTES

15. Subordinated Notes: [Applicable/Not Applicable]  
(*If not applicable, delete the remaining subparagraphs of this paragraph 15*)  
  
(a) Write-Off: [Applicable/Not Applicable]

- (b) Conversion: [Applicable/Not Applicable]
- (i) CD: [ ]
- (ii) VWAP Period: [As specified in the Schedule to the Conditions]/[ ] Business Days]
- (iii) Issue Date [As specified in the Schedule to the Conditions]/[ ] Business Days]  
VWAP:

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear on each Interest Payment Date] *(If payable other than annually, consider amending Condition 5)*
- (b) Interest Payment Date(s): [[ ] in each year, commencing on [ ], up to (and including) the Maturity Date *(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount [(subject to Condition 10A.2A) *(include in the case of Subordinated Notes only, if applicable)*]
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[RBA Bond Basis][Australian Bond Basis]  
[Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]  
[Specify other]  
*(See Condition 5.7 for alternatives)*
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day]

- Convention/Preceding Business Day Convention/[Specify other]]
- (i) Adjusted: [Applicable/Not Applicable]
- (ii) Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centre(s): [ ] [Not Applicable]
- (h) Determination Date(s): [[ ] in each year] [Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (i) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
17. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Specify other]][Not Applicable]
- (c) Additional Business Centre(s): [ ] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/BBSW Determination/BKBM Determination/Specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Reference Rate Reference Rate: [ ] month [LIBOR/EURIBOR/HIBOR/BA-

and Relevant Financial Centre: CDOR/SIBOR/CNH HIBOR/NIBOR] [Compounded Daily SONIA] [*Specify other Reference Rate*]

Relevant Time: [ ]

Relevant Financial Centre: [London/Brussels/Hong Kong/Toronto/Singapore/Oslo/*Specify other Relevant Financial Centre*]

(ii) Interest Determination Date(s): [the first day of each Interest Period][the second [*specify*] business day prior to the start of each Interest Period][the second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first/*specify*] London Banking Day falling after the last day of the relevant Observation Period][*specify other*]

(iii) Relevant Screen Page: [ ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(iv) SONIA Lag Period (p): [5/*specify other*] London Banking Days][Not Applicable]

*(It is anticipated that Screen Rate Determination will be used on an issue by issue basis, unless otherwise agreed between the Relevant Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)*

*(N.B. When setting the SONIA Lag Period (p), the practicalities of this period should be discussed with the Agent or, if applicable, such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms. It is anticipated that ‘(p)’ will be no fewer than 5 London Banking Days unless otherwise agreed with the Agent or, if applicable/required, such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, in relation to the relevant issuance)*

(g) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(i) Floating Rate Option: [ ]

(ii) Designated Maturity: [ ]

(iii) Reset Date: [ ]

*(In the case of a LIBOR or EURIBOR based option, the first day*

*of the Interest Period)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

- (h) BBSW Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Relevant Financial Centre: [Sydney]
- (ii) Interest Determination Date(s): [ ]
- (i) BKBM Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (i) Relevant Financial Centre: [Auckland and Wellington]
- (ii) Interest Determination Date(s): [ ]
- (j) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (k) Margin(s): [+/-] [ ] per cent. per annum
- (l) Minimum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (m) Maximum Rate of Interest: [[ ] per cent. per annum][Not Applicable]
- (n) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)  
RBA Bond Basis  
Australian Bond Basis  
[Other]

(See Condition 5.7 for alternatives)

- (o) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (p) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]
18. Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index [need to include a description of market disruption or settlement disruption events and adjustment provisions]

and/or Formula is  
impossible or  
impracticable:

(e) Specified [ ]  
Period(s)/Specified  
Interest Payment Dates:

(f) Business Day [Floating Rate Convention/Following Business Day  
Convention/Modified Following Business Day  
Convention/Preceding Business Day Convention/*Specify other*]

(g) Additional Business [ ] [Not Applicable]  
Centre(s):

(h) Minimum Rate of [ ] per cent. per annum  
Interest:

(i) Maximum Rate of [ ] per cent. per annum  
Interest:

(j) Day Count Fraction: [ ]

(k) Interest Amounts Non- [Applicable/Not Applicable]  
Adjusted:

20. Dual Currency Interest Note [Applicable/Not Applicable]  
Provisions:

*(If not applicable, delete the remaining subparagraphs of this  
Paragraph)*

(a) Rate of [give or annex details]  
Exchange/method of  
calculating Rate of  
Exchange:

(b) Party, if any, [ ]  
responsible for  
calculating the principal  
and/or interest due (if  
not the Agent):

(c) Provisions applicable [need to include a description of market disruption or settlement  
where calculation by disruption events and adjustment provisions]  
reference to Rate of  
Exchange impossible or  
impracticable:

(d) Person at whose option [ ]  
Specified Currency(ies)  
is/are payable:

## PROVISIONS RELATING TO REDEMPTION

21. Notice periods for Condition 7.2: Minimum period: [30/[ ]] days  
Maximum period: [[60/[ ]] days] [Not Applicable]
22. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/see Appendix] [(subject to Condition 10A.2A) *(include in the case of Subordinated Notes only, if applicable)*]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [5/[ ]] days  
Maximum period: [10/[ ]] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
23. Regulatory Event Call in respect of Subordinated Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraph of this Paragraph)*
- Notice periods: Minimum period: [specify] days  
Maximum period: [specify] days
24. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*



- (a) Optional Redemption [ ]  
Date(s):
- (b) Optional Redemption [ ] per Calculation Amount/Specify other/see Appendix]  
Amount and method, if  
any, of calculation of  
such amount(s):

(c) Notice periods: Minimum period: [15/[ ]] days

Maximum period: [30/[ ]] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

25. Final Redemption Amount: [ ] per Calculation Amount/Specify other/see Appendix]  
[(subject to Condition 10A.2A) (include in the case of Subordinated Notes only, if applicable)]
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): [ ] per Calculation Amount/Condition 7.5 applies/Specify other/see Appendix] [(subject to Condition 10A.2A) (include in the case of Subordinated Notes only, if applicable)]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Any applicable Tax Jurisdiction: [Give details][Not Applicable] (N.B. See Condition 8)

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 [on 60 days' notice given at any time/only upon an Exchange Event].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer].]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a sub-custodian for the CMU/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (*specify nominal amounts*)

*(It is anticipated that all Registered Notes issued by NAB, BNZ or BNZ-IF under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC and/or a sub-custodian for the CMU, because Registered Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange event upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for a Definitive Bearer Note.)*

(b) New Global Note: [Yes] [No]

*[It is anticipated that all Bearer Notes issued by NAB, BNZ or BNZ-IF under the Programme will not be issued in NGN form and will be deposited with a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes issued by NAB, BNZ or BNZ-IF do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

29. Additional Financial Centre(s): [Not Applicable/give details]

*(Note that this Paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 17(c) relates.)*

30. Talons for future Coupons or Receipts to be attached to [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than

Definitive Bearer Notes: 27 coupon payments are still to be made/No]

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/give details. N.B. A new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]

32. Details relating to Instalment Notes: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Instalment Amount(s): [give details]

(b) Instalment Date(s): [give details]

33. Additional United States Federal Income Tax Disclosure: [Not Applicable/provide additional disclosure if necessary or desired, e.g., in the case of a reopening of Notes.]

34. Other terms or special conditions: [Not Applicable/give details]

### [THIRD PARTY INFORMATION]

[Relevant third party information] has been extracted from [specify source]. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [insert name of Issuer]:

[Signed on behalf of Bank of New Zealand:

By: .....

By: .....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange Euro MTF Market and listed on the official list of the [Luxembourg Stock Exchange] *[other]* with effect from [ ].] [Not Applicable.]

*(When documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies)]* [Not Applicable] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: *[specify ratings and rating agencies]*]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. – *Amend as appropriate if there are other interests*]

### 4. [YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ] [Not Applicable]

### 5. [USE OF PROCEEDS

Use of Proceeds: [ ]

*(Only required if the use of proceeds is different to that stated in the Offering Circular)*

### 6. OPERATIONAL INFORMATION

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that

- assigned the ISIN/Not Applicable/Not Available]
- (d) FISN: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (e) [CMU Instrument Number:] [ ]  
*(Only applicable for Notes held through the CMU Service)*
- (f) [CUSIP/CINS/ Other securities number:] *[Insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly]*
- (g) Any clearing system(s) other than [Euroclear and Clearstream, Luxembourg,] [CMU Service] [and DTC] *[delete as applicable]* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (h) Delivery: Delivery [against/free of] payment
- (i) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ] [Not Applicable]
- (j) Deemed delivery of clearing system notices for the purposes of Condition 14: [Any notice delivered to Noteholders through [Euroclear and/or Clearstream, Luxembourg] [and/or DTC] [and/or the persons shown in a CMU Instrument Position Report issued by the CMU Service] will be deemed to have been given on the [day]/[[second] day after the day] on which it was given to [Euroclear and Clearstream, Luxembourg,] [DTC] [or the persons shown in a CMU Instrument Position Report issued by the CMU Service,] [as applicable].]
- (k) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] *[include this text for Registered Notes]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the

future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] [*include this text if "no" selected*]

## 7. DISTRIBUTION

- |     |  |   |
|-----|--|---|
| (a) | Method of distribution:                                      | [Syndicated/Non-syndicated]   |
| (b) | If syndicated, names of Managers:                            | [Not Applicable/ <i>give names</i> ]  |
| (c) | Stabilisation Manager(s) (if any):                           | [Not Applicable/ <i>give name</i> ]   |
| (d) | If non-syndicated, name of relevant Dealer:                  | [Not Applicable/ <i>give name</i> ]   |
| (e) | U.S. Selling Restrictions:                                   | Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]  |
| (f) | The Republic of Korea ( <b>Korea</b> ) Selling Restrictions: | [Not Applicable/The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the <b>FSCMA</b> ). Accordingly, (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea ( <b>FETL</b> ) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum Specified Denomination specified in these Final Terms shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea. |

Furthermore, by purchasing the Notes, each Noteholder will be deemed to represent, warrant

and agree that it shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.<sup>5]</sup>

- (g) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (h) Additional selling restrictions: [Not Applicable/give details]

*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*

- (i) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

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<sup>5</sup> Only applicable for Notes offered into Korea otherwise state 'Not Applicable'.

## TERMS AND CONDITIONS OF THE NOTES

*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 Senior 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 (ABN 12 004 044 937) (**NAB**), Bank of New Zealand (**BNZ**) 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, BNZ as guarantor of Notes issued by BNZ-IF (the **Guarantor**) and the Trustee, BNZ-IF became an Issuer under the Programme (as defined in the Trust Deed) and, by a Twentieth Supplemental Trust Deed dated 21 November 2018 and made between NAB, BNZ-IF, BNZ (as an Issuer and as the Guarantor) and the Trustee, BNZ became an Issuer under the Programme. Notes issued by BNZ-IF (**Guaranteed Senior Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor 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 20 November 2019 and made between NAB, BNZ-IF, BNZ (as an Issuer and as 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 as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange 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 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 Regulation (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 (i) in the case of Notes issued by NAB or BNZ, senior Notes (**Senior Notes**), or (ii) in the case of Notes issued by NAB only, term subordinated Notes (**Subordinated Notes**), or (iii) in the case of Notes issued by BNZ-IF only, Guaranteed Senior Notes. The Final Terms for each Tranche of 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 Regulation** means Regulation (EU) 2017/1129.

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 Regulation 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](http://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 Senior 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 Senior 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 Senior 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 SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**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 Senior 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 Senior 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 Senior 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 (c), (e) and (f) 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) 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, Senior Notes or, in the case of Notes issued by BNZ-IF, Guaranteed Senior Notes. The applicable Final Terms for 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 to be issued by NAB or BNZ as Senior Notes or, in the case of Notes issued by BNZ-IF, as 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 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 (the **Corporations Act**). 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** *[This paragraph is no longer applicable]*

#### **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. 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 5.7 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 or, if applicable, principal, 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 (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or
  - (B) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;
- and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rate Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded 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 which is a Bearer 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, Screen Rate Determination, BBSW Determination or BKBM 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, *inter alia*, the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page. Where BBSW Determination or BKBM Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Relevant Financial Centre and Interest Determination Date(s).

### (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 or the relevant payment date if the Notes become payable on a date other than an 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 or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(i) to "Agent" shall be construed accordingly) 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 not referencing Compounded Daily SONIA**

- (1) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for each Interest Period will, subject to Condition 5.5 and 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 or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(ii) to "Agent" shall be construed accordingly). 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.

- (2) If, other than in the circumstances described in Condition 5.5 below, the Relevant Screen Page is not available or if, in the case of Condition 5.2(b)(ii)(1)(A), no such offered quotation appears or, in the case of Condition 5.2(b)(ii)(1)(B), fewer than three of the offered quotations appear, in each case as at the Relevant Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent.
- (3) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) or the Toronto inter-bank market (if the Reference Rate is BA-CDOR) or the Singapore inter-bank market (if the Reference Rate is SIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, either (as directed by the Issuer) the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) or the Toronto inter-bank market (if the Reference Rate is BA-CDOR) or the Singapore inter-bank market (if the Reference Rate is SIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(b)(ii), the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period).

In this Condition 5.2(b)(ii):

**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 Hong Kong interbank offered rate (**HIBOR**), the first day of each Interest Period;
- (v) if the Reference Rate is the Toronto inter-bank offered rate (**BA-CDOR**), the first day of each Interest Period;
- (vi) if the Reference Rate is the Singapore interbank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period;
- (vii) 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; and
- (viii) 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 Banks** shall mean (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market; (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market; (iii) in the case of a determination of HIBOR, four major banks in the Hong Kong inter-bank market; (iv) in the case of a determination of BA-CDOR, four Canadian Schedule 1 chartered banks; (v) in the case of a determination of SIBOR, four major banks in the Singapore inter-bank market; (vi) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market; and (vii) in the case of a determination of NIBOR, four major banks in the Oslo inter-bank market; in each case selected by the Agent or as specified in the applicable Final Terms.

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR, (iii) HIBOR, (iv) BA-CDOR, (v) SIBOR, (vi) CNH HIBOR or (vii) 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, 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 HIBOR 11.00 a.m., (iv) in the case of BA-CDOR, 10.15 a.m., (v) in the case of SIBOR, 11.00 a.m., (vi) 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., and (vii) in the case of NIBOR, 12.00 noon, each as specified in the applicable Final Terms.

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

- (iii) Screen Rate Determination for Floating Rate Notes referencing Compounded Daily SONIA

- (A) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for an Interest Period will, subject as provided below, be Compounded Daily SONIA with respect to such Interest Period plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

**Compounded Daily SONIA** means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest fourth decimal place, with 0.00005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

**d** is the number of calendar days in the relevant Interest Period;

**d<sub>o</sub>** is the number of London Banking Days in the relevant Interest Period;

**i** is a series of whole numbers from one to d<sub>o</sub>, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period;

**London Banking Day** or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**n<sub>i</sub>**, for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

**Observation Period** means the period from (and including) the date falling "p" London Banking Days prior to the first day of the relevant Interest Period to (but excluding) the date falling "p" London Banking Days prior to the Interest Payment Date (or, if applicable, the relevant payment date if the Notes become payable on a date other than an Interest Payment Date) for such Interest Period;

**p** is the number of London Banking Days by which an Observation Period lags the corresponding Interest Period, being the number of London Banking Days specified as the "SONIA Lag Period (p)" in the applicable Final Terms (or, if no such number is so specified, five London Banking Days);

the **SONIA reference rate**, in respect of any London Banking Day (**LBD<sub>x</sub>**), is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such LBD<sub>x</sub> as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such LBD<sub>x</sub>; and

**SONIA<sub>i-pLBD</sub>** means the SONIA reference rate for the London Banking Day (being a London Banking Day falling in the relevant Observation Period) falling "p" London Banking Days prior to the relevant London Banking Day "i".

- (B) If, in respect of any London Banking Day in the relevant Observation Period, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the applicable SONIA reference rate has not been made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms, as applicable) shall determine the SONIA reference rate in respect of such London Banking Day as being:
- (I) (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (II) if the Bank Rate under (I)(i) above is not available at the relevant time, either (A) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (B) if this is more recent, the latest rate determined under (I) above.
- (C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:
- (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period); or
- (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period).
- (D) If the relevant Series of Notes becomes due and payable in accordance with Condition 10, the final Rate of Interest shall be calculated for the period from (and including) the previous Interest Payment Date to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 5.6 and the Trust Deed.

(iv) BBSW Determination for Floating Rate Notes

Where "BBSW 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 the mid-rate for prime bank eligible securities (expressed as a percentage rate per annum), having a tenor closest to the relevant Interest Period (the **BBSW Rate**) on the BBSW Page (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) at or about the BBSW Publication 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 or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(iv) to "Agent" shall be construed accordingly).

If the BBSW Page is not available, or if the BBSW Rate does not appear on the BBSW Page by 10.45 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BBSW Publication Time in the Relevant Financial Centre), then (unless the Agent has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Rate of Interest shall be determined in good faith by the Issuer on the Interest Determination Date, having regard to comparable indices then available. Any such Rate of Interest shall be notified to the Agent as soon as practicable after its determination.

If the Issuer is unable to determine the Rate of Interest in accordance with the preceding paragraph, the Rate of Interest shall be that determined by the Agent as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5.2(b)(iv):

**BBSW Page** means the Thomson Reuters Screen "BBSW" Page, or such other Thomson Reuters screen page (or page of a successor service) as may replace such page for the purpose of displaying the Australian Bank Bill Swap Rate;

**BBSW Publication Time** means 10.30 a.m. (or such other time at which the BBSW Rate is customarily published on the BBSW Page);

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified, the first day of each Interest Period; and

**Relevant Financial Centre** shall mean Sydney, as specified in the applicable Final Terms.

(v) BKBM Determination for Floating Rate Notes

Where "BKBM 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 the "Bank Bill Reference Rate (FRA)" (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) administered by the New Zealand Financial Markets Association (or any other person that takes over the administration of that rate), having a tenor closest to the relevant Interest Period (the **BKBM Rate**), as set forth on the display page designated on the BKBM Page at or about the BKBM Publication 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 or other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms (and references in this Condition 5.2(b)(v) to "Agent" shall be construed accordingly).

If the BKBM Page is not available, or if the BKBM Rate does not appear on the BKBM Page by 11.00 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BKBM



Publication Time in the Relevant Financial Centre), then (unless the Agent has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.5 below, if applicable) the Rate of Interest shall be determined in good faith by the Issuer on the Interest Determination Date, having regard to the rates otherwise bid and offered at or around 11.00 a.m. in the Relevant Financial Centre (or such other time that is 15 minutes after the then prevailing BKBM Publication Time in the Relevant Financial Centre) on the Interest Determination Date by participants in the BKBM trading window for New Zealand bank bills having a tenor closest to the relevant Interest Period. Any such Rate of Interest shall be notified to the Agent as soon as practicable after its determination.

If the Issuer is unable to determine the Rate of Interest in accordance with the preceding paragraph, the Rate of Interest shall be that determined by the Agent as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5.2(b)(v):

**BKBM Page** means the Reuters Screen “BKBM” Page, or such other page on the Reuters Monitor Money Rates Service (or a successor service) as may replace such page for the purpose of displaying the New Zealand Bank Bill reference rate;

**BKBM Publication Time** means 10.45 a.m. (or such other time at which the BKBM Rate customarily appears on the BKBM Page);

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified, the first day of each Interest Period; and

**Relevant Financial Centre** shall mean Auckland and Wellington, as specified 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 (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) 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 (or such other party as aforesaid) 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 (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes which are Bearer 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 which is a Bearer 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 (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) 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) or the relevant BBSW Rate (where "BBSW Determination" is specified as applicable in the applicable Final Terms) or the relevant BKBW Rate (where "BKBW 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 (or such other party as aforesaid) shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

(f) **Notification of Rate of Interest and Interest Amounts**

- (A) Except where the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) 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.

- (B) Where the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to (i) the Issuer and the Trustee, and (ii) to any stock exchange on which the relevant Floating Rate Notes are for the time being listed and, in each case, to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the second London Banking Day (as defined in Condition 5.2(b)(iii)(A) above) thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Period. Any such amendment or alternative arrangements will promptly be notified to any stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14.

(g) **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 (or such other party responsible for the calculation of the Rate of Interest, as specified in these Conditions or the applicable Final Terms, as applicable) shall (in the absence of wilful default, fraud or manifest error or proven error) be binding on the Issuer, the Guarantor, the Agent, the other Agents and all Noteholders, Receipholders and Couponholders and (in the absence of wilful default, fraud or manifest error or proven error) no liability to the Issuer, the Guarantor, the Noteholders, the Receipholders or the Couponholders shall attach to the Agent (or such other party as aforesaid) 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 Final Terms identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Final Terms as being other than LIBOR, EURIBOR, 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 Benchmark Discontinuation**

Notwithstanding the provisions in Condition 5.2 above, if the Issuer, acting in good faith and in a commercially reasonable manner, determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to that Original Reference Rate, then the following provisions of this Condition 5.5 shall apply (subject, in the case of Subordinated Notes, to the prior written approval of APRA).

*Noteholders should note that APRA's approval may not be given for any Successor Rate or Alternative Rate it considers to have the effect of increasing the Rate of Interest contrary to applicable prudential standards.*

##### **(a) Successor Rate or Alternative Rate**

If there is a Successor Rate, then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Successor Rate and that Successor Rate shall (subject to adjustment as provided in Condition 5.5(b)) subsequently be used by the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.5).

If there is no Successor Rate but the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Alternative Rate, then the Issuer shall promptly notify the Trustee, the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) and, in accordance with Condition 14, the Noteholders of such Alternative Rate and that Alternative Rate shall (subject to adjustment as provided in Condition 5.5(b)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.5).

##### **(b) Adjustment Spread**

If, in the case of a Successor Rate, an Adjustment Spread is formally recommended, or provided as an option for parties to adopt in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body, then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt (not less than five Business Days prior to the relevant Interest Determination Date) of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate.

If, in the case of a Successor Rate where no such Adjustment Spread is formally recommended or provided as an option by any Relevant Nominating Body, or in the case of an Alternative Rate, the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such

sources as it deems appropriate, which may include consultation with an Independent Adviser, determines that there is an Adjustment Spread in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be), then the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt (not less than five Business Days prior to the relevant Interest Determination Date) of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

If no such recommendation or option has been made (or made available) by any Relevant Nominating Body, or the Issuer so determines, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, that there is no such Adjustment Spread in customary market usage in the international debt capital markets and the Issuer further determines, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be), then the Adjustment Spread shall be:

- (i) the Adjustment Spread determined by the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, as being the Adjustment Spread recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (ii) if there is no such industry standard recognised or acknowledged, such Adjustment Spread as the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Following any such determination of the Adjustment Spread, the Issuer shall promptly notify the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable) and, in accordance with Condition 14, the Noteholders of such Adjustment Spread and the Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to the receipt (not less than five Business Days prior to the relevant Interest Determination Date) of, and in accordance with, the Issuer's written instructions, apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(c) **Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.5 and the Issuer, acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an

Independent Adviser, determines in its discretion (A) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to the following paragraphs of this Condition 5.5(c) and subject to the Issuer having to give notice thereof to the Noteholders in accordance with Condition 14, and to the Trustee and the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms as applicable) in accordance with this Condition 5.5(c), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders make the necessary modifications to these Conditions and/or Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments. At the request of the Issuer, but subject to receipt by the Trustee and the Agent of the certificate referred to in the final paragraph of this Condition 5.5(c), and subject as provided below, the Trustee and the Agents (as applicable) shall (at the expense of the Issuer), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders and without liability to the Noteholders or any other person, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) with effect from the date specified in such notice.

In connection with any such modifications in accordance with this Condition 5.5(c), if and for so long as the Notes are admitted to trading and listed on the official list of a stock exchange, the Issuer shall comply with the rules of that stock exchange. Notwithstanding any other provision of this Condition 5.5, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Subordinated Notes as Tier 2 Capital.

Notwithstanding any other provision of this Condition 5.5(c), neither the Trustee nor the Agents (as applicable) shall be obliged to concur with the Issuer in respect of any Benchmark Amendments which, in the sole opinion of the Trustee or the relevant Agent (as applicable), would (i) expose the Trustee or the relevant Agent (as applicable) to any additional liability or (ii) increase the obligations or duties, or decrease the rights or protections, afforded to the Trustee or the relevant Agent (as applicable) in the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or these Conditions.

Any Benchmark Amendments determined under this Condition 5.5(c) shall be notified promptly (in any case, not less than five Business Days prior to the relevant Interest Determination Date) by the Issuer to the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms as applicable) and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of such Benchmark Amendments.

No later than notifying the Trustee and the party responsible for determining the Rate of Interest (being the Agent or such other party specified in the applicable Final Terms, as applicable) of the same, the Issuer shall deliver to each of the Trustee and the Agent a certificate (on which each of the Trustee and the Agent shall be entitled to rely without further enquiry or liability) signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer or, as the case may be, the Guarantor:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) whether or not the Issuer has consulted with an Independent Adviser, (iii) the Successor Rate or, as the case may be, the Alternative Rate, (iv) where applicable, any Adjustment Spread, and/or (v) the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.5; and

- (B) certifying that the Benchmark Amendments are (in accordance with the provisions of Condition 5.5(c)) necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the party responsible for determining the Rate of Interest (being the Agent or other such party specified in the applicable Final Terms, as applicable), the Agents and the Noteholders, Receiptholders and Couponholders.

(d) **Independent Adviser**

In the event the Issuer is to consult with an Independent Adviser in connection with any determination to be made by the Issuer pursuant to this Condition 5.5, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 5.5 shall act in good faith and in a commercially reasonable manner and (in the absence of fraud or wilful default) shall have no liability whatsoever to the Issuer, (in the case of Guaranteed Senior Notes) the Guarantor, the Trustee or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.5 or otherwise in connection with the Notes.

If the Issuer consults with an Independent Adviser as to whether there is a Successor Rate, an Alternative Rate and/or whether any Adjustment Spread is required to be applied and/or in relation to the quantum of, or any formula or methodology for determining such Adjustment Spread and/or whether any Benchmark Amendments are necessary and/or in relation to the terms of any such Benchmark Amendments, a written determination of an Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error, and (in the absence of fraud or wilful default) neither the Issuer nor (in the case of Guaranteed Senior Notes) the Guarantor, shall have any liability whatsoever to the Noteholders in respect of anything done, or omitted to be done, in relation to that matter in accordance with any such written determination.

No Independent Adviser appointed in connection with the Notes (acting in such capacity), shall have any relationship of agency or trust with the Noteholders.

(e) **Survival of Original Reference Rate Provisions**

Without prejudice to the obligations of the Issuer under this Condition 5.5, the Original Reference Rate and the fallback provisions provided for in Condition 5.2 and/or the applicable Final Terms, as the case may be, will continue to apply unless and until the Issuer has determined the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with the relevant provisions of this Condition 5.5.

(f) **Definitions**

In this Condition 5.5:

**Adjustment Spread** means either a spread, or the formula or methodology for calculating a spread and the spread resulting from such calculation, which spread may in either case be positive or negative or zero and is to be applied to the Successor Rate or the Alternative Rate (as the case may

be) where the Original Reference Rate is replaced with the Successor Rate or the Alternative Rate (as the case may be);

**Alternative Rate** means an alternative benchmark or screen rate which the Issuer determines in accordance with this Condition 5.5 is used in place of the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

**Benchmark Amendments** has the meaning given to it in Condition 5.5(c)

**Benchmark Event** means, with respect to an Original Reference Rate, the earlier to occur of:

- (A) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;
- (B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (B)(i);
- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;
- (D) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in (D)(i);
- (E) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (E)(i);
- (F) it has or will prior to the next Interest Determination Date become unlawful for the Agent, any Paying Agent, (if specified in the applicable Final Terms) such other party responsible for the calculation of the Rate of Interest, or the Issuer to determine any Rate of Interest and/or calculate any Interest Amount using the Original Reference Rate (including, without limitation, under Regulation (EU) No. 2016/1011, if applicable); and
- (G) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

**Independent Adviser** means an independent financial institution of international repute or other independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense;

**Original Reference Rate** means the benchmark or screen rate (as applicable) originally specified in the applicable Final Terms for the purposes of determining the relevant Rate of Interest (or any component part thereof) in respect of the Notes (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which



has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term “Original Reference Rate” shall include any such Successor Rate or Alternative Rate);

**Relevant Nominating Body** means, in respect of an Original Reference Rate:

- (A) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the Original Reference Rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 5.6 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.

## 5.7 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) 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:

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

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 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:

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

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 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:

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

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 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):
  - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
  - (ii) in 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; and
- (f) 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/U.S. 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, fraud or manifest error) be binding on the Issuer, the Guarantor (in the case of Guaranteed Senior 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 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.

#### **7.2 Redemption for tax reasons**

Subject to Condition 7.5, the Notes may be redeemed (subject to the prior written approval of APRA if the Notes are Subordinated 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 Senior 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 or 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 or 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 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
- (c) (in the case of each of (a) and (b) 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 the capital position of the NAB Level 1 Group and the NAB Level 2 Group will remain adequate after NAB elects to redeem the Subordinated Notes.

In these Conditions:

**Level 1** and **Level 2** have the meanings given 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.

*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:

- (a) 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
- (b) 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 the capital position of the NAB Level 1 Group and the NAB Level 2 Group 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, in the case of Subordinated Notes, to the prior written approval of APRA), 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 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 the capital position of the NAB Level 1 Group and the NAB Level 2 Group 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 its Early Redemption 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, in the case of Subordinated Notes, to the 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 Senior 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 Senior 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 Senior Notes or if the Issuer is BNZ) 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 Senior Notes or if the Issuer is BNZ) or (in all cases) a Tax Jurisdiction (other than mere ownership of or receipt of payment under the Notes, Receipts or Coupons 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 Senior Notes or if the Issuer is BNZ), or (in all cases) a Tax Jurisdiction);
- (c) which could lawfully be avoided if the Noteholder, Receiptholder or Couponholder or beneficial owner had provided the Issuer or a Paying Agent or any tax authority with any certification, tax identification number, name and address details or had complied with another reporting requirement including the provision of information concerning nationality, tax residence, identity, and/or other tax exemption status (but has not been so avoided solely by reason of such Noteholder's, Receiptholder's, Couponholder's or beneficial owner's failure to do so);
- (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 the 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 Senior Notes or if the Issuer is BNZ, 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 (as the case may be), 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 or 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 Senior Notes or if the Issuer is BNZ, 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) (in the case of Guaranteed Senior Notes or if the Issuer is BNZ) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (l) with respect to any payment of principal of 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
- (m) any combination of (a) through (l) 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 if the Issuer is BNZ or BNZ-IF (and, where BNZ-IF is the Issuer, 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, BNZ-IF and the Guarantor may be required by law to deduct New Zealand resident withholding tax from the payment of interest to a Noteholder, Receipholder or Couponholder, if:

- (a) the person deriving the interest is a resident of New Zealand for income tax purposes or is otherwise subject to the New Zealand resident withholding tax rules (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 or is not otherwise exempt from resident withholding tax.

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

- (A) must notify the Issuer 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 the Issuer or, as the case may be, the Guarantor or a Paying Agent, of any circumstances, and provide the Issuer or, as the case may be, the Guarantor or the relevant Paying Agent, with any information (including, in the case of a New Zealand Noteholder that is not resident in New Zealand for income tax purposes, whether the Note is held for the purposes of a business they carry on in New Zealand through a fixed establishment in New Zealand) that may enable the Issuer 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 the Issuer 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 the Issuer 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 the Issuer or, as the case may be, the Guarantor, for all purposes in respect of any liability the Issuer 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), (k) or (l) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor (in the case of Guaranteed Senior 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 Senior 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 Senior Notes) prior to the Issuer's and, in the case of Guaranteed Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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) of the Issuer 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 Senior 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 Senior 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) the Issuer (i) ceases to carry on general banking business in New Zealand; or (ii) ceases to be registered as a bank in New Zealand; or (iii) enters into any arrangement or agreement for any sale or disposal of the whole of its 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 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;
- (k) (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
- (l) (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**

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

The following are Events of Default in relation to Notes:

- (a) a Winding Up Default (as defined below) 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 NAB or by a court of competent jurisdiction) under which the

continuing or resulting corporation effectively assumes the entire obligations of NAB under the Notes; and

- (b) NAB 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) the failure is the result of NAB not being Solvent at the time of that payment or NAB would not be Solvent as a result of making that payment (except to the extent that NAB can make such payment and remain Solvent thereafter).

To the extent that a payment is not required to be made due to Condition 3.2 in the case of NAB, 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 Receipholders 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.

**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.

### **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 Enforcement**

##### **(a) Senior Notes and Guaranteed Senior Notes**

This Condition 10.4(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 Senior 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**

This Condition 10.4(b) shall apply only to 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 NAB as it may think fit to enforce any obligation, condition or provision binding on NAB 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 NAB shall not by virtue of any such proceedings

or such action (save for any proceedings for the Winding Up (as defined in Condition 3.2) of NAB) 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 Senior Notes) or prove in the Winding Up (as defined in Condition 3.2 in respect of NAB) of the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) unless the Trustee, having become bound so to do fails or is unable to do so within a reasonable period and such failure or inability 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 Senior 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 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 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.

- (e) **Written-Off** means, with respect to a nominal amount of Subordinated Notes, the rights of the Noteholder in relation to such nominal amount of Subordinated Notes are written-off and immediately and irrevocably terminated (and Write-Off when used herein has a corresponding meaning).

### 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 1.1(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 of that nominal amount of Subordinated Notes on account of the Non-Viability Trigger Event will not occur on that date or on any future date;

- (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 with effect on and from the Conversion Date; 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 CHESS (being the Clearing House Electronic Subregister System operated by ASX or its affiliates or any system that replaces it relevant to the Subordinated Notes) 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):
  - (i) 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
  - (ii) a FATCA Withholding is required to be made in respect of Ordinary Shares issued on the Conversion of such Subordinated Notes,

then, on the Conversion Date,

- (d) where subparagraph (a), (b) or (c)(ii) 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; or
  - (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; or
  - (iii) where subparagraph (c)(ii) applies, the issue is net of the FATCA Withholding,

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)(i) 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);

- (ii) the nominee will as soon as reasonably possible (or, where paragraph (c)(i) 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; and
- (iii) where Condition 10A.9(c)(ii) applies, the nominee shall deal with Ordinary Shares the subject of a FATCA Withholding and any proceeds of their disposal in accordance with FATCA.

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 will be Written-Off.

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.



**FATCA** means sections 1471 through 1474 of the Code (as defined in Condition 6.1 above) (or any consolidation, amendment, re-enactment or replacement of those sections) and including any current or future regulations or official interpretations issued, agreements entered into pursuant to section 1471(b) of the Code or non-US laws enacted or regulations or practices adopted pursuant to any intergovernmental agreement in connection with the implementation of those sections.

**FATCA Withholding** means any withholding or deduction imposed or required pursuant to 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.

**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 Senior 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 London; and
- (d) BNZ and BNZ-IF and (in the case of Guaranteed Senior Notes) the Guarantor each undertakes that it will ensure that it maintains a Paying Agent in a jurisdiction other than the jurisdiction in which it is incorporated.

In addition, the Issuer and (in the case of Guaranteed Senior 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 Position 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 Position 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, Receipts and Coupons to any required prior written approval of APRA (if NAB 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 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 Senior 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 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. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.5 without the consent of the Noteholders, Receiptholders and Couponholders and the reference in the first paragraph of this Condition 15 to meetings of the Noteholders shall not apply to Benchmark Amendments made pursuant to Condition 5.5(c), which shall be made without Noteholder consent as specified therein. 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 Senior 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 (in the case of Notes issued by NAB) or BNZ (in the case of Notes issued by BNZ) 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 S&P Global Ratings, a division of S&P Global 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 may affect 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, 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 Clause 19 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. 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 Receiptholders 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 Receiptholders 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 (i) unless an alternative address has been notified to Noteholders in accordance with Condition 14, its office at (until, and including, 1 December 2019) 88 Wood Street, London EC2V 7QQ and (from, and including, 2 December 2019) at The Scalpel, 52 Lime Street, London EC3M 7AF, or (ii) if an alternative address has been notified to Noteholders in accordance with Condition 14, such other address as has been so notified, as its agent for service of process and BNZ, BNZ-IF and the Guarantor appoint BNZ International Funding Limited, acting through its London Branch, at (i) unless an alternative address has been notified to Noteholders in accordance with Condition 14, its office at (until and including 1 December 2019) 88 Wood Street, London EC2V 7QQ and (from and including 2 December 2019) at The Scalpel, 52 Lime Street, London EC3M 7AF, or (ii) if an alternative address has been notified to Noteholders in accordance with Condition 14, such other address as has been so notified, as their respective agent for service of process. Each of NAB, BNZ, BNZ-IF and the Guarantor undertakes that, in the event of National Australia Bank Limited, London Branch or BNZ International Funding Limited, acting through its 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 Senior 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 closing spot price on each day of calculation in the VWAP Period for the sale of the Australian dollar against the purchase of such Specified Currency as published by Bloomberg (or a replacement or equivalent information vendor) or otherwise determined by NAB (acting in good faith and in a commercially reasonable manner)) 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; and
- (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 multiplying such daily VWAP 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;

**V<sub>0</sub>** 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 5.7, 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).

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the general purposes of the relevant Issuer (which include making a profit) and its subsidiaries and, in the case of Notes issued by BNZ-IF, the Guarantor and its subsidiaries. If, in respect of an issue by NAB, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF NAB

### INFORMATION ABOUT NAB

#### *History and development of NAB*

The legal name of NAB is National Australia Bank Limited and it trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".

NAB is registered in the State of Victoria with Australian Business Number (ABN) 12 004 044 937.

NAB was incorporated on 23 June 1893.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act. Its registered office is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8872 2461).

### BUSINESS OVERVIEW

#### *The NAB Group's Business*

The NAB Group is a financial services organisation with more than 34,000 people, operating through a network of almost 900 locations, with over 573,000 shareholders and serving approximately nine million customers.

The majority of the NAB Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom and the United States.

The NAB Group's strategic focus supports its vision to be Australia's leading bank, trusted by customers for exceptional service. Achieving this vision is underpinned currently by four key long term objectives:

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

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

In the year ending 30 September 2019, the NAB Group operated the following divisions:

- Business and Private Banking, focuses on serving the needs of three of the NAB Group's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through the small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising, Professional Services and Commercial Real Estate. The division also serves high net worth customers through the Private Bank and JBWere.

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<sup>1</sup> Net Promoter Score is a trademark of Bain & Company, Satmetrix Systems and Fred Reichheld.

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

- Consumer Banking and Wealth, provides customers with products and services through proprietary networks in NAB and UBank, as well as third party and mortgage brokers. Customers are served through the Consumer Banking network to secure home loans or manage personal finances through deposit, credit or personal loan facilities. The network also provides servicing support to individuals and business customers. Wealth, including Wealth Advice, Asset Management and Superannuation, provides customers with access to advisers and a financial planning network of self-employed and employed advisers in Australia.
- Corporate and Institutional Banking, provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including branches in the United States, United Kingdom and Asia with specialised industry relationships and product teams. It includes BNZ's Markets Trading Operations.
- NZ Banking, comprises the Consumer Banking, Wealth Business, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the "Bank of New Zealand" brand. It excludes Bank of New Zealand's Markets Trading operations.
- Corporate Functions and Other, include functions that support all businesses including Treasury, Technology and Operations, Support Units and Eliminations.

### ***Recent Developments***

#### *Key developments during the year*

The financial year ended 30 September 2019 was a challenging period with the Royal Commission highlighting failings of the NAB Group's accountability, culture and governance. A number of changes to the composition of the board of Directors (the **Board** or the **Board of Directors**) of NAB and executive leadership team have occurred or were announced during 2019, namely:

- Mr Andrew Thorburn resigned as Managing Director and NAB Group Chief Executive Officer (CEO) and ceased employment with the NAB Group effective 28 February 2019.
- Mr Philip Chronican, Director, commenced as interim NAB Group CEO on 1 March 2019 and served in this capacity until 14 November 2019. He commenced as Chairman of NAB's Board of Directors effective 15 November 2019.
- Dr Ken Henry, resigned as Non-Executive Director and Chairman of NAB's Board of Directors effective 14 November 2019.

In July 2019, the NAB Group announced the appointment of Ross McEwan as the new CEO and Managing Director. Mr McEwan will start on 2 December 2019. In August 2019, the NAB Group also announced the appointment of a new Group Chief People Officer, Susan Ferrier, who started on 1 October 2019.

NAB's Board of Directors has considered accountability outcomes in areas where the NAB Group has not met customer, shareholder and community expectations. As a result, prior period deferred remuneration (potentially worth approximately A\$5.5 million<sup>3</sup> of previously earned variable reward from 2016 to 2018) has been forfeited for the majority of the executive leadership team in place during the year ended 30 September 2018. This is in addition to forfeiture of all deferred and unvested variable reward by Mr Thorburn on resignation (potentially worth A\$21 million). NAB's Board of Directors also recognises the need for accountability beyond the decision of Mr Henry to step down, and all continuing Directors will take a reduction in Directors' fees in 2019, equivalent to 20 per cent. of their 2018 base fee received.

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<sup>3</sup> Based on an indicative share price of A\$25 and assuming full vesting of all hurdled rights, shares and cash awards, and excluding the value of any dividends and unvested shares.

During the financial year ended 30 September 2019, the NAB Group also accelerated its work to remediate customers who have been treated poorly, including A\$1,357 million of additional charges in connection with increased provisions for customer-related remediation.

#### *Implementation of APRA Self-Assessment Actions and Royal Commission Recommendations*

At the request of the APRA, the NAB Group undertook a self-assessment into governance, accountability and culture in June 2018. The self-assessment identified shortcomings in aspects of the NAB Group's approach to non-financial risk management, with particular focus on operational, compliance and conduct risk. On 30 November 2018, the NAB Group voluntarily published the self-assessment report which identified 26 actions to deliver structural, procedural and cultural change.

On 1 February 2019, the Final Report was handed to the Governor-General by Commissioner, the Hon. Kenneth Hayne AC QC. The Final Report includes 76 recommendations. The NAB Group supports 72 of the 76 recommendations. The Royal Commission has established new standards and expectations across the industry.

#### *Strategy Acceleration*

In November 2017, the NAB Group announced an acceleration of its strategy over the three years to September 2020 to achieve its vision and objectives, reflecting the environment of rapid and constant change.

This transformation involves a targeted A\$1.5 billion increase in investment spend over the three years to 30 September 2020, taking total investment spend to approximately A\$4.5 billion over that period. For the year ended 30 September 2019, the investment spend was A\$1.7 billion, bringing the cumulative total since 30 September 2017 to A\$3.2 billion. The focus of this increased investment spend over three years is on the four key areas outlined below.

- **Becoming the Best Business Bank** – The NAB Group continues to invest in transforming its leading Australian Small and Medium Enterprise (SME) franchise making it simpler and easier for customers.
- **Simpler and Faster** – The NAB Group is focused on delivering exceptional customer service, with increased productivity and reduced complexity.
- **New and Emerging Growth Opportunities** – Capturing new and emerging growth opportunities by leveraging the NAB Group's capabilities and positions of strength is a key focus.
- **Great People, Talent and Culture** – The NAB Group is focused on having the right culture and plans are in place to build the capability of its people and attract the best talent.

As part of the transformation, the NAB Group expects to deliver cumulative cost savings, currently targeted at greater than A\$1 billion by 30 September 2020, as it significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure. In the year ended 30 September 2019 cost savings of approximately A\$480 million were achieved, bringing the cumulative cost savings since 30 September 2017 to A\$800 million.

The NAB Group is reshaping its workforce to enable it to deliver for customers. Over the three years to 30 September 2020, the NAB Group is targeting the creation of up to 2,000 new roles and a reduction of 6,000 existing roles as it further automates and simplifies its business. This is expected to result in a net reduction in roles of approximately 4,000 by 30 September 2020. During the year ended 30 September 2019, a reduction of 1,816 roles occurred while an additional 1,045 new roles were added. On a cumulative basis, since 30 September 2017 there has been a reduction of 3,713 roles and an addition of 1,240 new roles.



The NAB Group outlined a target for expense growth over the financial years ending 30 September 2019 and 30 September 2020 to be broadly flat, excluding large notable items<sup>4</sup>. In the financial year ended 30 September 2019, expense growth excluding large notable items was broadly flat.

### *Reshaping of Wealth Management*

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

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

Since announcing this intention, the reshaping of MLC Wealth continues to gain momentum. A new executive team is now largely in place with a new operating model structured around four business pillars of: Advice, Platforms, Asset Management and Retirement and Investment Solutions. Significant work is underway to ensure the strength of each pillar. This includes a simpler, more customised advice business, a rebranding and leadership restructure in Asset Management, and more competitive pricing across the business.

The NAB Group continues to make progress towards a separation of MLC Wealth, targeting a public markets exit in the 2020 financial year, together with exploration of alternative transaction structures and options. The NAB Group will take a disciplined approach to the exit of MLC Wealth and will execute a transaction at the appropriate time having regard for the interests of all stakeholders. Any transaction remains subject to market conditions, regulatory and other approvals.

In addition to the section entitled "Forward-Looking Statements" on page 8 of this Offering Circular, see also the description of certain risks, assumptions and qualifications, to which the above forward-looking statements relating to the acceleration of the NAB Group's strategy are subject, as contained on page 5 under the section titled "Forward looking statements" of the 2019 NAB Annual Financial Report (as incorporated by reference into this Offering Circular).

### ***Principal Activities***

The principal activities of the NAB Group during the year ended 30 September 2019 were banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management services, funds management and custodian, trustee and nominee services.

## **ORGANISATIONAL STRUCTURE**

NAB is the holding company for the NAB Group, as well as being the main operating company. As at the date of this Offering Circular, NAB wholly-owns the Guarantor, which is its main operating subsidiary.

The NAB Group has examined the possibility of adopting a non-operating holding company structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal,

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<sup>4</sup> Notable expenses includes significant customer-related remediation.

accounting and other issues to address. While a number of issues have now been resolved, no decision on whether to proceed has yet been taken.

## **TREND INFORMATION**

There has been no material adverse change in the prospects of NAB since 30 September 2019.

## **PROFIT FORECASTS OR ESTIMATES**

NAB does not make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name and function of each of the Directors of NAB's Board as at the date of this Offering Circular (unless otherwise stated) are listed below. Unless otherwise stated, the business address of each Director is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

- **Ross M McEwan**

Incoming Managing Director and Group Chief Executive Officer, whose appointment will be effective as of 2 December 2019.<sup>5</sup>

- **Philip W Chronican**

Non-Executive Director and Chairman. Mr Chronican's other directorship is The Westmead Institute for Medical Research (Chairman).

- **David H Armstrong**

Non-Executive Director, Chairman of the Board's Audit and Risk Committees. Mr Armstrong's other directorships and interests include The George Institute for Global Health (Chairman), Opera Australia Capital Fund Limited, Australian Museum (President), and Lizard Island Reef Research Foundation.

- **Peeyush K Gupta AM**

Non-Executive Director and a Member of the Board's Risk, Remuneration and Nomination & Governance Committees. He is also a Director of certain NAB Wealth and BNZ subsidiaries (subsidiaries of NAB). Directorships of listed entities: Link Administration Holdings Limited (Link Group) (since November 2016) and Charter Hall WALE Limited (since May 2016). Mr Gupta's other directorships include Charter Hall Direct Property Management Limited (Chairman), Insurance & Care NSW (iCare) and Special Broadcasting Service Corporation.

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<sup>5</sup> As at the date of this Offering Circular, Mr Gary Lennon is acting as Group Chief Executive Officer of NAB, having been appointed to act in such position during the period from 15 November 2019 to 2 December 2019. Mr Lennon is not a Director of NAB.

- **Anne J Loveridge**

Non-Executive Director, Chairman of the Board's Remuneration Committee and a Member of the Board's Nomination & Governance Committee. Directorships of listed entities: nib Holdings Limited (since February 2017) and Platinum Asset Management Limited (since September 2016). Ms Loveridge's other directorships and interests include The Bell Shakespeare Company Limited (Chairman), member of Chief Executive Women (CEW) and International Women's Forum (Australia).

- **Geraldine C McBride**

Non-Executive Director and a Member of the Board's Audit and Customer Committees. Directorships of listed entities: Sky Network Television Limited (since August 2013) and Fisher and Paykel Healthcare Corporation Limited (since July 2013). Ms McBride is Chief Executive Officer and a Director of MyWave.

- **Douglas A McKay ONZM**

Non-Executive Director and a Member of the Board's Nomination & Governance, Audit and Customer Committees. He is Chairman of BNZ (a subsidiary of NAB). Directorships of listed entities: Genesis Energy Limited (since June 2014) and Fletcher Building Limited (since September 2018). Mr McKay's other directorships include Eden Park Trust (Chairman) and IAG (NZ) Holdings Limited.

- **Ann C Sherry AO**

Non-Executive Director, Chairman of the Board's Customer Committee and a Member of the Board's Remuneration Committee. Directorships of listed entities: Sydney Airport (since May 2014). Ms Sherry's other directorships and interests include UNICEF Australia (Chairman), Palladium Group, Cape York Partnership, Museum of Contemporary Art, Infrastructure Victoria, Carnival Australia (Adviser) and Trans-Tasman Business Council's ANZ Leadership Forum (Australian Chairman).

- **Anthony KT Yuen**

Non-Executive Director and a Member of the Board's Audit and Risk Committees. Mr Yuen will retire from the Board following NAB's Annual General Meeting on 18 December 2019. Mr Yuen's other interests include Hong Kong Red Cross, ABF Hong Kong Bond Index Fund and Membership Committee of the Academy of Finance.

- **Kathryn Fagg**

To be appointed to the Board as a Non-Executive Director commencing 16 December 2019. Directorships of listed entities: Boral Limited (Chairman since July 2018, Director since September 2014), Djerriwarrh Investments Limited (since May 2014) and Incitec Pivot Limited (since April 2014)<sup>6</sup>. Ms Fagg's other directorships and interests include CSIRO, Breast Cancer Network Australia (Chairman), The Grattan Institute, The Myer Foundation and Male Champions of Change.

As at the date of this Offering Circular, there are no conflicts of interest or potential conflicts of interest between the duties of these members of NAB's Board of Directors to NAB and their private interests or their other duties.

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<sup>6</sup> Ms Fagg will retire from the board of Incitec Pivot Limited at the conclusion of its annual general meeting on 20 December 2019.

## MAJOR SHAREHOLDERS

NAB is a public limited company. As at 31 October 2019, the following shareholders each held more than 1 per cent. of the issued share capital of NAB:

- HSBC Custody Nominees (Australia) Limited (23.05 per cent.)
- J P Morgan Nominees Australia Pty Limited (13.81 per cent.)
- Citicorp Nominees Pty Limited (7.02 per cent.)
- National Nominees Limited (4.37 per cent.)
- BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> (2.06 per cent.)
- BNP Paribas NOMS Pty Ltd <DRP> (1.15 per cent.)

As at 31 October 2019, BlackRock Group and its associated entities had a substantial holding (as such concept is defined in the Corporations Act) in NAB, holding 165,256,838 fully paid ordinary shares, representing 5.73 per cent. of the issued share capital of NAB.

There are several provisions of Australian law that are relevant to the ability of any person to gain control of NAB.

Mergers, acquisitions and divestments of Australian public companies listed on the Australian Securities Exchange (such as NAB) are regulated by detailed and comprehensive legislation and the rules and regulations of the Australian Securities Exchange.

In summary, under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person's or someone else's voting power in the company increases from 20 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20 per cent. in an Australian listed company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in any market in Australia, including in any state, territory or region in Australia.

Acquisitions of certain interests in Australian companies by foreign interests are also subject to review by the Australian Treasurer, who may prohibit an acquisition in certain circumstances.

There are also specific limitations on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998 of Australia (the **FSSA**). Under the FSSA, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 20 per cent. of the voting power of the financial sector company without first obtaining the Australian Treasurer's approval. Even if a person has less than 20 per cent. of the voting power, the Australian Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia may require the person to relinquish that control. The definition of a financial sector company includes banks such as NAB.

Save as disclosed on pages 185-186 hereof under "*Organisational Structure*", there are no arrangements in place within the NAB Group the operation of which may result in a change of control of NAB.

## **FINANCIAL INFORMATION CONCERNING NAB'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information in relation to NAB for its financial years ended 30 September 2018 and 30 September 2019 are contained in the 2018 NAB Annual Financial Report and the 2019 NAB Annual Financial Report, respectively, which are incorporated by reference into this Offering Circular.

See further "*Documents Incorporated by Reference and Credit Ratings*" above.

The financial statements which are incorporated by reference contain both NAB's own statements and consolidated statements for the NAB Group.

### ***Auditing of historical annual financial information***

The historical financial information which is incorporated by reference into this Offering Circular has been audited. Please see the Auditor's reports at pages 159-164 of the 2018 NAB Annual Financial Report and at pages 166-173 of the 2019 NAB Annual Financial Report, respectively, which are incorporated by reference into this Offering Circular.

### ***Legal and arbitration proceedings***

#### ***Overview***

Except as listed below and as described in the documents incorporated by reference (see cross-reference table on page 60 hereof), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NAB is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of NAB and/or the NAB Group.

Overall, the number and scale of regulatory investigations, reviews and litigation involving Australian financial institutions has increased significantly over the current and preceding financial year. Some of these investigations and reviews have resulted in customer remediation programs which are expected to continue beyond the 2019 financial year. Some of these investigations and reviews may result in enforcement proceedings.

The Royal Commission, which concluded with the issue of the Final Report on 1 February 2019, has also brought greater focus to a range of culture and compliance matters, including responsible lending, compliance with the Banking Code of Practice and its predecessor codes and appropriate management of issues relating to deceased estates. The Final Report also contained a number of referrals of potential misconduct to the relevant regulatory authorities to consider whether further action should be taken.

There are contingent liabilities in respect of all the above matters. Where appropriate, provisions have been made. The aggregate potential liability of the NAB Group in relation to these matters cannot be accurately assessed. Further information on some specific contingent liabilities that may impact the NAB Group is set out below.

#### ***Bank Bill Swap Reference Rate US class action***

In August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York regarding alleged conduct relating to the Bank Bill Swap Reference Rate. The complaint named a number of defendants, including NAB and various other Australian and international banks, and refers to earlier proceedings brought by ASIC in relation to the Bank Bill Swap Reference Rate. The relevant ASIC proceedings against NAB were resolved in November 2017 pursuant to a court-approved

settlement. The US class action was dismissed against NAB in November 2018 on jurisdictional grounds. However the plaintiffs were given leave to file a new complaint in April 2019. In May 2019 the defendants, including NAB, filed a motion to dismiss the class action complaint. The Court's determination of those motions is pending. The potential outcome and total costs associated with the US class action remain uncertain.

#### *UK conduct issues – potential action and contingent asset*

In May 2019, RGL Management Limited (a claims management company) (**RGL**) commenced proceedings against CYBG PLC (**CYBG**) and NAB on behalf of three customers of CYBG (the **First Claim**). The First Claim concerns tailored business loans (**TBLs**) which the customers entered into with CYBG between 2001 and 2012. NAB did not contract with the customers directly. However, NAB employees performed various functions in connection with the sale of the TBLs and calculation of break costs. The claimants allege they were misled about: (1) the cost of breaking fixed interest rate periods; and (2) the composition of fixed interest rates offered under the TBLs. The alleged misconduct is said to give rise to several causes of action, including negligent misstatement, misrepresentation and deceit. NAB and CYBG filed and served their defences to the First Claim on 30 July 2019.

RGL has filed, but not yet served, a further claim in similar terms to the First Claim (the **Second Claim**). The Second Claim includes a schedule of 146 further claimants. RGL has also been quoted in the press as saying that there are up to 2,000 further potential claimants on behalf of whom it has authority to bring similar claims. The potential outcome and total costs associated with the claims by RGL remain uncertain.

In prior periods the NAB Group suffered losses in relation to certain UK customer-related remediation matters. NAB is in the process of making insurance claims in relation to these losses. Components of the insurance claims are treated by NAB as a contingent asset. The outcome of such claims remains uncertain.

#### *Adviser service fees and fee disclosure statements (FDS)*

ASIC is conducting an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the NAB Group. Under the service arrangements, customers generally pay an adviser service fee to receive a review of their financial circumstances together with a range of other services. In some instances, customers did not receive the agreed services or, in other cases, there may not be sufficient evidence that the agreed services were provided. NAB is in the process of identifying impacted customers.

NAB has confirmed with ASIC a review methodology for customers with financial advisers operating in the NAB Financial Planning and NAB Advice Partnerships businesses. NAB has made significant progress in confirming a review methodology for customers with financial advisers operating in the JBWere business. NAB is committed to progressing these reviews and, where appropriate, remediating those customers as soon as possible.

NAB Financial Planning has already remediated some customer cohorts. NAB Advice Partnerships and JBWere are identifying the cohorts of potentially impacted customers for review. Provisions for customer compensation have been taken based on current best estimates. However given the early stage of the process, these estimates are subject to considerable uncertainty.

Key variables contributing to uncertainty about customer remediation amounts include 'no evidence' rates and recovery rates from advisers. The total ongoing advice fees received within the period 2009 - 2018 are estimated to be approximately A\$1.3 billion for NAB Advice Partnerships and approximately A\$650 million for NAB Financial Planning. The potential outcome and total costs associated with the adviser service fees matter remain uncertain.

On 12 October 2018, ASIC announced that it would be conducting an industry-wide review of compliance with requirements for Fee Disclosure Statements and Renewal Notices in the financial advice sector. NAB is

assessing its compliance with the FDS regime. NAB has ceased charging ongoing fees for customers of NAB Financial Planning employed advisers resulting from concerns about the accuracy of the Fee Disclosure Statements. Aligned to NAB's adviser service fee remediation program, NAB will refund fees paid from 1 June 2018 for NAB Financial Planning customers up until they entered a new arrangement or the fees were switched off. The potential outcome and total costs associated with this matter remain uncertain.

#### *Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) program uplift and compliance issues*

Since July 2016, NAB has been progressing a programme of work to uplift and strengthen the NAB Group AML and CTF programme and its implementation. The work involves significant investment in systems and personnel, ensuring an effective and efficient control environment and uplifting compliance capability. In addition to a general uplift in capability, the programme of work aims to remediate specific compliance issues and weaknesses as they are identified.

When significant AML or CTF compliance issues are identified, they are notified to the Australian Transaction Reports and Analysis Centre (AUSTRAC) or equivalent foreign regulators. NAB has reported a number of compliance breaches to relevant regulators and has responded to a number of requests from regulators requiring the production of documents and information. Identified issues include certain weaknesses with the implementation of 'Know Your Customer' requirements, other financial crime risks, as well as systems and process issues that impacted transaction monitoring and reporting in some specific areas. NAB continues to keep AUSTRAC (and where applicable, relevant foreign regulators) informed of its progress in resolving these issues, and will continue to cooperate with, and respond to queries from, such regulators.

As this work progresses, further issues may be identified and additional uplifting and strengthening may be required. The potential outcome and total costs associated with the investigation and remediation process for specific issues identified to date, and for any issues identified in the future, remain uncertain.

#### *Banking matters*

A number of investigations into banking-related matters are being carried on across the NAB Group, including matters where customers may not have been provided notice of increases to loan repayments within the timeframe required by the National Credit Code, and matters where customers were incorrectly charged certain periodical payment fees. The potential outcome and total costs associated with these matters remain uncertain.

#### *Consumer Credit Insurance (CCI)*

In 2017, as part of an industry-wide review, ASIC requested that NAB and other lenders undertake a review of their compliance with ASIC Report 256 Consumer Credit Insurance: A review of sales practices by authorised deposit-taking institutions. In response to this request, NAB conducted an internal audit on the sale of CCI products. The audit findings identified potential issues with sales of these products across certain NAB channels.

NAB is currently in the process of implementing a remediation programme for CCI customers who are potentially impacted. Where customer compensation is able to be reliably estimated, provisions have been taken. There is also an ongoing ASIC investigation into the matter. The outcome and total costs associated with this matter remain uncertain. On 27 September 2018, plaintiff law firm Slater & Gordon filed a class action in the Federal Court, alleging that NAB and MLC Limited engaged in unconscionable conduct and/or misleading and deceptive conduct in contravention of the Australian Securities and Investments Commission Act 2001 (ASIC Act) in connection with the sale of a particular CCI product (being NAB Credit Card Cover).

On 13 June 2019 the Federal Court granted leave for the addition of a claim alleging that NAB and MLC Limited engaged in unconscionable conduct in contravention of the ASIC Act in connection with the sale of a second CCI product (being NAB Personal Loan Cover). The trial is scheduled to commence on 2 December 2019, however NAB continues to engage in commercial negotiations which may result in a settlement being reached between the parties. The potential outcome and total costs associated with this matter remain uncertain.

#### *Contingent tax risk*

The tax affairs of the NAB Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. Innovation and Science Australia is currently reviewing various prior year claims made by the NAB Group for research and development tax incentives. Risk reviews and audits are also being undertaken by tax authorities in other jurisdictions in which the NAB Group conducts business, as part of normal tax authority review activity in those countries. NAB continues to respond to any notices and requests for information it receives from relevant tax authorities. The reviews, notices and requests described above may result in additional tax liabilities (including interest and penalties). Where appropriate, provisions have been made. The potential outcome and total costs associated with these activities remain uncertain.

#### *Life Events cover*

In 2013, a new insurance feature was introduced for members in the Plum Superannuation Fund that permitted members to increase their Death and Total and Permanent Disability insurance cover amount if certain “Life Events” occur for them, without having to undergo a medical assessment. Following an internal investigation, it was determined that PFS Nominees Pty Ltd, the trustee of the Plum Superannuation Fund, had failed to disclose this feature to some superannuation fund members (it was disclosed to new members in product disclosure statements, however it was not disclosed to existing members at the time it was introduced). Existing members impacted by this issue have now been informed about the Life Events insurance feature.

NAB has developed a remediation methodology and is re-confirming the impacted members before implementing the remediation. The outcome and total costs associated with this matter remain uncertain, and will depend on whether impacted members actually had an eligible Life Event occur, and made a claim, within the period covered by the remediation.

#### *NAB’s introducer payments program*

On 23 August 2019, ASIC commenced Federal Court proceedings against NAB in connection with the introducer payments program. ASIC alleges that NAB engaged in credit activities with unlicensed persons in contravention of the National Consumer Credit Protection Act 2009.

The potential outcome and total costs associated with these proceedings remain uncertain. The introducer payments program has been the subject of internal reviews, a remediation programme and a Royal Commission case study. In March 2019, NAB announced it would end the introducer payments program with effect from 1 October 2019. The potential outcome and total costs associated with this matter remain uncertain.

#### *NZ Ministry of Business, Innovation and Employment compliance audit*

The Labour Inspectorate of the New Zealand Ministry of Business, Innovation and Employment (MBIE) has undertaken a programme of compliance audits of a number of New Zealand organisations, including BNZ, in respect of the New Zealand Holidays Act 2003 (**Holidays Act**). Since 2017, BNZ has worked with MBIE to review its compliance with the Holidays Act, including in respect of annual and public holiday payments to certain employees, and is completing remediation, as agreed with MBIE. In addition, the legislative



interpretation of the definition of "discretionary payments" under the Holidays Act is not yet certain and, once it has been definitively determined, any potential implications for BNZ will need to be considered.

#### *Plan service fees (PSF)*

The NAB Group has finalised the payment of refunds to customers who were charged PSF, including refunds to customers who did not have a plan adviser attached to their superannuation account and customers who left an employer and were transferred to the personal division of the relevant corporate superannuation product.

On 6 September 2018, ASIC commenced Federal Court proceedings against two Group entities - NULIS Nominees (Australia) Limited (**NULIS**) and MLC Nominees Pty Ltd (**MLCN**) - in relation to PSF. ASIC is seeking declarations that a number of provisions of the Australian Securities and Investments Commission Act 2001 (Cth), Corporations Act 2001 (Cth) and the Superannuation Industry (Supervision) Act 1993 (Cth) have been contravened. The potential outcome and total costs associated with this matter remain uncertain.

#### *Royal Commission*

The Final Report states that the Commissioner will make two referrals to APRA of the conduct by NULIS and MLCN which may have amounted to misconduct. Both of these referrals relate to conduct of NULIS and MLCN which may have given rise to a potential conflict of interest namely:

- Grandfathered commissions: the Commissioner found that NULIS “may have breached its duty to act in the best interests of the affected members” in relation to the maintenance of grandfathered commissions at the time of the successor fund transfer on 1 July 2016.
- MySuper: the Commissioner found that NULIS might have contravened the ‘best interests’ covenant set out in section 52(2)(c) of the Superannuation Industry (Supervision) Act 1993 (Cth) in relation to the speed with which it effected transfers of accrued default amounts to MySuper.

In addition, the Commissioner communicated with ASIC in relation to possible breaches of section 1041G of the Corporations Act 2001 (Cth) arising from fees for no service conduct. The Commissioner informed ASIC that in his opinion, multiple entities may have breached section 1041G and invited ASIC to consider whether criminal or other legal proceedings should be instituted. The Final Report also identified other potential issues, including breach reporting under section 912D of the Corporations Act 2001 (Cth). The potential outcome and total costs associated with any proceedings which may arise out of these matters remain uncertain.

#### *Wealth advice review*

In October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the Customer Response Initiative review program, with compensation offered and paid in a number of cases. Where customer compensation is able to be reliably estimated, provisions have been taken. The final outcome and total costs associated with this work remain uncertain.

#### ***Significant change in the financial performance or financial position of NAB***

There has been no significant change in the financial performance or financial position of the NAB Group since 30 September 2019.

## DESCRIPTION OF BNZ

### INFORMATION ABOUT BNZ

#### *History and development of BNZ*

The legal name of BNZ is Bank of New Zealand.

BNZ is registered in New Zealand with registration number 428849, and is a registered bank under the Reserve Bank of New Zealand Act 1989.

BNZ was incorporated on 29 July 1861, under the New Zealand Bank Act 1861. The Bank of New Zealand Act 1945 enabled the Government of New Zealand to acquire all privately owned shares in BNZ. From 1945 to 1987, BNZ was a trading bank and statutory corporation, wholly-owned, but not guaranteed, by the Government of New Zealand. Legislation was passed in 1986 to facilitate a public minority shareholding. In March 1989, the Bank of New Zealand Act 1988 became effective, resulting in a complete sale of the Government's interest in BNZ, and the incorporation of BNZ as a limited liability company under the New Zealand Companies Act 1955. In March 1997, BNZ was re-registered under the New Zealand Companies Act 1993. NAB assumed control of BNZ and the group of companies of which it is the parent company (**BNZ Group**) on 1 October 1992.

BNZ is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9 924 9209).

### BUSINESS OVERVIEW

#### *Principal activities*

BNZ is one of New Zealand's largest banking organisations and provides a broad range of banking and financial products and services to retail, business, agribusiness, corporate and institutional clients.

The BNZ Group's business is organised into three major reportable operating segments: Partnership Banking; Private, Wealth and Insurance; and Corporate and Institutional Banking. Partnership Banking provides financial products and services to retail, business and corporate customers. Private, Wealth and Insurance provides private banking, investments products and services to retail customers, and for management reporting purposes, includes insurance activities carried out by a controlled entity of NAB that is not part of the BNZ Group. Corporate and Institutional Banking provides financial products and services to corporate agribusiness and institutional customers.

#### *BNZ-IF*

BNZ-IF raises external offshore funding for the BNZ Group through the issuance of commercial paper, covered bonds and medium term notes.

#### **Covered Bonds**

BNZ has a covered bond programme (the **BNZ Covered Bond Programme**) under which BNZ or BNZ-IF is able to issue covered bonds from time to time. The BNZ Covered Bond Programme was registered with the RBNZ on 8 August 2014 under the Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013.

Covered bonds are debt securities in which investors have full recourse to the issuer and also to a pool of assets that "cover" the issuer's obligations. The pool of cover assets, in the case of BNZ's covered bond

programme, is established by BNZ selling mortgage loans originated in the ordinary course of BNZ's business to a bankruptcy-remote trustee company that guarantees BNZ-IF's and BNZ's obligations in the event of a default. The aggregate value of mortgage loans to be transferred by BNZ under the covered bond programme should not exceed the limits prescribed by the RBNZ from time to time. BNZ does not consider that the issue of covered bonds under the BNZ Covered Bond Programme will adversely impact BNZ's ability to meet its obligations in respect of Senior Notes issued by BNZ, or Guaranteed Senior Notes issued by BNZ-IF.

## **ORGANISATIONAL STRUCTURE**

NAB is the ultimate parent company of BNZ, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

## **TREND INFORMATION**

There has been no material adverse change in the prospects of BNZ since 30 September 2019.

## **PROFIT FORECASTS OR ESTIMATES**

BNZ does not intend to make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name, occupation and country of residence of each Director of BNZ as at the date of this Offering Circular are listed below. Unless otherwise indicated, the business address of each Director is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

### **Non-Executive Director, Chairman**

Douglas Alexander McKay, ONZM, Company Director, New Zealand. Mr McKay is a director of National Australia Bank Limited (BNZ's ultimate parent bank) (since February 2016). Directorships of listed entities: Genesis Energy Limited (since June 2014) and Fletcher Building Limited (since September 2018). Mr McKay's other directorships and interests include: Eden Park Trust (Chairman) and IAG (NZ) Holdings Limited.

### **Executive Director**

Angela Mentis, Managing Director and Chief Executive Officer, Bank of New Zealand, New Zealand. Ms Mentis' other directorships include: Banking Ombudsman Scheme Limited.

### **Non-Executive Directors**

Gary Lennon, Group Chief Financial Officer of NAB (since March 2016). Mr Lennon's other directorships include: Imega Pty Limited and the Stronger Smarter Institute.

## **Independent Non-Executive Directors**

Mai Chen, Barrister and Solicitor, New Zealand. Ms Chen is a Partner at Chen Palmer New Zealand Public Law Specialists Limited. Ms Chen's other directorships include: ASIANZ CEO Limited (Chair), Chen Palmer New Zealand Public Law Specialists Limited, CPP Limited, Socrates NZ Limited, Superdiversity Centre for Law, Policy and Business Limited (Chair) and Superdiverse Women Limited (Chair).

Prudence Mary Flacks, Company Director, New Zealand. Directorships of listed entities: Chorus Limited (since December 2011) and Mercury NZ Limited (since May 2010) (Chair). Ms Flacks' other directorships include: Queenstown Airport Corporation Limited (Chair).

Bruce Ronald Hassall, Company Director, New Zealand. Directorships of listed entities: Fletcher Building Limited (Chairman). Mr Hassall's other directorships include: The Farmers' Trading Company Limited (Chairman), Fonterra Co-operative Group Limited and Fletcher Building Industries Limited (Chairman).

Louis Arthur Hawke, Company Director, Australia. Mr Hawke is the Chairman of BNZ Insurance Services Limited and BNZ Life Insurance Limited.

Kevin John Kenrick, Chief Executive Officer of Television New Zealand Limited, New Zealand. Mr Kenrick's other directorships include: Good George Brewing Advisory Board (Chairman), Freeview Television Limited, NZOOM Limited, TVNZ International Limited and TVNZ Investments Limited.

As at the date of this Offering Circular, except as detailed in the paragraph below, no conflicts of interest and no potential conflicts of interest exist between any duties owed to BNZ by the members of the Board of Directors of BNZ and their private interests or duties outside of the BNZ Group.

Douglas Alexander McKay is a director of IAG New Zealand Limited and IAG (NZ) Holdings Limited. As at the date of this Offering Circular, BNZ contracted with IAG New Zealand Limited for the provision of insurance products and services. BNZ's Board of Directors receives regular management reports, both directly and through BNZ's Board Risk Committee, which may contain sensitive information.

BNZ has a process for the management of any conflicts of interest that may arise. BNZ's constitution dictates that a director who is interested in a transaction to which BNZ is a party may attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum but, subject to certain exceptions set out in the constitution, will not vote on the matter nor be present while the matter is being considered at the meeting.

The Board of Directors of BNZ has adopted a Board Charter which sets out BNZ's Board of Directors purpose, powers and responsibilities.

## **MAJOR SHAREHOLDERS**

BNZ is wholly-owned by National Australia Group (NZ) Limited and BNZ is ultimately owned and controlled by NAB.

National Australia Group (NZ) Limited, NAB and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) are the only holders of a direct or indirect qualifying interest in the voting securities of BNZ. National Australia Group (NZ) Limited is the registered and beneficial holder of all BNZ's voting securities.

As disclosed on pages 185-186 hereof under "*Description of NAB – Organisational Structure*", the NAB Group has examined the possibility of adopting a non-operating holding company (NOHC) structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision on

whether to proceed to a NOHC structure has yet been taken. Otherwise, BNZ is not aware of any arrangements that are in place the operation of which may result in a change of control of BNZ.

## **FINANCIAL INFORMATION CONCERNING BNZ'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The consolidated financial information relating to BNZ contained in this Offering Circular has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**New Zealand GAAP**). In relation to the 2018 Disclosure Statement and the 2019 Disclosure Statement, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (**IFRS**).

The consolidated financial information in relation to BNZ for its financial years ended 30 September 2018 and 30 September 2019 is contained in the 2018 Disclosure Statement and the 2019 Disclosure Statement respectively, which are incorporated by reference in this Offering Circular. Such financial statements contain consolidated information about the BNZ Group and BNZ Group financial information complies with NZ IFRS and IFRS. See further "*Documents Incorporated by Reference and Credit Ratings*" above.

### ***Auditing of historical annual financial information***

The historical financial information in relation to BNZ for its financial years ended 30 September 2018 and 30 September 2019 described above has been audited; please see the "*Auditor's Report*" at pages 77 to 80 of the 2018 Disclosure Statement and at pages 76 to 81 of the 2019 Disclosure Statement, both incorporated by reference in this Offering Circular.

### ***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of BNZ or BNZ Group.

### ***Recent events***

There are no recent events particular to BNZ that are, to a material extent, relevant to the evaluation of its solvency.

### ***Significant change in the financial performance or financial position of BNZ***

There has been no significant change in the financial performance or financial position of the BNZ Group since 30 September 2019.

## DESCRIPTION OF BNZ-IF

### INFORMATION ABOUT BNZ-IF

#### *History and development of BNZ-IF*

The legal name of BNZ-IF is BNZ International Funding Limited.

BNZ-IF is registered in New Zealand with registration number 1635202 and in England & Wales under branch number BR008377 and company number FC026206. For the purposes of the Programme, it is acting through its London Branch (**London Branch**).

BNZ-IF was incorporated on 2 June 2005.

BNZ-IF is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9 924 9209) and the address of the London Branch is 88 Wood Street, London EC2V 7QQ, United Kingdom (telephone number +44 207 710 2952).

### BUSINESS OVERVIEW

#### *Principal activities*

BNZ-IF has been established to carry on various funding and other related activities.

The London Branch obtains offshore wholesale funding for BNZ through the issuance of debt securities. In addition to its role as an Issuer under the Programme, the London Branch also issues short term debt securities via a global commercial paper programme and a United States commercial paper programme and covered bonds via a covered bond programme (as discussed in more detail at pages 194 to 195 above, under "*Description of BNZ – Covered Bonds*").

Funds raised by the London Branch are on-lent to BNZ on terms and conditions which match the terms and conditions of the original funding (including the same principal amount, currency, term and interest rate basis, and with corresponding redemption events and status (except that the funds on-lent to BNZ will not be guaranteed)).

The constitution of BNZ-IF contains a provision to the effect that if BNZ-IF issues any debt securities which are guaranteed by BNZ, BNZ-IF must on-lend to BNZ an amount equal to the proceeds raised by that debt issue, on terms and conditions which match the terms and conditions of that debt issue.

### ORGANISATIONAL STRUCTURE

BNZ-IF is a wholly-owned subsidiary of BNZ. In turn, BNZ is ultimately a wholly-owned subsidiary of NAB, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

BNZ-IF is dependent upon the guarantee of BNZ to enable it to carry out its fund-raising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations will be dependent on the ability of BNZ to fund its debt obligations to BNZ-IF. NAB and/or BNZ also supply settlement, accounting, tax, regulatory compliance and legal services and seconded staff, as required.

### TREND INFORMATION

There has been no material adverse change in the prospects of BNZ-IF since 30 September 2019.

## **PROFIT FORECASTS OR ESTIMATES**

BNZ-IF does not intend to make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The Board of Directors of BNZ-IF manages and exercises control of BNZ-IF from New Zealand. The Board of Directors is comprised of the following, all of whom have a business address of Level 4, 80 Queen Street, Auckland 1010, New Zealand:

- Neil Watson Bradley, Treasurer of BNZ
- Craig McLaren Brant, GM Management Assurance, Corporate & Institutional Banking of BNZ
- Jiselle Isabel Leach, Head of Business Markets FX Solutions of BNZ

BNZ's governance and control framework apply to BNZ-IF and London Branch.

There are no conflicts of interest between any duties of these people to BNZ-IF and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

BNZ-IF is directly wholly-owned and controlled by BNZ.

Save as disclosed on pages 185 to 186 hereof under "*Description of NAB – Organisational Structure*", there are no arrangements in place the operation of which may result in a change of control of BNZ-IF.

## **FINANCIAL INFORMATION CONCERNING BNZ-IF'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information relating to BNZ-IF contained in this Offering Circular has been prepared in accordance with New Zealand GAAP. In relation to the 2018 BNZ-IF Annual Report and the 2019 BNZ-IF Annual Report, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises NZ IFRS as appropriate for profit-oriented entities. The financial statements comply with IFRS.

The financial information in relation to BNZ-IF for the financial years ended 30 September 2018 and 30 September 2019 is contained in the 2018 BNZ-IF Annual Report and the 2019 BNZ-IF Annual Report respectively, which are both incorporated by reference into this Offering Circular. See further "*Documents Incorporated by Reference and Credit Ratings*" above. Financial reports for BNZ-IF will also be posted at <http://bnzif.com/>, a dedicated investor reporting page provided by BNZ-IF.

### ***Auditing of historical annual financial information***

The historical financial information described above has been audited; please see the *Auditor's Report* included within the 2018 BNZ-IF Annual Report and the 2019 BNZ-IF Annual Report respectively, both as incorporated by reference into this Offering Circular.

### ***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ-IF is aware) in the 12-month period before the date of this Offering

Circular which may have, or have had in the recent past, significant effects on BNZ-IF's financial position or profitability of BNZ-IF.

***Recent events***

There are no recent events particular to BNZ-IF that are, to a material extent, relevant to the evaluation of its solvency.

***Significant change in the financial performance or financial position of BNZ-IF***

There has been no significant change in the financial performance or financial position of BNZ-IF since 30 September 2019.



## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that each of the Issuers and the Guarantor believes to be reliable, but none of the Issuers, the Guarantor, the Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, nor any other party to the Agency Agreement 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised each of the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (**Direct Participants**) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect

access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### *CMU*

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (**CMU Members**) of capital markets instruments (**CMU Instruments**) which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the HKMA and “authorised institutions” under the Banking Ordinance (Cap. 155) of the laws of Hong Kong and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg, Euroclear accountholders the CMU Service, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent, any custodian (**Custodian**) and the CMU Lodging Agent with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg, Euroclear and the CMU Service and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg, Euroclear or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg, Euroclear and the CMU Service, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent, the Custodian and the CMU Lodging Agent receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders or the CMU Service and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any

liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## **TAXATION**

### **United States Taxation**

This section describes certain U.S. federal income tax consequences of the ownership and disposition of the Notes. It applies only to investors who acquire Notes in the initial offering and hold the Notes as capital assets for tax purposes. This section addresses only U.S. federal income taxation and does not discuss all of the tax consequences that may be relevant to an investor in light of its individual circumstances, including consequences arising under U.S. federal tax laws other than the federal income tax laws, foreign, state or local tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to investors who are members of a class of holders subject to special rules under the U.S. federal income tax laws, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- an individual retirement account or other tax-deferred account,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that purchases or sells Notes as part of a wash sale for tax purposes,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a person that owns (directly, indirectly or by attribution) 10 per cent. or more of the combined voting power of the voting stock of NAB or of the total value of the stock of NAB (inclusive of the value of any Subordinated Notes),
- a person that has ceased to be a U.S. citizen or a lawful permanent resident of the United States,
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar, or
- a United States holder (as defined below) that is required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement.

Except in the case of Subordinated Notes which are described in this section regardless of their term, this section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The U.S. federal income tax consequences of owning Notes (other than Subordinated Notes) that are due to mature more than 30 years from their date of issue will, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In addition, this section does not address the U.S. federal income tax treatment of Notes that reference the performance of United States equities. The U.S. federal income tax treatment of any such Notes will, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In addition, this section deals only with Notes that are issued in registered form for U.S. federal income tax purposes. The U.S. federal income tax consequences of owning Notes that are issued in bearer form will, in the case of Exempt Notes only, be discussed in the applicable Final Terms. In the event that PR Notes are

issued with a maturity of more than 30 years from their date of issue, or are issued in bearer form, additional U.S. tax disclosure will be provided in a new Offering Circular for use in connection with such Notes.

This section is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and the tax treatment of the partnership. An entity or arrangement treated as a partnership for U.S. federal income tax purposes holding the Notes should consult its tax adviser with regard to the U.S. federal income tax consequences to it and its partners of an investment in the Notes.

*Holders should consult their own tax advisers concerning the consequences of owning these Notes in their particular circumstances under the Code and the laws of any other taxing jurisdiction.*

### **Index Linked Notes, Contingent Payment Obligations, Extendible and Instalment Notes and Certain Specified Currency Notes**

In the case of Exempt Notes only, the applicable Final Terms will discuss any special U.S. federal income tax rules with respect to (i) Notes the payments on which are determined by reference to any index or are denominated in, or determined by reference to, more than one currency, (ii) other Notes that are subject to the rules governing contingent payment obligations, and (iii) any extendible and instalment Notes.

### **United States Holders**

This subsection describes the tax consequences to a United States holder. A United States holder is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

This subsection does not apply to holders who are not United States holders, and such holders should refer to "*—Non-United States Holders*" below.

Bearer Notes are not being offered to United States holders. A United States holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

### **Notes other than Subordinated Notes**

This subsection describes the tax consequences to a United States holder of holding Notes discussed in this section other than Subordinated Notes. For a discussion of the tax consequences to a United States holder of holding Subordinated Notes, you should refer to the discussion under "*—Subordinated Notes*" below.

## ***Payments of Interest***

Except as described below in the case of interest on a "discount Note" that is not "qualified stated interest", each as defined below under "*—Original Issue Discount—General*", a United States holder will be taxed on any interest on the Note, whether payable in U.S. dollars or a non-U.S. dollar currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time the United States holder receives the interest or when it accrues, depending on such holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes, original issue discount (**OID**), if any, accrued with respect to the Notes (as described below under "*—Original Issue Discount*") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts (**additional amounts**) constitutes income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a United States holder. Interest, OID and additional amounts paid or accrued will generally be "passive" income for purposes of computing the foreign tax credit allowable to a United States holder.

### *Non-U.S. Dollar Currency Note - Cash Basis Taxpayers*

A taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and receives an interest payment that is denominated in, or determined by reference to, a non-U.S. dollar currency, must recognise income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.

### *Non-U.S. Dollar Currency Note - Accrual Basis Taxpayers*

A taxpayer that uses an accrual method of accounting for tax purposes may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a non-U.S. dollar currency by using one of two methods. Under the first method, a United States holder would determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

Under the second method, a United States holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if a United States holder receives a payment of interest within five business days of the last day of the accrual period or taxable year, such holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment. If a United States holder elects the second method it will apply to all debt instruments it holds at the beginning of the first taxable year to which the election applies and to all debt instruments that it subsequently acquires. A United States holder may not revoke this election without the consent of the U.S. Internal Revenue Service (the **IRS**).

When a United States holder actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of the Note, denominated in, or determined by reference to, a non-U.S. dollar currency for which such holder accrued an amount of income, such holder will recognise U.S. source ordinary income or loss measured by the difference, if any, between the exchange rate used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.



## Original Issue Discount

### General

If a United States holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as a "discount Note" issued with OID if the amount by which the Note's stated redemption price at maturity exceeds its issue price is equal to or more than a *de minimis* amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under "*Variable Rate Notes*".

In general, a Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of 1 per cent. of its stated redemption price at maturity multiplied by the number of complete years to its maturity. A Note will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If the Note has *de minimis* OID, a United States holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless such holder makes the election described below under "*Election to Treat All Interest as Original Issue Discount*". The includible amount with respect to each such payment can be determined by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to:

- the amount of the principal payment made, divided by:
- the stated principal amount of the Note.

Generally, if the discount Note matures more than one year from its date of issue, the United States holder must include OID in income before it receives cash attributable to that income. The amount of OID that a United States holder must include in income is calculated using a constant yield method, and generally a United States holder will include increasingly greater amounts of OID in income over the life of the discount Note, unless the discount Note is a self-amortising OID Note. More specifically, the amount of OID included in income can be calculated by adding the daily portions of OID with respect to the discount Note for each day during the taxable year or portion of the taxable year that a United States holder holds the discount Note. The daily portion can be calculated by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A United States holder may select an accrual period of any length with respect to the discount Note and may vary the length of each accrual period over the term of the discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

A United States holder can determine the amount of OID allocable to an accrual period by:

- multiplying the discount Note's adjusted issue price at the beginning of the accrual period by the discount Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on the discount Note allocable to the accrual period.

A United States holder must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a United States holder determines the discount Note's adjusted issue price at the beginning of any accrual period by:

- adding the discount Note's issue price and any accrued OID for each prior accrual period, and then

- subtracting any payments previously made on the discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on the discount Note contains more than one accrual period, then, when a United States holder determines the amount of OID allocable to an accrual period, the United States holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a United States holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A United States holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of the discount Note, other than any payment of qualified stated interest, and
- the discount Note's adjusted issue price as of the beginning of the final accrual period.

#### *Acquisition Premium*

If a United States holder purchases the discount Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the discount Note after the purchase date but is greater than the amount of the discount Note's adjusted issue price, as determined above under "*General*", the excess is acquisition premium. If a United States holder does not make the election described below under "*Election to Treat All Interest as Original Issue Discount*", then the United States holder must reduce the daily portions of OID by a fraction equal to:

- the excess of the United States holder's adjusted basis in the discount Note immediately after purchase over the adjusted issue price of the discount Note, divided by:
- the excess of the sum of all amounts payable, other than qualified stated interest, on the discount Note after the purchase date over the discount Note's adjusted issue price.

#### *Pre-Issuance Accrued Interest*

An election may be made to decrease the issue price of the Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of the Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on the Note is to be made within one year of the Note's issue date, and
- that payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note. If an election is not made, the U.S. federal income tax treatment of any pre-issuance accrued interest is not entirely clear. United States holders should consult their own tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

### *Notes Subject to Contingencies Including Optional Redemption*

The Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, a United States holder must determine the yield and maturity of the Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a United States holder must include income on the Note in accordance with the general rules that govern contingent payment obligations. In the case of Exempt Notes only, these rules will be discussed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if the Note is subject to contingencies, and either the United States holder or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on the Note, and
- in the case of an option or options that the United States holder may exercise, the United States holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on the Note.

If both the United States holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A United States holder may determine the yield on the Note for the purposes of those calculations by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on the date that the United States holder chooses in accordance with the terms of the Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a United States holder must re-determine the yield and maturity of the Note by treating the Note as having been retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

### *Election to Treat All Interest as Original Issue Discount*

A United States holder may elect to include in gross income all interest that accrues on the Note using the constant-yield method described above under "*General*", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under "*Notes Purchased at a Premium*," or acquisition premium.

If a United States holder makes this election for the Note, then, when the United States holder applies the constant-yield method:

- the issue price of the Note will equal the United States holder's adjusted basis in the Note immediately after the United States holder acquires the Note (which generally will be equal to the United States holder's cost),
- the issue date of the Note will be the date the United States holder acquired it, and
- no payments on the Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which the United States holder makes such election; however, if the Note has amortizable bond premium, a United States holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that the United States holder holds as of the beginning of the taxable year to which the election applies or thereafter. Additionally, if a United States holder makes this election for a market discount Note, the United States holder will be treated as having made the election discussed below under "*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that a United States holder acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortisable bond premium or market discount Notes without the consent of the IRS. United States holders should consult their tax advisers concerning the propriety and consequences of electing to treat all interest as OID.

#### *Variable Rate Notes*

The Note will be a variable rate Note if:

- the Note's issue price does not exceed the total non-contingent principal payments by more than the lesser of:
  1. 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date, or
  2. 15 per cent. of the total non-contingent principal payments; and
- the Note provides for stated interest, compounded or paid at least annually, only at:
  1. one or more qualified floating rates,
  2. a single fixed rate and one or more qualified floating rates,
  3. a single objective rate, or
  4. a single fixed rate and a single objective rate that is a qualified inverse floating rate; and
- the value of any variable rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

The Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or
- the rate is equal to such a rate either:
  1. multiplied by a fixed multiple that is greater than 0.65 but not more than 1.35; or

2. multiplied by a fixed multiple greater than 0.65 but not more than 1.35, and then increased or decreased by a fixed rate.

If the Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

The Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are caps, floors or governors that are fixed throughout the term of the Note or such restrictions are not reasonably expected to significantly affect the yield on the Note.

Under proposed U.S. Treasury regulations, Notes referencing a benchmark rate that are treated as having a qualified floating rate for purposes of the above will not fail to be so treated merely because the terms of the Notes provide for a replacement of the benchmark rate in the case of a Benchmark Event. In particular, under such proposed Treasury regulations, the benchmark referencing rate and the replacement rate are treated as a single qualified rate. Taxpayers may rely on the proposed Treasury regulations until final regulations adopting these rules are published in the Federal Register. United States holders should consult their tax advisers regarding the consequences to them of the potential occurrence of a Benchmark Event.

The Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate, and
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party.

The Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

The Note will also have a single qualified floating rate or an objective rate if interest on the Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points, or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if the variable rate Note provides for stated interest at a single qualified floating rate or objective rate or one of those rates after a single fixed rate for an initial period, all stated interest on the Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the Note.

If the variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a holder generally must determine the interest and OID accruals on the Note by:

- determining a fixed rate substitute for each variable rate provided under the variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a United States holder determines the fixed rate substitute for each variable rate provided under the variable rate Note, such holder generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Note.

If the variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a United States holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, the variable rate Note will be treated, for purposes of the first three steps of the determination, as if the Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

#### *Short-Term Notes*

In general, if a United States holder is an individual or other cash basis United States holder of a short-term Note, it is not required to accrue OID, as specially defined below for the purposes of this paragraph, for U.S. federal income tax purposes unless the United States holder elects to do so (although it is possible that such holder may be required to include any stated interest in income as it receives it). This election will apply to all obligations with a maturity of one year or less acquired by the United States holder on or after the first day of the taxable year to which the election applies, and may not be revoked without the consent of the IRS. If the United States holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, such holder will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant yield method, based on daily compounding. If the United States holder is not required and does not elect to include OID in income currently, any gain it realises on the sale or retirement of the short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless the United States holder makes an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if the United States holder is not required and does not elect to accrue OID on the short-term Notes, it will be required to defer deductions for interest on borrowings allocable to the short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

When a United States holder determines the amount of OID subject to these rules, it must include all interest payments on the short-term Note, including stated interest, in the short-term Note's stated redemption price at maturity.

### *Non-U.S. Dollar Currency Discount Notes*

If the discount Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder must determine OID for any accrual period on the discount Note in the non-U.S. dollar currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under "*—United States Holders—Payments of Interest*". A United States holder may recognise U.S. source ordinary income or loss when it receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of the Note.

### ***Market Discount***

A United States holder will be treated as if it purchased the Note, other than a short-term Note, at a market discount, and the Note will be a "market discount Note" if:

- the United States holder purchases the Note for less than its issue price as determined above under "*—Original Issue Discount—General*" and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price the United States holder paid for the Note is equal to or greater than 1/4 of 1 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of the Note for these purposes, a United States holder generally adds any OID that has accrued on the Note to its issue price, and subtracts the amount of any payments previously made on the Note that were not qualified stated interest payments.

If the Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price a United States holder paid for the Note by less than 1/4 of 1 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to the Note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable.

A United States holder must treat any gain it recognises on the maturity or disposition of the market discount Note (including any payment on a Note that is not qualified stated interest) as ordinary income to the extent of the accrued market discount on the market discount Note. Alternatively, a United States holder may elect to include market discount in income currently over the life of the market discount Note. If a United States holder makes this election, it will apply to all debt instruments with market discount that it acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke this election without the consent of the IRS. If a United States holder owns a market discount Note and does not make this election, the United States holder will generally be required to defer deductions for interest on borrowings allocable to the market discount Note in an amount not exceeding the accrued market discount on the Note until the maturity or disposition of the market discount Note.

A United States holder will accrue market discount on the market discount Note on a straight-line basis unless it elects to accrue market discount using a constant-yield method. If a United States holder makes this election, it will apply only to the market discount Note with respect to which it is made and the United States holder may not revoke it. However, accrued market discount would not be included in income unless an election is made to do so as described above.

If a market discount Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder who elects to include market discount in income currently must determine market discount for any accrual period on the market discount Note in the non-U.S. dollar currency and then translate the amount of market discount into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under "*—United States Holders—Payments of Interest*". Such a United States holder may recognise U.S. source ordinary income or loss when it receives an amount attributable to market discount in connection with the sale or retirement of the market discount Note. A United States holder that does not elect to include market discount in income will, upon the sale or

retirement of the market discount Note, recognise the U.S. dollar value of the amount of market discount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

### ***Notes Purchased at a Premium***

If a United States holder purchases the Note for an amount in excess of its principal amount (or, in the case of a discount Note, in excess of the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest)), it may elect to treat the excess as amortizable bond premium. If a United States holder makes this election, it will reduce the amount required to be included in its income each accrual period with respect to interest on the Note by the amount of amortizable bond premium allocable to that accrual period, based on the Note's yield to maturity.

If the amortizable bond premium allocable to an accrual period exceeds a United States holder's interest income from a Note for such accrual period, such excess is first allowed as a deduction to the extent of interest included in the United States holder's income in respect of the Note in previous accrual periods and is then carried forward to the United States holder's next accrual period. If the amortizable bond premium allocable and carried forward to the accrual period in which the United States holder's Note is sold, retired or otherwise disposed of exceeds the interest income for such accrual period, the United States holder would be allowed an ordinary deduction equal to such excess.

If the Note is denominated in, or determined by reference to, a non-U.S. dollar currency, a United States holder will compute the amortizable bond premium in units of the non-U.S. dollar currency and the amortisable bond premium will reduce the interest income in units of the non-U.S. dollar currency. Gain or loss recognised that is attributable to changes in exchange rates between the time the amortised bond premium offsets interest income and the time of the acquisition of the Note is generally taxable as U.S. source ordinary income or loss. If the United States holder makes an election to amortise bond premium, such election will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that the United States holder holds at the beginning of the first taxable year to which the election applies or that it thereafter acquires, and the United States holder may not revoke such election without the consent of the IRS. See also "*Original Issue Discount—Election to Treat All Interest as Original Issue Discount*".

### ***Occurrence of a Benchmark Event for Notes Linked to or Referencing a Benchmark or Screen Rate***

If a Benchmark Event occurs, the tax treatment of a United States holder holding Notes linked to or referencing a benchmark or screen rate, including LIBOR, EURIBOR, HIBOR and any other IBOR, will depend on whether a replacement of the Original Reference Rate with an alternative reference rate is treated as a "significant modification" that results in a deemed exchange of the existing Notes for "new" Notes. In general, for U.S. federal income tax purposes, a significant modification occurs if, based on all the facts and circumstances and taking into account all modifications of the debt instrument collectively, the legal rights or obligations that are altered and the degree to which they are altered are economically significant. A modification is generally any alteration, including any deletion or addition, in whole or in part, of a legal right or obligation of the issuer or a holder of a debt instrument. The applicable Treasury regulations provide, however, that alterations that occur as a result of the operation of the terms of the debt instrument are not considered modifications for U.S. federal income tax purposes.

The terms of the Notes generally provide for replacement of the Original Reference Rate in case of a Benchmark Event. Therefore, such replacement, if any, should occur as a result of the operation of the terms of the Notes and should not result in a modification of the Notes. United States holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of the replacement of the Original Reference Rate upon occurrence of a Benchmark Event.



### ***Purchase, Sale and Retirement of the Notes***

A United States holder's tax basis in the Note will generally be the U.S. dollar cost, as defined below, of the Note, adjusted by:

- adding any OID or market discount previously included in income with respect to the Note, and then
- subtracting any payments on the Note that are not qualified stated interest payments and any amortizable bond premium to the extent that such premium either reduced interest on a Note or gave rise to a deduction on the Note.

If the United States holder purchases the Note with non-U.S. dollar currency, the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a United States holder is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

A United States holder will generally recognise U.S. source gain or loss on the sale or retirement of the Note equal to the difference between the amount realised on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and the United States holder's adjusted tax basis in the Note. If the Note is sold or retired for an amount in non-U.S. dollar currency, the amount the United States holder realises will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realised based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale.

A United States holder will recognise capital gain or loss when it sells or retires the Note, except to the extent:

- described above under "*—Original Issue Discount—Short-Term Notes*" or "*—Market Discount*", or
- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States holder is generally taxed at a preferential rate where such holder has a holding period greater than one year.

A United States holder must treat any portion of the gain or loss that it recognises on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, a United States holder takes exchange gain or loss into account only to the extent of the total gain or loss it realises on the transaction.

### ***Exchange of Amounts in Other Than U.S. Dollars***

If a United States holder receives non-U.S. dollar currency as interest on the Note or on the sale or retirement of the Note, such holder's tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If the United States holder purchases non-U.S. dollar currency, it generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of the purchase. If a United States holder sells or disposes of a non-U.S. dollar currency, including if such holder uses it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognised generally will be U.S. source ordinary income or loss.

### ***Substitution of Issuer***

The terms of the Notes provide that, in certain circumstances, the obligations of the relevant Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a United States holder in exchange for new Notes issued by the new obligor. As a result of this deemed disposition, a United States holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Notes (as determined for U.S. federal income tax purpose) and the United States holder's tax basis in the Notes deemed disposed. United States holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

### **Subordinated Notes**

NO STATUTORY, REGULATORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE SUBORDINATED NOTES SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES. AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE SUBORDINATED NOTES ARE UNCERTAIN. ACCORDINGLY, NAB URGES HOLDERS TO CONSULT THEIR TAX ADVISERS AS TO THE TAX CONSEQUENCES OF OWNERSHIP OF SUBORDINATED NOTES DESCRIBED BELOW AND AS TO THE APPLICATION OF U.S. STATE, LOCAL, OR OTHER TAX LAWS TO THEIR INVESTMENT IN THEIR SUBORDINATED NOTES.

### ***Characterisation of Subordinated Notes issued by NAB for United States Federal Income Tax Purposes***

There is no authority that addresses the U.S. federal income tax treatment of an instrument such as the Subordinated Notes that is denominated as a subordinated debt instrument but that provides for Conversion into Ordinary Shares or Write-Off upon the occurrence of a Non-Viability Trigger Event as a result of which a holder could lose its entire investment in the Subordinated Notes and have no rights with respect to the repayment of the principal amount of the Subordinated Notes that has not become due or the payment of interest on such Subordinated Notes. It is therefore unclear whether the Subordinated Notes should be treated as equity or debt of NAB for U.S. federal income tax purposes. NAB believes, however, that the Subordinated Notes should be treated as equity of NAB for U.S. federal income tax purposes, and the terms of such Subordinated Notes require a holder (in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary) to treat the Subordinated Notes for U.S. federal income tax purposes in accordance with such characterisation. Each purchaser of Subordinated Notes or a beneficial interest therein, whether a United States holder or otherwise, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed (in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary) to treat such Subordinated Notes for U.S. federal income tax purposes as equity of NAB. Except as discussed under “—*Alternative Treatments*” below, the discussion below assumes that the Subordinated Notes will be treated as equity of NAB for U.S. federal income tax purposes.

### ***Payments of Interest***

In general, the interest payments to United States holders with respect to the Subordinated Notes will be treated as dividends to the extent of NAB's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Subject to the discussion under “—*PFIC Considerations*” below, any portion of an interest payment in excess of NAB's current and accumulated earnings and profits would be treated first as a nontaxable return of capital that would reduce the tax basis of a United States holder in the Subordinated Notes, and would thereafter be treated as capital gain, the tax treatment of which is discussed below under “—*Sale, Redemption, Maturity or Write-Off of Subordinated Notes*”. Because NAB does not currently maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that all interest payments on the Subordinated Notes will generally be reported to United States holders as dividends.

It is unclear whether the interest payments on the Subordinated Notes that are treated as dividends for U.S. federal income tax purposes would constitute qualified dividend income, which is taxable to a United States holder at the preferential rates applicable to long-term capital gains. If such payments are not qualified dividend income, then the amount of such payments received by a United States holder (including payments received by a non-corporate United States holder) will be subject to taxation at ordinary income tax rates.

Amounts NAB pays with respect to the Subordinated Notes treated as dividends will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

A United States holder that receives an interest payment on a Subordinated Note that is denominated in, or determined by reference to, a non-U.S. dollar currency, will recognise income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converts the payment into U.S. dollars.

In certain circumstances, for example in the case of Subordinated Notes issued at a discount, a United States holder may be required to include certain amounts in income as dividends even though such amounts are not received by such holder as interest payments on a current basis. United States holders are urged to consult their own tax advisers regarding whether their dividends may include amounts other than interest payments.

Interest paid by the Issuer on the Subordinated Notes, any deemed distributions (as described in the immediately preceding paragraph), and any additional amounts paid with respect to the Subordinated Notes generally are expected to constitute income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a United States holder. Interest, deemed distributions and additional amounts paid or accrued will generally be “passive” income for purposes of computing the foreign tax credit allowable to a United States holder.

#### ***Sale, Redemption, Maturity or Write-Off of Subordinated Notes***

A United States holder’s tax basis in a Subordinated Note will generally be the U.S. dollar cost, as defined below, of the Subordinated Note, subject to reduction (if applicable) as described above under “—*Payments of Interest*”.

If the United States holder purchases the Subordinated Note with non-U.S. dollar currency, the U.S. dollar cost of the Subordinated Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a United States holder is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the Subordinated Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Subordinated Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

Subject to the discussion under “—*PFIC Considerations*” below, a United States holder will generally recognise U.S. source gain or loss upon the sale, redemption, maturity or Write-Off of its Subordinated Note equal to the difference between the amount realised and the United States holder’s adjusted tax basis in the Subordinated Note. If the Subordinated Note is sold, retired or written off for an amount in non-U.S. dollar currency, the amount the United States holder realises will be the U.S. dollar value of such amount on the date the Subordinated Note is sold, retired or written off, except that in the case of a Subordinated Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realised based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale, retirement or Write-Off.

A United States holder will recognise capital gain or loss when it sells the Subordinated Note or when the Subordinated Note matures, is retired or written off. Such capital gain or loss will be long-term capital gain or loss if the United States holder will have held its Subordinated Notes for more than one year at the time of the sale, redemption, maturity or Write-Off of its Subordinated Notes. Long-term capital gain of a non-

corporate United States holder is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

The redemption of the Subordinated Notes for cash and the receipt of cash upon maturity of the Subordinated Notes will be treated for U.S. federal income tax purposes as a sale or exchange, taxable as described above, if, as is likely in most cases, the redemption or maturity is “not essentially equivalent to a dividend”, “substantially disproportionate” with respect to a United States holder, “in complete redemption” of a United States holder’s interest in NAB’s Subordinated Notes and other instruments of NAB treated as equity for U.S. federal income tax purposes, or, in the case of non-corporate United States holders, “in partial liquidation” of NAB, each of the above within the meaning of Section 302(b) of the Code. If none of the above standards is satisfied, then a payment in redemption or upon maturity of the Subordinated Notes will be treated as a distribution subject to the tax treatment described above under “—*Payments of Interest*”.

United States holders are strongly encouraged to consult their own tax advisers regarding the characterisation of a redemption payment under the rules described in this subsection and the consequences of such characterisation to such holders.

### ***Conversion of Subordinated Notes***

The Conversion of Subordinated Notes into Ordinary Shares of NAB should be treated as a recapitalisation for U.S. federal income tax purposes. As a result, upon such Conversion, United States holders should not recognise any gain or loss, their basis in the Ordinary Shares received should be equal to their basis in the Subordinated Notes which were Converted and their holding period in the Ordinary Shares received should include the holding period of the Subordinated Notes which were Converted.

### ***PFIC Considerations***

NAB does not expect to be a passive foreign investment company (**PFIC**) for U.S. federal income tax purposes, and therefore believes that the Subordinated Notes should not be treated as stock of a PFIC, but this conclusion is a factual determination made annually and thus may be subject to change. In general, NAB will be a PFIC with respect to a United States holder if, for any taxable year in which such holder held the Subordinated Notes, either (i) at least 75 per cent. of the gross income of NAB for the taxable year was passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of NAB’s assets was attributable to assets that produce or are held for the production of passive income (including cash). If NAB were to be treated as a PFIC, gain realised on the sale or other disposition of Subordinated Notes would in general not be treated as capital gain. Instead, a United States holder would be treated as if it had realised such gain ratably over its holding period for the Subordinated Notes. Amounts allocated to the year of disposition and to years before NAB became a PFIC would be taxed as ordinary income and amounts allocated to each other taxable year would be taxed at the highest tax rate applicable to individuals or corporations, as appropriate, in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. Further, to the extent that any distribution received by a United States holder on its Subordinated Notes exceeded 125 per cent. of the average of the annual distributions on the Subordinated Notes received during the preceding three years or the holder’s holding period, whichever is shorter, the distribution would be subject to taxation in the same manner as a gain, such manner being described immediately above. With certain exceptions, a United States holder’s Subordinated Notes will be treated as stock in a PFIC if NAB was a PFIC at any time during such holder’s holding period for the Subordinated Notes. In addition, dividends that a United States holder receives from NAB would not constitute qualified dividend income to such holder if NAB were a PFIC (or were treated as a PFIC with respect to such holder) either in the taxable year of the distribution or the preceding taxable year.

A United States holder that owns, or who is treated as owning, PFIC stock during any taxable year in which NAB is a PFIC may be required to file IRS Form 8621, United States holders are urged to consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

## ***Alternative Treatments***

As discussed above, it is possible that Subordinated Notes could be treated as debt of NAB for U.S. federal income tax purposes. If the Subordinated Notes were so treated, a United States holder would be required to include the interest payments on the Subordinated Notes as ordinary interest income as described above under “*Notes other than Subordinated Notes—Payments of Interest*”. Furthermore, in such case, the Subordinated Notes may be treated as a contingent payment debt instrument, in which case (i) a United States holder would be required to accrue interest on the Subordinated Notes even if it is otherwise subject to the cash basis method of accounting for tax purposes, and (ii) a United States holder would be required to treat any gain that it recognises upon the sale, exchange, redemption or maturity of its Subordinated Notes as ordinary income that does not qualify for preferential rates of taxation.

United States holders should consult their tax advisers as to the tax consequences to them if the Subordinated Notes are classified as debt for U.S. federal income tax purposes.

## **Treasury Regulations Requiring Disclosure of Reportable Transactions**

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a **Reportable Transaction**).

Under these regulations, if the Notes (other than Subordinated Notes, unless the Subordinated Notes are treated as debt of NAB for U.S. federal income tax purposes) are denominated in a non-U.S. dollar currency, a United States holder (or a non-United States holder that holds the Notes in connection with a U.S. trade or business) that recognises a loss with respect to the Notes that is characterised as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is U.S.\$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. A holder should consult with its tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

## **Information with Respect to Foreign Financial Assets**

A United States holder that owns "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by "foreign financial institutions", as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties and (iii) interests in non-United States entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

## **Non-United States Holders**

This subsection describes the tax consequences to a non-United States holder. A non-United States holder is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a non-resident alien individual,
- a non-U.S. corporation, or
- an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from a Note.

If a holder is a United States holder, this subsection does not apply.

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a non-United States holder of a Note, interest on a Note paid to such holder is exempt from U.S. federal income tax, including withholding tax, whether or not such holder is engaged in a trade or business in the United States, unless:

- such holder is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- such holder both
  - (a) has an office or other fixed place of business in the United States to which the interest is attributable and
  - (b) derives the interest in the active conduct of a banking, financing or similar business within the United States, or is a corporation (for U.S. federal income tax purposes) with a principal business of trading in stocks and securities for its own account.

### ***Purchase, Sale, Retirement and Other Disposition of the Notes***

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a non-United States holder of a Note, such holder generally will not be subject to U.S. federal income tax on gain realised on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with such holder's conduct of a trade or business in the United States or
- such holder is an individual, is present in the United States for 183 or more days during the taxable year in which the gain is realised and certain other conditions exist.

### **Foreign Account Tax Compliance Withholding**

Pursuant to certain provisions of the Code, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. Each Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Australia and New Zealand) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, proposed Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed Treasury regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed Treasury regulations until the issuance of final regulations. Additionally, Notes characterised as debt for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the relevant Issuer). Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## Backup Withholding and Information Reporting

If a holder is a non-corporate United States holder, information reporting requirements on IRS Form 1099 generally would apply to payments of principal and interest on a Note within the United States and to the payment of proceeds from the sale of a Note effected at a United States office of a broker.

If a holder is a non-United States holder, it is generally exempt from backup withholding and information reporting requirements with respect to payments of principal and interest made to it outside the United States by the Issuer or another non-United States payer. A non-United States holder is also generally exempt from backup withholding and information reporting requirements in respect of payments of principal and interest made within the United States and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as either (i) the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished a valid IRS Form W-8BEN or W-8BEN-E or other documentation upon which the payor or broker may rely to treat the payments as made to a non-United States person, or (ii) the holder otherwise establishes an exemption.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

Any amount withheld under the backup withholding rules from a payment to such holder will be allowed as a credit against such holder's U.S. federal income tax and may entitle each holder to a refund, provided the required information is timely furnished to the IRS.

## Australian Taxation

*The following is an overview of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the **Australian Tax Act**), at the date of this Offering Circular, of payments of interest (as defined in the Australian Tax Act) on the "Notes" to be issued by NAB under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders).*

*Prospective holders of Notes should also be aware that particular terms of issue of any series of Notes may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.*

### 1. Interest withholding tax

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (**IWT**) is available in respect of the Notes issued by NAB under section 128F of the Australian Tax Act if the following conditions are met:

- (a) NAB is a resident of Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) the Notes are debentures as defined for the purposes of section 128F (but not equity interests);

- (c) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that NAB is offering the Notes for issue. In summary, the five methods are:
- offers to 10 or more unrelated persons carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in financial markets;
  - offers to 100 or more investors;
  - offers of listed Notes;
  - offers via publicly available information sources; and
  - offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods.

The issue of Notes as 'global bonds', as defined in the Australian Tax Act, should also satisfy the public offer test.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test provided NAB does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes or interests in the Notes were being, or would later be, acquired, directly or indirectly, by an "associate" of NAB, except as permitted by section 128F(5) of the Australian Tax Act.

The exemption under section 128F also does not apply to interest paid in respect of a Note if, at the time of the payment of interest, NAB knows, or has reasonable grounds to suspect, that the payee is an "associate" of NAB, except as permitted by section 128F(6) of the Australian Tax Act.

#### *Associates*

An "associate" of NAB for the purposes of section 128F of the Australian Tax Act includes, when NAB is not a trustee (i) a person or entity which holds more than 50 per cent. of the voting shares of, or otherwise controls, NAB, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, NAB, (iii) a trustee of a trust where NAB is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity which is an "associate" of another person or company which is an "associate" of NAB under paragraph (i) above.

However, "associate" does not include:

- (A) onshore associates (*i.e.* Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (*i.e.* Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia) who are acting in the capacity of:
  - (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or



- (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

#### *Compliance with section 128F of the Australian Tax Act*

Unless otherwise specified in any relevant Final Terms (or another relevant supplement to this Offering Circular), NAB intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

#### *Exemptions under certain double tax conventions*

The Australian government has signed a number of new or amended double tax conventions (**Treaties**) with foreign jurisdictions (each a **Specified Country**).

The Treaties effectively prevent IWT applying to interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- certain unrelated (1) banks, and (2) other financial institutions which substantially derive their profits by carrying on a business of raising and providing finance and which are resident in the Specified Country (interest paid under a back-to-back loan or economically equivalent arrangement will not qualify for this exemption),

by reducing the IWT rate to zero.

The Treaties are in force in a number of jurisdictions including, for example, the United States and the United Kingdom.

#### *Notes in bearer form—section 126 of the Australian Tax Act*

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on Notes in bearer form if NAB fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of the Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as the Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in Notes in bearer form are held through Euroclear, Clearstream, Luxembourg, the CMU Service or another clearing system, NAB intends to treat the operators of those clearing systems (or their nominees) as the holders of the Notes for the purposes of section 126 of the Australian Tax Act.

#### *Payment of additional amounts*

As set out in more detail in the relevant Terms and Conditions for the Notes, and unless expressly provided to the contrary in the relevant Final Terms (or another relevant supplement to this Offering Circular), if NAB is at any time required by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Notes, NAB must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of the Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If NAB is required to

pay such additional amounts in relation to any Notes, NAB will have the option to redeem the Notes in accordance with the relevant Terms and Conditions.

## 2. Other tax matters

Under Australian laws as presently in effect:

- (a) *income tax—offshore Noteholders*—assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *income tax—Australian Noteholders*—Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia (**Australian Holders**), will be assessable for Australian tax purposes on income either received or accrued to them in respect of the Notes. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the terms and conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (c) *gains on disposal or redemption of Notes—offshore Noteholders* - a holder of Notes who is a non-Australian resident will not be subject to Australian income tax on gains realised during that year on the sale or redemption of the Notes, provided such gains do not have an Australian source.

A gain arising on the sale of the Notes by a non-Australian resident holder who is not an Australian Holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia, would not be regarded as having an Australian source;

- (d) *gains on disposal or redemption of Notes—Australian Noteholders*—Australian Holders that are residents of Australia for tax purposes will be required to include any gain or loss on the sale or redemption of the Notes in their taxable income. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (e) *deemed interest*—there are specific rules that can apply to treat a portion of the purchase price of Notes as interest for IWT purposes when certain Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. IWT should not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;
- (f) *stamp duty and other taxes*—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes;
- (g) *other withholding taxes on payments in respect of Notes*—section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia (**Taxation Administration Act**) imposes a type of withholding tax on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (**TFN**), (in certain circumstances) an Australian Business

Number (ABN) or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, then the requirements of section 12-140 do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding the Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of the Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate). The rate of withholding tax is currently 47 per cent.;

- (h) *supply withholding tax*—payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (i) *goods and services tax (GST)*—neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber that is a non-resident) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of the Notes, would give rise to any GST liability in Australia;
- (j) *additional withholdings from certain payments to non-residents*—section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Offering Circular are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any regulations to the proceeds of any sale of the Notes will need to be monitored;
- (k) *taxation of foreign exchange gains and losses*—Divisions 775 and 960 of the Australian Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions.

These rules are complex and may also apply to any Noteholders who are Australian residents or non-residents that hold Notes that are not denominated in Australian dollars. Any such Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of the Notes;

- (l) *taxation of financial arrangements*—Division 230 of the Australian Tax Act contains tax timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements". The rules do not alter the rules relating to the imposition of IWT nor override the IWT exemption available under section 128F of the Australian Tax Act.

In addition, the rules do not apply to certain taxpayers or in respect of certain short term "financial arrangements". They should not, for example, generally apply to holders of Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their "financial arrangements". Potential Noteholders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

Section 230-30(1) and the associated explanatory memorandum indicates that interest payments, which are exempt from IWT as a result of the exemption in section 128F, will not generally be subject to tax under the new provisions; and

- (m) *Conversion* - the Conversion of Subordinated Notes into Ordinary Shares should not give rise to any taxable gain or loss in Australia for Noteholders. This is because any gain or loss on the Conversion should be generally disregarded under the Australian Tax Act. There are a range of tax consequences which may apply to holders of Ordinary Shares in holding, acquiring or disposing of Ordinary Shares. Holders should seek their own taxation advice if their Subordinated Notes are Converted into Ordinary Shares. In addition, no ad valorem stamp duty, issue, registration or similar taxes are payable on the issue or transfer of Ordinary Shares (including an issue of shares as a result of Conversion) provided that:
- (i) if all the shares in NAB are quoted on the Australian Securities Exchange at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in NAB of 90 per cent. or more; or
  - (ii) if not all the shares in NAB are quoted on the Australian Securities Exchange at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in NAB of 50 per cent. or more.

The stamp duty legislation generally requires the interests of associates to be added in working out whether the relevant threshold is reached. In some circumstances, the interests of unrelated entities can also be aggregated together in working out whether the relevant threshold is reached.

## **New Zealand Taxation**

*The following is applicable where the Issuer is BNZ or BNZ-IF and, in the case of payments made under the Guarantee, also applies to BNZ in its capacity as the Guarantor.*

*The comments below are of a general nature based on current New Zealand law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. The comments relate only to withholding and do not deal with any other aspect of the New Zealand taxation treatment that may be applicable to Noteholders (including, for instance, income tax). Prospective Noteholders should note that the particular terms of issue of any series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and any other series of Notes and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the relevant Issuer in accordance with Condition 15 (Meetings of Noteholders, Modification, Waiver, Determination and Substitution) of the Notes.*

*Any Noteholders who are in doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than New Zealand in respect of their acquisition, holding or disposal of Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain New Zealand taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of New Zealand.*

### **1. Resident Withholding Tax**

The Issuer or the Guarantor, as the case may be, will deduct any applicable New Zealand resident withholding tax at the rate required by law from the payment of interest (including amounts deemed to be interest) to the Noteholder, Receiptholder or Couponholder if:

- (a) the person deriving the interest:

- (i) is a resident of New Zealand for income tax purposes; or
- (ii) is a non-resident that holds the Note, Receipt or Coupon for the purposes of a business carried on in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand; or
- (iii) is a non-resident that is a registered bank in New Zealand and is engaged in business in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007) in New Zealand, and is not associated with the Issuer,

(each a **New Zealand Noteholder**); and

- (b) at the time of such payment the New Zealand Noteholder does not hold a valid resident withholding tax exemption certificate or is not otherwise exempt from resident withholding tax.

If resident withholding tax is required to be deducted from the payment of any interest by the Issuer or the Guarantor, the Issuer or the Guarantor (as the case may be) will not be obliged to pay any additional amount.

## **2. Non-Resident Withholding Tax**

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest (including amounts deemed to be interest) with a New Zealand source to a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder. If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer and the Issuer is required to pay an additional amount in respect of such tax, the Issuer intends to reduce the applicable rate of non-resident withholding tax to zero per cent. as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on its own account, an approved issuer levy (currently equal to 2 per cent. of such payments of interest). If non-resident withholding tax is required to be deducted from the payment of any interest by the Guarantor and the Guarantor is required to pay an additional amount in respect of such tax, the Issuer and the Guarantor intend to reduce the applicable rate of non-resident withholding tax to zero per cent. if permitted by law as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on the Guarantor's own account, the approved issuer levy.

Where a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder holds the Note, Receipt or Coupon jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the non-resident at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. The Issuer will not pay an additional amount to the Noteholder, Receiptholder or Couponholder in respect of non-resident withholding tax deducted in that case. Other exceptions to the obligation to pay an additional amount are set out in Condition 8.

## **3. Information**

Noteholders, Receiptholders and Couponholders should note that the New Zealand Inland Revenue Department has the power to obtain information (including the name and address of a beneficial owner of the interest) from any person in New Zealand who pays or credits interest to, or receives interest for the benefit of, a Noteholder, Receiptholder or Couponholder. Any information obtained may be exchanged by the New Zealand Inland Revenue Department with tax authorities of any other relevant jurisdiction.

## United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is an overview of the Issuers' understanding of current United Kingdom tax law as applied in England and Wales and HM Revenue and Customs published practice (which may not be binding on HM Revenue and Customs) in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments on the Notes. It does not deal with payments made under the Guarantee or with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

References in the following to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

### 1. Interest on the Notes

#### A. *Payments of interest on the Notes that has a UK source*

NAB, acting through its London branch (the **Bank**), provided that it continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the **Act**), and provided that the interest on the Notes issued by the Bank is paid in the ordinary course of its business within the meaning of section 878 of the Act, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes issued by the Issuers may be made without deduction of or withholding on account of United Kingdom income tax (even if, in the case of payments of interest on Notes issued by the Bank, they are not paid in the ordinary course of the Bank's business) provided that those Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The Luxembourg Stock Exchange is a recognised stock exchange. Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Euro MTF Market or Main Market of the Luxembourg Stock Exchange. Provided, therefore, that Notes are and remain so listed, interest on those Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than one year and those Notes do not form part of a scheme or arrangement of borrowing capable or intended to be capable of remaining outstanding for one year or more.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

It is expected that payments by BNZ-IF will have a UK source.

#### B. *Payments of interest on the Notes that does not have a UK source*

Payments of interest on Notes that does not have a UK source may be made without withholding on account of United Kingdom income tax. Whether or not payments by any of the Issuers are UK source is a factual question and depends on all of the circumstances. However, on the assumption that interest on the Notes paid by NAB and BNZ as Issuers does not have a United Kingdom source which may not be the case if, for example, neither of those Issuers is United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Notes, payments of interest on the Notes by those Issuers may be made without withholding or deduction for or on account of United Kingdom income tax.

## **Luxembourg Taxation**

*The following information is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.*

### *(i) Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

### *(ii) Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law would currently be subject to withholding tax of 20 per cent.

## **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (the **participating Member States**) and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article (5)(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or participating Member States may decide to withdraw. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating Member States and when it will take effect with regard to dealings in the Notes.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **OECD Common Reporting Standard**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (the **CRS**) requires certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement.



## UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**) and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation 29 CFR Section 2510.3-101 as modified by Section 3(42) of ERISA (a **Plan**), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also **Plans**), from engaging in certain transactions involving "Plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code (**Parties in Interest**) with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (**Non-ERISA Arrangements**) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (**Similar Laws**).

The acquisition of the Notes by a Plan with respect to which any of the Issuers, the Guarantor or certain of NAB's affiliates, or any Dealer, is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued certain prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. Included among these exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the **Service Provider Exemption**).

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes or any interest therein that it either (1) is not a Plan and is not purchasing those

Notes on behalf of or with "plan assets" of any Plan or (2) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the Service Provider Exemption or another applicable exemption. In addition, any purchaser or holder of Notes or any interest therein which is a Non-ERISA Arrangement will be deemed to have represented by its purchase or holding of Notes or any interest therein that its holding will not violate the provisions of any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement consult with their counsel regarding, among other things, the availability of exemptive relief under any of the PTCEs listed above, the Service Provider Exemption or any purchase or other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel. Moreover, each such fiduciary should determine whether it is eligible to purchase Notes, and whether, under the general fiduciary standards of investment prudence and diversification, an investment in Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan, the composition of the Plan's investment portfolio, and the risk/return characteristics of the Notes.

The sale of Notes to a Plan is in no respect a representation by the Issuers, the Guarantor or any of NAB's affiliates that its investment meets all relevant legal requirements with respect to investments by Plans generally or by a particular Plan, or that this investment is appropriate for Plans generally or any particular Plan.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 20 November 2019 (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) agreed with each Issuer and (in the case of Guaranteed Senior Notes) the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Programme Agreement provides that the obligation of any Dealer under any such agreement is subject to certain conditions and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under any such agreement prior to the issue of the relevant Notes. In the Programme Agreement, the Issuers (failing which, the Guarantor (in the case of Guaranteed Senior Notes)) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Transfer Restrictions

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes or a beneficial interest therein within the United States, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (i) that it is a qualified institutional buyer (**QIB**), purchasing (or holding) the Notes for its own account or for the account of one or more QIBs for whom it is authorised to act and it is aware that any sale to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, if in the future it decides to offer, resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the relevant Issuer or any subsidiary thereof, (b) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act covering the Notes, in each case in accordance with any applicable securities laws of the states of the United States and any other jurisdiction;
- (iv) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes;

- (vi) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS NOT BEEN 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 EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING SUCH NOTES (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND OTHER THAN (1) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT AND THE TRUST DEED REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE REGISTERED HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (vii) that, before any interest in Registered Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Regulation S Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

- (viii) that the relevant Issuer, the Registrar, the relevant Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of Notes or a beneficial interest therein outside of the United States and each subsequent purchaser of such Notes or a beneficial interest therein in resales prior to the expiration of the Distribution Compliance Period will, by its acceptance at purchase thereof, be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) that it is located outside the United States and is not a U.S. person and is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (iv) that if it should offer, resell, pledge or otherwise transfer the Notes or any beneficial interest in the Notes prior to the expiration of the Distribution Compliance Period, it will do so only (a) (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and (b) in accordance with any applicable state securities law of the states of the United States and any other jurisdiction;
- (v) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS 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 EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

- (vi) that, prior to the expiration of the Distribution Compliance Period, before any interest in Registered Notes represented by a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Rule 144A Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

- (vii) that the relevant Issuer, the Registrar, the relevant Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## **Selling Restrictions**

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether the rules in Treas. Reg. Section 1.163-5(c)(2)(i)(C) (TEFRA C) or Treas. Reg. Section 1.163-5(c)(2)(i)(D) (TEFRA D) apply or whether TEFRA is not applicable.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or, in the case of Regulation S Notes in bearer form, deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To the extent that the relevant Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

## Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area (the **EEA**). For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation (where the expression **Prospectus Regulation** means Regulation (EU) 2017/1129); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision,

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

## United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes issued by BNZ or BNZ-IF which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by BNZ or BNZ-IF, as applicable;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of NAB, would not, if NAB was not an authorised person, apply to the relevant Issuer or (in the case of Guaranteed Senior Notes) the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

## Austria

In addition to the matters outlined above under the heading “*Prohibition of Sales to EEA Retail Investors*”, each intended offer of Notes in Austria needs to be notified to the registration office (*Meldestelle*) at the Austrian Control Bank (*Oesterreichische Kontrollbank Aktiengesellschaft - OeKB*) as soon as possible, but in any case prior to the commencement of the offer, all as prescribed by the Austrian Capital Market Act (*Kapitalmarktgesetz*, as amended).

## Australia

No prospectus, product disclosure document or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Notes has been or will be lodged with ASIC. Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that unless the relevant Final Terms (or another supplement to this Offering Circular) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering circular or any other offering material or advertisement relating to any Notes in Australia,

unless (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding moneys lent by the offeror or its associates) or the offer, distribution or publication otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act, (ii) such offer, distribution or publication is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act, (iii) such action complies with applicable laws and directives and (iv) such action does not require any document to be lodged with ASIC.



## **New Zealand**

No action has been or will be taken by any Issuer, the Guarantor or the Dealers which would permit a public or regulated offering of any Notes, or possession or distribution of any offering material in relation to the Notes, in New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Notes; and (2) it will not distribute any offering circular or advertisement in relation to any offer of the Notes, in New Zealand other than to any or all of the following persons only:

- (a) "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (**FMC Act**), being a person who is:
  - (i) an "investment business";
  - (ii) "large"; or
  - (iii) a "government agency",

in each case as defined in Schedule 1 to the FMC Act; and

- (b) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (a) above) where BNZ-IF is the Issuer, the Notes may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in relation to any Notes issued by BNZ or BNZ-IF, it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes (or, on or after 1 April 2020, certify that they have RWT-exempt status (as defined in the Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Act 2018 (NZ))) and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to BNZ or BNZ-IF (as the case may be) or to a Paying Agent).

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are "structured products" as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong) (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## France

Each of the Dealers and each of the Issuers and (in the case of Guaranteed Senior Notes) the Guarantor has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## Belgium

Any offering of Notes is conducted exclusively under applicable private placement exemptions and this Offering Circular has therefore not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*). Accordingly, no action will be taken and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of such Notes in Belgium in accordance with the Prospectus Regulation or the Belgian Law of 11 July 2018 on the offering of investment instruments to the public and the admission of investment instruments to trading on a regulated market.

The Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with Article 4 of the Belgian Law of 14 December 2005.

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer (*consument/consommateur*) within the meaning of Article I.1 of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under this Programme will be required to acknowledge that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**), and the Notes will be offered pursuant to exemptions under the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the **Securities and Futures Act** or **SFA**). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes have not been offered or sold and will not be offered or sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with, the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities or securities-based derivative contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), unless otherwise specified before an offer of Notes, that all Notes to be issued under the Programme are classified as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it (a) will only offer or sell Notes in, into or from Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will to the extent necessary, obtain any consent, approval or permission required, for the offer or sale by it of Notes under the laws and regulations in force in Switzerland.

This Offering Circular does not constitute a prospectus within the meaning of the Swiss Code of Obligations (**CO**), a prospectus or simplified prospectus within the meaning of the Swiss Collective Investment Schemes Act (**CISA**) or, if and when entered into force, a prospectus within the meaning of the Swiss Financial Services Act (**FinSA**).

Only the relevant offering circular for the offering of Notes in, into or from Switzerland and any information required to ensure compliance with the CO or, if and when entered into force, the FinSA, and all other applicable laws and regulations of Switzerland (in particular, additional and updated corporate and financial information that shall be provided by the relevant Issuer) may be used in the context of a public offer in, into or from Switzerland. Each Dealer has therefore represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the relevant offering circular and such information shall be furnished to any potential purchaser in Switzerland in such manner and at such times as required by the CO or, if and when entered into force, the FinSA, and all other applicable laws and regulations of Switzerland.

Until the entry into force of the FinSA, and if and to the extent the Notes qualify as structured products within the meaning of the CISA, and unless the Notes are offered and distributed in, into or from Switzerland in compliance with the CISA and its implementing ordinances, including that all relevant licences have been obtained and that a simplified prospectus within the meaning of Article 5 CISA has been prepared to be furnished to any potential purchaser in Switzerland upon request in such manner and at such times as required by the CISA and all other applicable laws and regulations of Switzerland, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, (i) publicly offer, sell, or advertise the Notes in, into or from Switzerland, as such term is defined or interpreted under the CO, (ii) distribute the Notes in, into or from Switzerland to non-qualified investors within the meaning of the CISA, its implementing ordinance and any other applicable regulations and regulatory guidance, and (iii) distribute or otherwise make available this Offering Circular or any other document related to the Notes in Switzerland in a way that would constitute a public offering within the meaning of the CO of the Notes or a distribution of the Notes to non-qualified investors within the meaning of the CISA.

Following the entry into force of the FinSA, and if and to the extent that the Notes qualify as financial instruments requiring a key information document within the meaning of the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, (i) publicly offer or advertise the Notes in or into Switzerland, as such terms are defined or interpreted under the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance, (ii) offer or advertise the Notes to investors in Switzerland with respect to which a key information document within the meaning of the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance is required and (iii) distribute or otherwise make available this Offering Circular, the relevant offering circular or any other document related to the Notes in Switzerland in a way that would constitute a public offering of the Notes within the meaning of the FinSA or an offering of the Notes to investors in Switzerland with respect to which a key information document is required.

## Republic of Italy

An offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borse* pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (the **Regulation No. 11971**); or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover and subject to the foregoing, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

## China

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes directly or indirectly in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) (the **PRC**), except as permitted by the applicable laws or regulations of the PRC.

## Canada

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may be sold only to Canadian purchasers purchasing, or deemed to be purchasing, as principal that are “accredited investors”, as defined in National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) or subsection 73.3(1) of the Securities Act (Ontario), and are “permitted clients”, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of such Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a Canadian purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the Canadian purchaser within the time limit prescribed by the securities legislation of the Canadian purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the Canadian purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offer of Notes.

Upon receipt of this Offering Circular, each Canadian purchaser is hereby deemed to confirm that it has expressly requested that all documents evidencing or relating in any way to the sale of Notes described herein (including, for the avoidance of doubt, any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien est réputé d’avoir confirmé par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des billets décrites aux présentes (incluant, pour éviter toute incertitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

## Republic of Korea (Korea)

The Notes have not been and will not be registered for public offering under the Financial Investments Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) the Notes shall not be offered to 50 or more residents in Korea (as defined in the Foreign Exchange Transactions Law of Korea (**FETL**) and its Enforcement Decree), and (ii) the number of Notes (where, for this purpose, the minimum specified denomination of the Notes, as specified in the applicable Final Terms, shall constitute one Note) offered in Korea or to a resident in Korea shall be less than 50. Furthermore, the Notes shall not be divided or redenominated within 1 year from the issuance. Except for the Notes offered in Korea or to a resident in Korea in accordance with the aforementioned restriction, none of the Notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea within 1 year from the issuance of the Notes, except pursuant to the applicable laws and regulations of Korea. Furthermore, the purchaser of the Notes shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor, the Trustee and any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be, in the case of Exempt Notes only, set out in the applicable Final Terms.

This Offering Circular may be used by any Dealer for offers and sales related to market-making transactions in the Notes. Each Dealer may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. Each Dealer does not have any obligation to make a market in the Notes, and any market-making may be discontinued at any time without notice.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of NAB dated 3-5 September 2019 and (other than the issue of Subordinated Notes) resolutions of delegates of the Board of Directors of NAB dated 8 November 2019. BNZ-IF's participation (including the issue of Notes) in the Programme and its update has been duly authorised by resolutions of the Board of Directors of BNZ-IF dated 23 June 2005 and 28 January 2014. The giving of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor dated 18 March 2005 and by a resolution of a committee of the Board of Directors of the Guarantor dated 23 June 2005. The participation of BNZ as an Issuer of Notes under the Programme and the issue of Notes by BNZ have been duly authorised by resolutions of the Board of Directors of BNZ dated 18 October 2018. The issue of Subordinated Notes, will be, prior to their issuance, duly authorised by NAB. BNZ-IF attorneys in New Zealand authorise BNZ-IF personnel in London to authorise the issue of Notes by BNZ-IF on a weekly basis.

### Listing and Admission to Trading

Application has been made to the Luxembourg Stock Exchange in connection with the issue by the Issuers of:

- (i) PR Notes to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange and on the Professional Segment of the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Regulation; and
- (ii) certain Tranches of Exempt Notes to be admitted to trading on the Euro MTF Market.

### Documents Available

Following the date of this Offering Circular and for the life of this Offering Circular, copies of the following documents will be available for inspection on the websites stated:

- (a) the constitutions of each of NAB, BNZ and BNZ-IF (on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and are also available via the relevant hyperlinks thereto as set out on pages 58-59 of this Offering Circular in the section entitled "*Documents Incorporated by Reference and Credit Ratings – (A) Documents Incorporated by Reference*" above.);
- (b) the Trust Deed, including the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons (on the website of NAB via <http://capital.nab.com.au/disclaimer-area/funding-programmes>);
- (c) a copy of this Offering Circular (on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu)); and
- (d) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference (on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu)), save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area or the Luxembourg Stock Exchange's Euro MTF Market nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection from the registered office of the relevant Issuer and (in the case of Guaranteed Senior Notes) the Guarantor and from the specified office of the Paying Agents for the time being in Luxembourg by a holder of such Note and such holder must produce evidence



satisfactory to the relevant Issuer and the relevant Paying Agent as to its holding of Notes and identity.

## **Yield**

The yield for certain Series of Notes may be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity.

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

## **Additional Disclosure in relation to the Ranking of Subordinated Notes**

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

Senior Creditors are all present and future creditors of NAB (including but not limited to depositors of NAB) whose claims would be entitled to be admitted in the Winding Up of NAB and which are not in respect of Equal Ranking Instruments or Junior Ranking Instruments.

Equal Ranking Instruments are instruments that rank in a Winding Up of NAB as the most junior claim in the Winding Up of NAB ranking senior to Junior Ranking Instruments. This includes the U.S.\$250 million undated subordinated Floating Rate Notes issued by NAB on 9 October 1986. All or some of the undated subordinated Floating Rate Notes may be redeemed at the option of NAB with the prior consent of APRA. The outstanding principal amount of undated subordinated Floating Rate Notes as at the date of this Offering Circular is U.S.\$52.22 million.

Junior Ranking Instruments are instruments 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 any shares (including Ordinary Shares) in the capital of NAB (other than shares issued as Tier 2 Capital).

Instruments issued as Lower Tier 2 Capital prior to 1 January 2013 are not Equal Ranking Instruments but rank in a Winding Up of NAB senior to the Subordinated Notes.

The reason for this ranking is as follows:

Under APRA's prudential standards which came into force on 1 January 2013, in order to qualify for Tier 2 Capital (as defined by APRA), Subordinated Notes must rank in a Winding Up of NAB with the most junior ranking claims which rank ahead of Common Equity Capital and Additional Tier 1 Capital. Since currently NAB has on issue undated subordinated Floating Rate Notes and these would rank in a Winding Up of NAB ahead of share capital but behind instruments issued as Lower Tier 2 Capital prior to 1 January 2013, the Subordinated Notes are required to rank equally with the undated subordinated Floating Rate Notes and will retain that ranking if the undated subordinated Floating Rate Notes are redeemed.

In addition, Subordinated Notes are required to be Converted to Ordinary Shares or Written-Off if a Non-Viability Trigger Event occurs, as presently described in the Offering Circular.

## **Clearing Systems**

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. The relevant Issuer may also apply to have Notes in bearer or registered form accepted for clearance through the CMU Service. The relevant CMU Instrument Number will be specified in the applicable Final Terms. In addition, the relevant

Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg, the address of DTC is 55 Water Street, New York, New York 10041, United States of America and the address of CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Auditors**

The auditors of NAB are Ernst & Young, independent auditors, who have audited NAB's accounts, without qualification, in accordance with generally accepted auditing standards in Australia for the financial years ended 30 September 2018 and 30 September 2019. The auditors of NAB have no material interest in NAB. The partners of Ernst & Young are typically members of Chartered Accountants Australia and New Zealand, but the firm itself is not a member.

The auditors of BNZ are Ernst & Young, independent auditors, who have audited BNZ's consolidated financial statements, without qualification, in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2018 and 30 September 2019. The auditors of BNZ have no material interest in BNZ.

The auditors of BNZ-IF are Ernst & Young, independent auditors, who have audited BNZ-IF's accounts, without qualification in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2018 and 30 September 2019. The auditors of BNZ-IF have no material interest in BNZ-IF.

Audit reports in respect of BNZ and BNZ-IF are signed in the name of the firm of Ernst & Young. Ernst & Young is registered under the New Zealand Auditor Regulation Act 2011 (the **NZ Auditor Regulation Act**). The partner who signs the audit report in the name of the firm is licensed under the NZ Auditor Regulation Act. The partners of Ernst & Young are typically members of Chartered Accountants Australia and New Zealand, but the firm itself is not a member.

The Trust Deed provides that any certificate or report of the Auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

The liability of NAB's auditors in respect of an audit of NAB may be subject to statutory schemes in Australian jurisdictions that restrict the recovery of damages from accountants. Such schemes operate in all states of Australia, as well as the Australian Capital Territory and Northern Territory. The limitations in these schemes are based on nominal amounts which are likely to be significantly less than an investment in the Notes. The scope of the limitations and their effect on the enforcement of foreign judgments in Australia are so far untested and investors should seek their own advice on the application of these schemes in the context of an investment of the Notes.

## **Dealers transacting with any of the Issuers or the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, any of the Issuers, the Guarantor or their affiliates in the ordinary course of business.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the Dealers or their affiliates have, directly or indirectly, performed investment and/or commercial banking or financial advisory services for the Issuers and the Guarantor, for which they have received customary fees and commissions, and they expect to provide these services to the Issuers and the Guarantor in the future, for which they will receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers, the Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the relevant Issuer routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities of the Issuers or the Guarantor, including potentially the Notes issued under the Programme. Any such credit default swaps or short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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