



**NATIONAL AUSTRALIA BANK LIMITED,  
acting through its New York Branch**

(ABN 12 004 044 937)

(incorporated with limited liability in the Commonwealth of Australia)

**US\$20,000,000,000 Medium Term Notes, Series B**

National Australia Bank Limited, acting through its New York branch (**we, our, us, or the Branch**) that is federally licensed by the Office of the Comptroller of the Currency (the **OCC**), may from time to time issue Medium Term Notes, Series B (the **Notes**) under its US\$20,000,000,000 Medium Term Note, Series B, Program (the **Program**).

The following terms may apply to the Notes:

- Mature more than 360 days from the date of issue;
- May be subject to redemption at the Branch's option or require repurchase at your option;
- A fixed interest rate, which may be zero if Notes are issued at a discount from the principal amount due at maturity, or a floating interest rate, or both fixed and floating rate;
- Book-entry only form through The Depository Trust Company (**DTC**) and its participants (as defined herein); and
- Minimum denomination of US\$250,000 and integral multiples of US\$1,000 (or the equivalent thereof in another currency or composite currency).

For a general description of terms that may apply to the Notes, see "*Terms and Conditions of the Notes*" beginning on page 39 of this Offering Memorandum (as defined herein). As described in that section, the specific and final terms of each Note, including terms that may not be contemplated therein, will be specified in the applicable Pricing Supplement (as defined in this Offering Memorandum).

**An investment in the Notes involves risks that are described in the "Risk Factors" section beginning on page 16 of this Offering Memorandum.**

The Notes have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any state securities laws and are being offered and sold in reliance on (i) an exemption from registration under the requirements of the Securities Act provided by Section 3(a)(2) (**Section 3(a)(2)**) thereof and (ii) Section 16.6 of Part 16 of the OCC's regulations. Initial offers and sales of Notes are limited to institutional "accredited investors" (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act). The Fiscal and Paying Agency Agreement (as defined herein) under which the Notes are issued is not, and is not required to be, qualified under the United States Trust Indenture Act of 1939, as amended. See "*Notice to Investors*" and "*Plan of Distribution*."

The Notes are not deposit liabilities or protected accounts of the Branch or NAB, under the Banking Act 1959 of Australia (the **Banking Act**) and are not insured by the U.S. Federal Deposit Insurance Corporation (**FDIC**) or any other governmental agency of Australia, the United States or any other jurisdiction. The Notes are not guaranteed by any person, except as otherwise expressly stated in the applicable Pricing Supplement.

The Notes will be issued in registered, book-entry only form and will be eligible for clearance through the facilities of DTC and its participants, including depositories for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), unless otherwise specified in the applicable Pricing Supplement.

The aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to a particular issuance of Notes (each, a **Tranche**) will be set out in the applicable Pricing Supplement relating to such Notes.

nabSecurities, LLC is an affiliate of NAB and a broker-dealer registered with the United States Securities and Exchange Commission (the **SEC**). Any offer or sale of Notes by nabSecurities, LLC will comply with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc. (**FINRA**) regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. nabSecurities, LLC (or any other affiliate of NAB) will not make any sales in any offering to any discretionary account, unless specific written approval of the account holder is obtained.

**Arranger  
GOLDMAN, SACHS & CO.**

**Dealers**

**BARCLAYS  
CITIGROUP  
DEUTSCHE BANK SECURITIES  
HSBC  
MORGAN STANLEY  
RBC CAPITAL MARKETS**

**BofA MERRILL LYNCH  
CREDIT SUISSE  
GOLDMAN, SACHS & CO.  
J.P. MORGAN  
NABSECURITIES, LLC  
UBS INVESTMENT BANK**

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## NOTICE TO INVESTORS

**THE NOTES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AUTHORITY. NEITHER THE SEC NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES ARE BEING OFFERED AND SOLD IN RELIANCE ON (I) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY SECTION 3(a)(2) THEREOF AND (II) SECTION 16.6 OF PART 16 OF THE OCC'S REGULATIONS. CONSEQUENTLY, INITIAL OFFERS AND SALES OF NOTES ARE LIMITED TO INSTITUTIONAL ACCREDITED INVESTORS.**

The OCC's regulations provide that a federal branch or agency of a foreign bank meeting certain requirements that issues nonconvertible debt securities such as the Notes may offer and sell such securities pursuant to certain regulations if, among other things, such securities are offered and sold only to accredited investors in minimum denominations of US\$250,000. The Notes are hereby offered and sold pursuant to such regulations and will be offered and sold solely to institutional investors that are "accredited investors" as defined in Rule 501(a)(1), (2) or (3) under the Securities Act. Each beneficial owner of a Note will be required to hold such beneficial interest in a principal amount of US\$250,000 (or the equivalent thereof in another currency or composite currency), or any integral multiple of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof at all times. Each purchaser of a Note or Notes, in making its purchase, will be deemed to have represented and warranted that it is such an institutional accredited investor, that it is purchasing the Notes for its own account or the account of another institutional accredited investor and that following the purchase it or such other institutional accredited investor holding a beneficial interest in a Note will hold such beneficial interest in a principal amount of US\$250,000 (or the equivalent thereof in another currency or composite currency) or an integral multiple of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof at all times.

Each purchaser of a Note or Notes will also be deemed to have acknowledged, represented and agreed that either (A) it is not an employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974 (**ERISA**) or a plan subject to Section 4975 of the U.S. Internal Revenue Code of 1986 (the **Code**), it is not purchasing the Notes on behalf of or with "plan assets" of any such plan, and it is not a governmental or church or other plan (**non-ERISA arrangement**) subject to provisions under applicable federal, state, local or foreign law that are similar to the requirements of ERISA or Section 4975 of the Code (**similar law**) or (B) its purchase and holding of such Notes is eligible for exemptive relief under U.S. Department of Labor Prohibited Transaction Class Exemption 96-23, 95-60, 91-38, 90-1, 84-14, under Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or pursuant to another applicable exemption or, in the case of a non-ERISA arrangement, its purchase and holding of such Notes will not constitute or result in a non-exempt violation of the provisions of any similar law.

Each purchaser of a Note or Notes acknowledges that NAB, the Branch, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and it agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it in connection with its purchase of Notes are no longer accurate, it shall promptly notify us and the Dealers, if any, through which it purchased any Notes. If it is acquiring any Notes as a fiduciary or agent for one or more 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 acknowledgments, representations and agreements on behalf of each such account.

You should rely solely on the information contained or incorporated by reference in the applicable Pricing Supplement and this Offering Memorandum, as it shall be further amended and supplemented from time to time (the **Offering Memorandum**). This Offering Memorandum should be read and construed together with the applicable Pricing Supplement for each Tranche or Series of Notes. Neither NAB nor the Branch has authorized anyone to make any representation in connection with the Notes or to provide you with information that differs from that contained in the applicable Pricing Supplement and this Offering Memorandum.

Information incorporated by reference herein may add, update or change information in this Offering Memorandum, in the manner envisaged and to the extent permitted by applicable securities laws. You should not assume that the information contained in this Offering Memorandum, and the information incorporated by reference, is accurate as of any date other than the date of the document in which it appears, regardless of the time of delivery of this Offering Memorandum or any sales of the Notes.

The distribution of this Offering Memorandum and the offer or sale of Notes may be restricted in particular jurisdictions. You should inform yourself about and observe any applicable restrictions. Neither this Offering Memorandum nor any supplement constitutes, or may be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Offering Memorandum or any supplement in any jurisdiction where such action is required. See “*Plan of Distribution*” and “*Selling Restrictions*.”

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilizing manager(s) (or persons acting on behalf of any stabilizing managers) in the applicable Pricing Supplement may over-allot or effect transactions (in each case outside of Australia and not on any market in Australia) with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilizing manager(s) (or persons acting on behalf of a stabilizing manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant stabilizing manager(s) (or persons acting on behalf of any stabilizing manager(s)) in accordance with all applicable laws.

## CERTAIN DEFINED TERMS

In this Offering Memorandum, unless otherwise specified or the context otherwise requires:

- references to “NAB” are to National Australia Bank Limited (Australian Business Number 12 004 044 937), together with its consolidated subsidiaries;
- references to “we,” “our,” “us,” or the “Branch” are to NAB’s New York branch;
- references to the “Fiscal and Paying Agency Agreement” are to the Amended and Restated Fiscal and Paying Agency Agreement, dated as of November 23, 2012, between the Branch and Deutsche Bank Trust Company Americas, as Fiscal and Paying Agent, as amended, modified, supplemented or restated from time to time;
- references to “US\$,” “U.S. dollars,” “U.S. Dollars” or “United States Dollars” are to the lawful currency of the United States;
- references to “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union of February 1992, as amended;
- references to “A\$” or “Australian dollars” are to the lawful currency of Australia;
- references to “£” or “GBP” are to English pounds sterling;
- references to the “Offering Memorandum” are to this offering memorandum, including all annexes hereto and all information incorporated by reference herein, as well as any supplement or amendment hereto; and
- references to “Pricing Supplement” are to a supplement hereto which shall be substantially in the form attached hereto as Appendix A, describing the terms of a Tranche; references to the applicable Pricing Supplement are to the Pricing Supplement describing the specific terms of the Note(s) you purchase.

## INCORPORATION BY REFERENCE

In this Offering Memorandum, we “incorporate by reference” certain of the information that NAB and the Branch make available to prospective purchasers of the Notes as described below. The information incorporated by reference is considered to be a part of this Offering Memorandum, and later information published on the websites specified below is also incorporated by reference and will update and supersede that information.

We incorporate by reference all of the information that NAB has published and will publish in the future on the portion of NAB’s website with the URL of [www.nabgroup.com/suppdisc/](http://www.nabgroup.com/suppdisc/). As of the date hereof, the documents incorporated by reference include:

- NAB’s U.S. Debt Funding Information for the half year ended March 31, 2016 (the **2016 Half-Year U.S. Debt Funding Information**);
- NAB’s Pillar 3 Report for the half year ended March 31, 2016, which addresses the requirements of the Australian Prudential Regulation Authority’s (APRA) Pillar 3 disclosure standard APS 330;
- NAB’s Annual Financial Report for the fiscal year ended September 30, 2015 (the **2015 Annual Financial Report**), which includes our audited consolidated financial statements as at and for the fiscal years ended September 30, 2015, and 2014 and related notes;
- NAB’s U.S. Debt Funding Information for the fiscal year ended September 30, 2015;
- NAB’s Supplemental Information Regarding National Australia Bank Limited, dated November 19, 2015;
- NAB’s Pillar 3 Report for the fiscal year ended September 30, 2015, which addresses the requirements of APRA’s Pillar 3 disclosure standard APS 330;
- NAB’s announcement entitled “National Australia Bank Board succession,” dated May 7, 2015;
- NAB’s Annual Financial Report for the fiscal year ended September 30, 2014 (the **2014 Annual Financial Report**), which includes NAB’s audited consolidated financial statements as at and for the fiscal years ended September 30, 2014, and 2013 and related notes;
- NAB’s U.S. Debt Funding Information for the year ended September 30, 2014;
- NAB’s Supplemental Information Regarding National Australia Bank Limited, dated November 19, 2014; and
- NAB’s Pillar 3 Report for the year ended September 30, 2014, which addresses the requirements of APRA’s Pillar 3 disclosure standard APS 330.

None of the information on any other portion of NAB’s website is incorporated into this Offering Memorandum by reference.

The Branch submits quarterly to the Federal Reserve Bank of New York certain reports called “Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks” (the **Quarterly Branch Call Reports**). The Quarterly Branch Call Reports are prepared in accordance with U.S. Generally Accepted Accounting Principles (**U.S. GAAP**). Reporting classifications and amounts used in the preparation of the Quarterly Branch Call Reports differ, in some cases, from reporting classifications and amounts that are used to prepare the consolidated financial statements of NAB. The Quarterly Branch Call Reports are not audited. While the Quarterly Branch Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial

disclosure about the Branch, the Quarterly Branch Call Reports nevertheless provide important information concerning the financial condition and results of operations of the Branch. The Branch incorporates by reference its most recent Quarterly Branch Call Report listed on the website with the URL of [www.nabgroup.com/QCR](http://www.nabgroup.com/QCR).

NAB is exempt from reporting with the SEC under the U.S. Securities Exchange Act of 1934 (the **Exchange Act**), as amended, pursuant to Rule 12g3-2(b). The Branch has agreed to provide to potential purchasers upon request the information required by SEC Rule 12g3-2(b), which includes whatever information NAB has, since the beginning of its last fiscal year, made or is required to make public pursuant to the laws of the Commonwealth of Australia, filed or is required to file with the Australian Securities Exchange and the New Zealand Stock Exchange, or distributed or is required to distribute to security holders.

## FINANCIAL INFORMATION

### Presentation of Financial Information

NAB’s Annual Financial Reports comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**) and do not contain a reconciliation to U.S. GAAP.

Due to rounding, the numbers presented throughout this Offering Memorandum may not add up precisely, and percentages may not precisely reflect absolute figures.

### Ratio of Earnings to Fixed Charges

Below are NAB’s ratios of earnings to fixed charges for the periods indicated, computed using amounts derived from NAB’s financial statements. For purposes of calculating these ratios:

- fixed charges include interest on all indebtedness, including interest on deposits, and one-third of rental charges (which is used to be representative of an interest factor); and
- earnings are computed after all operating and income deductions, except fixed charges, extraordinary items and tax based on profits, and are stated before minority interests.

	<b>Half Year Ended March 31, 2016<sup>(1)</sup></b>	<b>2015<sup>(1)</sup></b>	<b>2014<sup>(1)</sup></b>	<b>Year Ended September 30,</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>			
Ratio of earnings to fixed charges .....	1.6	1.7	1.6	1.5	1.3	1.3	1.3

<sup>(1)</sup> Information is presented on a continuing operations basis including restatements for the years ended September 30, 2015 and September 30, 2014. No further comparison periods have been restated. Ratio of earnings to fixed charges including discontinuing operations for the half year ended March 31, 2016, and the years ended September 30, 2015, and September 30, 2014 amount to 0.9, 1.6 and 1.6, respectively.

### Capitalization

Details regarding NAB’s capitalization as at March 31, 2016, can be found in Section 3, “*Review of Group Operations and Results—Capital Management and Funding*” and Note 4 to Section 6, “*Supplementary Information—Capital Adequacy – Basel III*,” both included in the 2016 Half-Year U.S. Debt Funding Information.

## CURRENCY OF PRESENTATION AND EXCHANGE RATES

NAB publishes its consolidated financial statements in Australian dollars. NAB's fiscal year ends on September 30 of each year. The following table sets forth, for the fiscal years indicated, the high, low, average and period-end noon buying rates in New York City for cable transfers of Australian dollars as certified for customs purposes for the Federal Reserve Bank of New York, expressed in U.S. dollars per A\$1.00. Also set forth below are the high, low, average and period-end noon buying rates for each of the last full six months and May 1, 2016, through May 6, 2016. On May 6, 2016, the noon buying rate was A\$1.00 = US\$0.7358.

<b>Fiscal Year ended September 30,</b>	<b>At Period End</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
2011.....	0.9744	1.0271	1.1026	0.9594
2012.....	1.0388	1.0297	1.0806	0.9453
2013.....	0.9342	0.9957	1.0579	0.8901
2014.....	0.8737	0.9209	0.9705	0.8715
2015.....	0.7020	0.7855	0.8904	0.6917
<b>Month</b>				
November 2015.....	0.7235	0.7146	0.7246	0.7030
December 2015.....	0.7286	0.7247	0.7346	0.7100
January 2016.....	0.7071	0.7011	0.7166	0.6855
February 2016.....	0.7152	0.7134	0.7238	0.7058
March 2016.....	0.7677	0.7504	0.7677	0.7172
April 2016.....	0.7612	0.7664	0.7817	0.7504
May 1, 2016, through May 6, 2016.....	0.7358	0.7482	0.7641	0.7358

<sup>(1)</sup> The average of the daily noon buying rates for each period.

For the convenience of the reader, this Offering Memorandum may contain translations of certain Australian dollar amounts into U.S. dollars at the rate or rates indicated. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

## EXCHANGE CONTROLS

The Australian dollar is convertible into U.S. dollars at freely floating rates and there are currently no general restrictions on the flow of Australian currency between Australia and the United States.

Under Australian law, the approval or authorization of the Minister for Foreign Affairs is required for certain transactions involving dealings with assets in connection with persons or entities linked to terrorist activities or certain proscribed countries under the Charter of the United Nations Act 1945 of Australia, the Charter of the United Nations (Dealing with Assets) Regulations 2008 of Australia and similar approvals and authorizations under other applicable Acts and regulations (such as those in respect of sanctions against specific countries).

The Autonomous Sanctions Regulations 2011 of Australia regulate certain payments, transactions and other dealings having a prescribed connection with designated countries, persons, entities or assets. Among other things, these regulations generally prohibit dealings with certain “designated persons or entities” by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit. As at the date of this Offering Memorandum “designated persons or entities” include:

- (a) persons who have been indicted for an offense by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia, as well as certain supporters of the former Milosevic regime;
- (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
- (c) certain persons or entities associated with the weapons of mass-destruction or missiles program of the Democratic People’s Republic of Korea (North Korea);
- (d) certain persons associated with the Myanmar regime;
- (e) certain persons or entities that have contributed or are contributing to Iran’s nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
- (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya;
- (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; and
- (h) certain persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.

Additional information on the above restrictions and prohibitions may be found on the website of the Department of Foreign Affairs and Trade at [www.dfat.gov.au](http://www.dfat.gov.au).

Further, the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 of Australia (the **AML-CTF Act**) and associated regulations prohibit the entering into of transactions with residents of prescribed foreign countries. While there are no per se exchange controls on the transfer of money out of Australia, where A\$10,000 or more (or the foreign equivalent) of physical currency or e-currency is transferred out of Australia or international fund transfer instructions occur, reporting obligations may apply under the AML-CTF Act (or, where applicable, under the Financial Transaction Reports Act 1988 of Australia).

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum may contain various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause NAB's actual results and financial position to differ materially from the information presented herein. When used in this Offering Memorandum, the words "estimate," "project," "intend," "anticipate," "believe," "expect," "may," "probability," "risk," "will," "seek," "would," "could," "should" and similar expressions, as they relate to NAB and its management, are intended to identify such forward-looking statements. All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, those regarding NAB's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. Neither we nor NAB undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

For example, the forward-looking statements contained in this Offering Memorandum could be affected by:

- adverse conditions in global debt and equity markets;
- general economic conditions in Australia and other jurisdictions in which NAB operates;
- market liquidity and investor confidence;
- changes to NAB's credit ratings;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, including liquidity, leverage and capital requirements;
- changes in consumer spending, saving and borrowing habits in Australia and other jurisdictions in which NAB operates;
- the effects of competition in the geographic and business areas in which NAB operates;
- NAB's ability to maintain or increase market share and control expenses;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes;
- demographic changes and changes in political, social, and economic conditions in any of the major markets in which NAB operates;
- stability of Australian and international financial systems and disruptions to financial markets and any losses NAB or the Branch may experience as a result;
- NAB's ability to complete, integrate and process acquisitions and dispositions; and
- various other factors beyond NAB's control.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Offering Memorandum. See “*Risk Factors*.”

NAB does not intend to make or imply any profit forecasts or profit estimates in this Offering Memorandum. No statement contained in this Offering Memorandum should be interpreted as such a forecast or estimate.

#### **ENFORCEMENT OF LIABILITIES; SERVICE OF PROCESS**

In the event of the liquidation, winding up or any other condition in which the Branch is unable to satisfy its obligations under the Notes or the Fiscal and Paying Agency Agreement, such obligations shall remain obligations of NAB. NAB is incorporated with limited liability in Australia. The directors and officers of NAB and certain of the experts named herein reside outside the United States. In addition, a substantial portion of NAB’s assets, those of the directors and officers and those of the experts are located outside of the United States. As a result, it may be difficult for United States investors to effect service of process within the United States upon NAB or any of those persons or to enforce against NAB or any of those persons, outside of the United States, judgments obtained in the United States courts predicated upon the civil liability provisions of the United States federal or state securities laws. NAB has expressly submitted to the jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York for the purpose of any suit, action or proceeding arising out of the offering of Notes. In original actions or actions for enforcement of judgments of U.S. courts brought before Australian courts, there is doubt as to the enforceability in Australia of civil liabilities based upon the federal or state securities laws of the United States.

## SUMMARY OF TERMS

*This summary must be read as an introduction to this Offering Memorandum and any decision to invest in any Notes should be based on a consideration of this Offering Memorandum as a whole, including the documents incorporated by reference. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary.*

The issuer:	National Australia Bank Limited, acting through its New York branch.
Description:	Program for the issuance of Medium Term Notes, Series B, in accordance with Section 3(a)(2) of the Securities Act and Section 16.6 of Part 16 of the OCC's regulations and pursuant to an Amended and Restated Distribution Agreement, dated November 23, 2012, between the Branch and the Dealers (the <b>Distribution Agreement</b> ).
Arranger:	Goldman, Sachs & Co.
Dealers:	Barclays Capital Inc. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Deutsche Bank Securities Inc. Goldman, Sachs & Co. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. LLC nabSecurities, LLC RBC Capital Markets, LLC UBS Securities LLC and any other Dealers appointed in accordance with the Distribution Agreement.
Fiscal and Paying Agent:	Deutsche Bank Trust Company Americas
Registrar:	Deutsche Bank Trust Company Americas

Calculation Agent:	Deutsche Bank Trust Company Americas, unless otherwise specified in the applicable Pricing Supplement.
Program Size:	Up to US\$20,000,000,000 (or its equivalent in other currencies, calculated as described under “ <i>Terms and Conditions of the Notes</i> ”) outstanding at any time. The Branch may increase the amount of the Program in accordance with the Distribution Agreement.
Distribution:	The Notes will be offered from time to time to or through the Dealers in reliance on the exemption from registration under the Securities Act provided by Section 3(a)(2) and in compliance with Section 16.6 of Part 16 of the OCC’s regulations. Initial offers and sales of Notes are limited to institutional investors that are “accredited investors” (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act).
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Branch and the relevant Dealer, as set forth in the applicable Pricing Supplement.
Maturities:	Such maturities as may be agreed between the Branch 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 Branch or the relevant Specified Currency.  As of the date of this Offering Memorandum, the minimum term of all Notes is 360 days. There is no maximum stated term.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Denomination and Form of the Notes:	The Notes will be issued in fully registered form in minimum denominations of US\$250,000 (or the equivalent thereof in another currency or composite currency) and integral multiples of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof.  Notes will be represented by one or more global notes (each, a <b>Global Note</b> ) registered in the name of a nominee of DTC. Definitive Notes will only be issued in limited circumstances. See “ <i>Legal Ownership and Book-Entry Clearance Systems—Exchange Event; special situations when a Global Note will be exchanged for a definitive Note.</i> ” As required by applicable OCC regulations, any Notes issued in definitive form will contain a legend that it cannot be exchanged for any Notes in smaller denominations than US\$250,000 (or the equivalent thereof in another currency or composite currency). See “ <i>Selling Restrictions.</i> ”  Notes issued under the Program may be Fixed Rate Notes, Floating Rate

Notes, Zero Coupon Notes, Index Linked Interest Notes, Dual Currency Interest Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Notes also may be Index Linked Redemption Notes, Dual Currency Redemption Notes, Installment Notes, Partly Paid Notes or a combination of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement. Index Linked Notes and Dual Currency Notes where payments of principal are calculated by reference to an index and/or formula or, as applicable, such rate of exchange as is set out in the applicable Pricing Supplement, are referred to as Index Linked Redemption Notes and Dual Currency Redemption Notes.

The Conditions describe the terms and conditions of Notes issuable under the Program generally, and the applicable Pricing Supplement for each Tranche of Notes offered under the Program will contain additional terms for the specific Notes offered thereby. See “*Terms and Conditions of the Notes.*”

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Branch 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 Branch and the relevant Dealer in the applicable Pricing Supplement.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) 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 relevant Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Branch and the relevant Dealer;

in each case, as specified in the applicable Pricing Supplement. The Calculation Agent will calculate the Floating Rate applicable to any Tranche or Series of Notes in accordance with the Pricing Supplement.

The margin (if any) relating to such floating rate will be agreed between the Branch and the relevant Dealer for each Series of Floating Rate Notes.

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 Branch and the relevant Dealer may agree in the applicable Pricing Supplement.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Branch and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Branch and the relevant Dealer in the applicable Pricing Supplement.

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 Branch and the relevant Dealer may agree in the applicable Pricing Supplement.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

In no case will any Note, including a Zero Coupon Note, be issued in minimum denominations of less than US\$250,000 (or the equivalent thereof in another currency or composite currency).

Redemption: The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity date (other than for certain taxation reasons or following an Event of Default (as defined in the Conditions)) or that such Notes will be redeemable at the option of the Branch, upon giving notice to the Noteholders as specified in the Conditions or as otherwise specified in the applicable Pricing Supplement, 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 Branch and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Redemption for taxation reasons: The Notes may be redeemed at the option of the Branch, in whole or in part, at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. See “*Terms and Conditions of the Notes—7. Redemption and Purchase—7.2 Redemption for tax reasons*” and “*Terms and Conditions of the Notes—7. Redemption and Purchase—7.5 Early Redemption Amounts.*”

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any law of Australia or of the United States, except as described under “*Terms and Conditions of the Notes—6. Payments—6.6 Payment of additional amounts.*” In the event that any such deduction is made, the Branch will, save in certain limited circumstances provided in “*Terms and Conditions of the Notes—6. Payments—6.6 Payment of additional amounts,*” be required to pay additional amounts to cover the amounts so deducted.

**Status of the Notes:** Unless otherwise indicated in the applicable Pricing Supplement, the Notes will be unsubordinated, direct and unsecured obligations of the Branch and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Branch and NAB (save for certain obligations preferred by mandatory provisions of applicable law). The Notes do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not insured by the FDIC or any government, government agency or compensation scheme of Australia, the United States or any other jurisdiction or by any other party.

Because we are a federally-licensed branch maintained by NAB in the United States, the OCC has the authority to appoint a receiver to take possession of all the property and assets of NAB in the United States, including our property and assets, in certain situations. See “*Regulation and Supervision of the New York Branch*” and “*Terms and Conditions of the Notes—3. Status of the Notes; Insolvency.*” In the event of a liquidation, winding up or any other condition in which the Branch is unable to satisfy its obligations under the Notes or the Fiscal and Paying Agency Agreement, such obligations shall remain obligations of NAB. See “*Enforcement of Liabilities; Service of Process.*”

**Rating:** The ratings of certain series of Notes will be set out in the applicable Pricing Supplement.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency and any rating should be evaluated independently of any other information.

Any credit rating in respect of any Notes, NAB or the Branch is for distribution only to persons who are not a “retail client” within the meaning of section 761G of the Corporations Act 2001 of Australia (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 this Offering Memorandum and anyone who receives this Offering Memorandum must not distribute it to any person who is not

entitled to receive it.

Risk Factors:

There are certain factors that may affect the Branch's ability to fulfill its obligations under Notes issued under the Program. These factors are set out under "*Risk Factors*" and include, *inter alia*, the risk of subsequent changes in the actual or perceived creditworthiness of NAB or the Branch, 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 Program, 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:

New York.

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, France, The Netherlands, Italy, Austria and Belgium), New Zealand, Hong Kong, Japan, Singapore, China and Australia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Selling Restrictions*."

## RISK FACTORS

*We believe that the following factors may affect the Branch's ability to fulfill its obligations under Notes issued under the Program. All of these factors are contingencies which may or may not occur and neither NAB nor the Branch 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 Program are also described below.*

*We believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Program, but the inability of the Branch 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 NAB or the Branch based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum and reach their own views prior to making any investment decision.*

### **Factors that may affect the Branch's ability to fulfill its obligations under the Notes issued under the Program**

The Notes will constitute unsecured obligations of the Branch and NAB. A purchaser of the Notes relies on the creditworthiness of NAB and no other person, except in the case of certain Index Linked Notes, where payment of principal or interest under such Notes may be determined by reference to changes in the prices of securities in other entities or other factors. Investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of NAB or the Branch may adversely affect the market value of the Notes.

Set out below are the principal risks and uncertainties associated with NAB. These risks and uncertainties are not listed in order of significance and it is not possible to determine the likelihood of any such risks occurring. In the event that one or more of these risks occur, NAB's business, operations, financial condition and future performance may be adversely impacted.

There may be other risks faced by NAB that are currently unknown or are deemed immaterial, but which may subsequently become known or become material. These may individually or in aggregate adversely impact NAB's future financial performance and position. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by NAB.

### ***Risks specific to the banking and financial services industry***

The nature and impact of these external risks are generally not predictable and are often beyond NAB's direct control.

*NAB may be adversely impacted by macroeconomic risks and financial market conditions.*

NAB conducts business across a range of jurisdictions including Australia, New Zealand, the United Kingdom, the United States and Asia. The business activities of NAB are dependent on the level of banking and financial services and products required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates and macroeconomic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of factors such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates and market volatility and uncertainty. Economic conditions may also be impacted by major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

Volatility or uncertainty in credit, currency, commodity and equity markets, and adverse economic conditions have led to, and in the future may lead to:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- Increased likelihood of counterparty default and credit losses (including the purchase and sale of protection as part of hedging strategies).
- Higher provisions for bad and doubtful debts.
- Mark-to-market losses in equity and trading positions.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth, business revenues and earnings. In particular, NAB's NAB Wealth business earnings are highly dependent on asset values, particularly the value of listed equities, and therefore a fall in the value of its assets under management may reduce its earnings contribution to NAB.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

The following are examples of certain macroeconomic and financial market conditions that are currently relevant to NAB and may adversely impact its financial performance and position:

- The U.S. Federal Reserve has begun to tighten its monetary policy, signaling its intention to gradually lift interest rates back to levels that appear more "neutral" and nearer to historical norms. Some central banks are expected to keep interest rates low and undertake quantitative easing for a considerable time, while other central banks have moved to short-term negative interest rates in an attempt to prevent economic growth from slowing. The recent prolonged period of low interest rates carries the risk that market participants have taken on more risk than they expected in a "search for yield," leaving them exposed to an earlier and more rapid tightening in monetary policy. As interest rates in developed economies rise gradually from historical lows, there is a risk that the valuation of a wide range of assets could fall sharply. Liquidity in those markets also may reduce unexpectedly. In the past, periods of tightening monetary policy in the United States have been associated with greater volatility in the volume and pricing of capital flows in emerging market economies. Several capital importing economies, such as Australia and New Zealand, remain vulnerable to a sudden or marked change in United States interest rates and expectations on the interest rate outlook.
- Global economic and trade growth remains sluggish and has underperformed against forecasts, which has been weighing particularly on emerging market economies. It reflects a combination of weaker commodity prices, increased foreign currency debt by private non-financial corporates, capital outflows out of key economies, and the subdued pace of expansion in the volume of world trade.
- Economic growth in Australia has remained moderate with falling commodity prices and a decline in mining investment weighing on demand. At the same time, subdued confidence across large parts of the economy has delayed the anticipated upturn in non-mining investment and labor demand, and there remains uncertainty over the timing and extent of such an upturn. In New Zealand, the sharp fall in global prices for major dairy products, one of the country's biggest export sectors, has had an adverse effect on export earnings and national income. The negative effect of lower dairy prices on aggregate farm incomes in

regions that are heavily reliant on the dairy industry may still lead to potentially significant adverse impacts on growth, investment and employment.

- Both Australia and New Zealand are increasingly integrated with Asian economies, resulting in more susceptibility in both of these economies to changes in the pace and composition of economic growth in the Asian region, particularly China. Uncertainty over the extent to which Chinese growth has already slowed, or over any continued slowdown, combined with the recent devaluation of the Chinese currency and falls in Chinese stock prices, continues to cause volatility in global markets. China is the dominant global market for key Australian export products, as well as an increasingly important source of services exports and foreign investment. A sharper than forecast downturn in those parts of the Chinese economy that import minerals and energy commodities from Australia may put further downward pressure on global commodity prices and volumes shipped from Australia to China. A downturn in the Chinese economy may also have a negative impact on demand for Australian property.
- As the United Kingdom economy has close trade links with other Western European nations, developments in the Eurozone influence the level of demand for United Kingdom goods and services. In February 2016, the British government negotiated a new settlement for the United Kingdom's membership of the European Union. On June 23, 2016, a referendum will be held in the United Kingdom to determine whether or not the United Kingdom should remain a member of the European Union. As the European Union contains major United Kingdom economic partners and many aspects of United Kingdom law emanate from the European Union (including aspects of banking regulation), any renegotiation of the terms of United Kingdom membership or United Kingdom exit from the European Union could have significant economic effects.
- Some governments in the Eurozone are heavily indebted and politically unstable, and uncertainty remains over the financial strength of the banking sector. Unemployment also remains exceptionally high in several Eurozone nations. Concerns regarding the continuing financial crisis in Greece and its possible exit from the Eurozone may disrupt financial markets and weaken consumer demand in the European Union, the United States and other parts of the world.
- Outside the Eurozone, increases in the level of sovereign debt in a number of countries have generally been reflected in a downgrading in the rating of their external liabilities by the various rating agencies. Both the gross level of Japanese sovereign debt and its ratio to gross domestic product have received particular attention, and the importance of low or negative interest rates for the sustainable funding of that debt has been widely recognized. Chinese growth has been reliant on rapid credit growth and the resulting build-up of corporate and local government debt owed to the shadow banking sector has raised particular concern.

*NAB is subject to extensive regulation. Regulatory changes may adversely impact NAB's operations and financial performance and position.*

NAB is highly regulated in Australia and in the other jurisdictions in which it operates, trades or raises funds, and is subject to supervision by a number of regulatory authorities and industry codes of practice.

Regulations vary across jurisdictions, and are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole. Changes to laws and regulations or changes to regulatory policy or interpretation can be unpredictable, are beyond NAB's control, and may not be harmonized across the jurisdictions in which NAB operates. Regulatory change may result in significant capital and compliance costs, changes to corporate structure and increasing demands on management, employees and information technology systems.

Examples of current and potential regulatory changes impacting NAB are set out below.

The Basel Committee on Banking Supervision's (**BCBS**) Basel III reforms will continue over the coming years. APRA has introduced prudential standards implementing the Basel III requirements in Australia progressively since January 1, 2013. Implementation of these reforms has increased the quality and ratio of capital to risk weighted assets that NAB is required to maintain and the quality and proportion of assets that NAB is required to hold as high-quality liquid assets (**HQLA**). Some key changes impacting NAB include:

- The final APRA standard on the net stable funding ratio (**NSFR**) is proposed to be implemented by January 2018. Depending on APRA's interpretation, compliance with NSFR may impact the funding profiles and associated costs of participants in the Australian banking industry.
- Revisions to the securitization framework are expected in January 2018. This may impact the amount of regulatory capital held industry-wide for securitization exposures.
- In January 2016, the BCBS announced its revised market risk framework, which is due to come into effect on January 1, 2019 globally. This may impact trading book capital requirements for complex products.

In New Zealand, the Reserve Bank of New Zealand has implemented the Basel III framework, as modified to reflect New Zealand conditions. These reforms may require NAB to hold more HQLA and reshape the balance sheet, both in terms of how NAB is funded and how it utilizes those funds.

Other regulators have also implemented or are in the process of implementing Basel III and equivalent reforms.

Regulatory changes continue to be made by the BCBS as it focuses on improved consistency and comparability in banks' regulatory capital ratios. Themes driving the revision of standards include transparency, consistency and credibility. Draft proposals include revisions to the internal ratings based and standardized approaches for calculating regulatory capital and the introduction of a capital floor framework and stress testing, with consultation on sovereign risk expected. In April 2016, the BCBS released the revised interest rate risk in the banking book framework. The full impact of the changes will not be known until the BCBS requirements are finalized and implemented by APRA or by other regulators. This may intersect with measures adopted as a result of the Australian Financial System Inquiry (**FSI**).

The FSI was charged with examining how Australia's financial system could be positioned to best meet the country's evolving needs and support its economic growth. The FSI proposed measures to improve the resilience, efficiency and fairness of the banking system, with respect to matters including superannuation and retirement, regulatory processes, innovation, payments and data, and measures to improve outcomes for consumers. The Australian government released its response to the FSI on October 20, 2015, and confirmed its support for all but one of the 44 recommendations for the Australian financial system. In its response, the Australian government has given APRA the responsibility of implementing recommendations impacting the financial sector regulatory framework. This may result in impacts to regulation and legislation, risk weighted assets or capital ratios.

The Financial Stability Board issued the total loss-absorbing capacity standard in November 2015 for global systemically important banks (**G-SIBs**). While not a G-SIB, NAB could be required to meet higher capital levels as a domestic systemically important bank. This is in line with the FSI recommendation to implement a loss absorbing capacity framework, and also in accordance with emerging international practice. This may have implications for the nature and cost of NAB's funding capital.

In May 2014, APRA clarified the definition of entities to be included in the composition of a Level 2 Authorized Deposit-taking Institution (**ADI**), which will remove over time the capital benefit NAB gains from debt on the National Wealth Management Holdings Limited balance sheet.

APRA has released final prudential standards associated with its framework for the supervision of conglomerate groups, including NAB. The non-capital components of the framework are expected to become effective on July 1,

2017. APRA has now deferred finalizing the capital components of the framework, with implementation of any new capital requirements not expected prior to 2019.

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the **Dodd-Frank Act**) instituted major changes to United States banking and financial institution regulatory regimes. These changes include additional supervisory requirements and prudential standards for certain foreign banking organizations, such as NAB, and their affiliates. The Dodd-Frank Act also contains the Volcker Rule, which prohibits proprietary trading and the sponsorship of, and investment in hedge, private equity or other similar funds by certain foreign banking organizations, including NAB.

Over The Counter (**OTC**) derivative market reforms are being implemented globally. In the United States, implementation is through the Dodd-Frank Act. In Australia, the Australian Securities and Investments Commission (**ASIC**) has implemented phased derivative transaction reporting requirements, which commenced in October 2013. ASIC now mandates central clearing of derivatives for Australian ADIs. In broad alignment with international standards, APRA has proposed risk mitigation requirements for instances where central clearing is not achievable. These requirements, which include a margin (collateral) to be held for non-centrally cleared derivatives, are expected to be introduced from September 2016. In Europe, the European Market Infrastructure Regulation has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market, which are being progressively implemented. Where there is variation in the scope and implementation timeframes for OTC reforms across jurisdictions, there may be added costs and complexity in achieving regulatory compliance for NAB.

The Foreign Account Tax Compliance Act (**FATCA**) requires certain foreign financial institutions to provide information regarding United States account holders to the United States tax authorities. The Australian and New Zealand governments, as well as some governments of other countries in which NAB operates, have entered into or have agreed to enter into intergovernmental agreements with the United States government, and have enacted or are considering enacting law in respect of FATCA. If they comply with the requirements of such agreements, foreign financial institutions in such jurisdictions will generally be exempt from withholding under FATCA. Non-compliance with these requirements may subject NAB to a 30 percent withholding tax applied on certain amounts derived from United States sources, and certain payments attributable to such amounts.

In addition to the aforementioned changes, other areas of ongoing regulatory change and review include additional prudential and conduct reforms, supervisory actions to reinforce sound residential mortgage lending practices including restrictions on the growth in investor lending, changes to accounting and reporting requirements, tax legislation, bank specific tax levies, anti-money laundering / counter-terrorism financing regulations, payments and privacy laws. There has also been increased regulator expectations and focus in relation to a number of other areas including financial advice, data quality and controls, governance and risk culture, conflicts of interest and management of life insurance claims.

The full effect of these current and potential regulatory reforms, or how they will be implemented (if at all in some cases) is not known. Depending on the specific nature of any requirements and how they are enforced, they may have an adverse impact on NAB's business, operations, structure, compliance costs or capital requirements, and ultimately its financial performance and prospects.

*NAB faces intense competition, which may adversely impact its financial performance and position.*

There is substantial competition across the markets in which NAB operates. Increasing competition for customers can lead to compression in profit margins or loss of market share. NAB 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 models. It is difficult to predict the types of new entrants into the financial services industry, the rapid changes in technology and the impact these will have, including the impact on customer needs and preferences. NAB may not have the resources and flexibility to predict these changes, and to adapt in sufficient time

to keep pace with industry developments and to meet customer expectations. NAB's financial performance and position may be adversely affected by competitive market conditions and industry trends.

### **Risks specific to NAB**

There are a number of risks which arise directly from the operations of NAB as a major participant in the banking and financial services industry and from the specific structure of NAB. NAB's financial performance and position have been, and in the future may continue to be, impacted by these risks, as set out below.

*NAB is exposed to credit risk, which may adversely impact its financial performance and position.*

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to NAB in accordance with agreed terms. Lending activities account for most of NAB's credit risk, however other sources of credit risk also exist including the banking book, the trading book, and other financial instruments and loans, as well as the extension of commitments and guarantees and the settlement of transactions.

Major sub-segments within NAB's lending portfolio include:

- Residential housing loans, which at March 31, 2016, represented approximately 56.9 percent of gross loans and acceptances.
- Commercial real estate loans, which at March 31, 2016, represented approximately 11.6 percent of gross loans and acceptances, with the majority of these domiciled in Australia. NAB's residual United Kingdom commercial real estate assets continue to be managed as a loan run-off portfolio.

Adverse business or economic conditions, including deterioration in property valuations or prices of both residential and commercial property, employment markets or the political environment, may result in failure by counterparties and customers to meet their obligations in accordance with agreed terms. NAB's portfolio of interest-only loans across retail and non-retail segments, in addition to the residential investor mortgage portfolio, may be particularly susceptible to losses in the event of a rise in interest rates or a decline in property prices.

NAB may also be exposed to the increased risk of counterparty or customer default should interest rates rise above the record or near record lows of recent years.

NAB's large business lending market share in Australia and New Zealand exposes it to potential losses should adverse conditions be experienced across this sector. Similarly, NAB has a large market share in the Australian and New Zealand agricultural sectors, particularly the dairy sector in New Zealand. As a consequence, volatility in commodity prices, foreign exchange rate movements, climatic events (including drought), disease, export restrictions, quarantine restrictions, introduction of pathogens and pests, and other risks that may impact this sector, may have an adverse impact on NAB's financial performance and position. More specifically, the New Zealand dairy market has come under pressure due to a lower milk solid payout rate. The prevailing low payout environment has the potential to drive an increase in bad and doubtful debts. In Australia, the mining, oil and gas industries, as well as a number of sectors that service them, have been impacted by a slowdown in mining investment and a fall in commodity prices. Ongoing pressure in these sectors may also result in an increase in bad and doubtful debts.

NAB provides for losses in relation to 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 modeling and judgments. If the information or the assumptions upon which assessments are made prove to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact NAB's financial performance and position.

*NAB may suffer losses due to its exposure to operational risks.*

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

Operational risks are a core component of doing business arising from the day-to-day operational activities of NAB as well as strategic projects and business change initiatives. Given that operational risks cannot be fully mitigated, NAB determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

An operational risk event may give rise to substantial losses, including financial loss, fines, penalties, personal injuries, reputational damage, loss of market share, theft of property, customer redress and litigation. Losses from operational risk events may adversely impact NAB's financial performance and position.

Examples of operational risk events include:

- Fraudulent or unauthorized acts by employees, contractors and external parties seeking to misappropriate funds or gain unauthorized access to customer or sensitive data.
- Systems, technology and infrastructure failures, or cyber incidents, including denial of service and malicious software attacks.
- Process errors or failures arising from human error or inadequate design of processes or controls.
- Operational failures by third parties (including off-shored and outsourced service providers).
- Weaknesses in employment practices, including those with respect to diversity, discrimination and workplace health and safety.
- Deficiencies in product design or maintenance.
- Business disruption and property damage arising from events such as natural disasters, biological hazards or acts of terrorism.

In addition, NAB is dependent on its ability to retain and attract key management and operating personnel. The unexpected loss of any key resources, or the inability to attract personnel with suitable experience, may adversely impact NAB's ability to operate effectively and efficiently, or to meet strategic objectives.

Models are used extensively in the conduct of NAB'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, judgments or inputs, this may adversely affect NAB's financial performance and position.

*NAB may be exposed to risk from non-compliance with laws or standards which may adversely impact its reputation and financial performance and position.*

NAB is exposed to compliance risk arising from failure or inability to comply with applicable laws, regulations, license conditions, standards and codes. If NAB's compliance controls were to fail significantly, be set inappropriately, or not meet legal or regulatory expectations, NAB may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of license to operate all or part of NAB's businesses. This may adversely impact NAB's reputation and financial performance and position.

NAB has ongoing discussions with key regulators on industry-wide issues and matters specific to NAB. The global banking and financial services industry is increasingly subject to information requests, scrutiny and investigations by its conduct based regulators, and at times government, which have led to a number of international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations. Regulators globally are continuing their investigation into manipulation of financial benchmarks and markets. In Australia, such investigations include examining potential wrongdoing in the bank bill swap reference rate. NAB is cooperating with ASIC and is responding to ASIC's inquiries. ASIC has commenced proceedings against two market participants and ASIC's public comments would suggest that it is considering whether proceedings will be brought against other market participants. Industry-wide investigations by ASIC and the Australian Competition and Consumer Commission (the **ACCC**) into potential wrongdoing in relation to Spot FX trading are continuing. NAB is cooperating with ASIC and the ACCC and is responding to their inquiries. The potential outcome of the investigations is uncertain at this time.

When carrying out its day-to-day business activities, NAB advocates customer fairness and seeks to act in the best interests of its customers and their desired outcomes. Risk may still arise through inappropriate conduct by employees or contractors in breach of NAB policy, regulatory standards, and industry codes of conduct. This may include detrimental practices, such as selling or unduly influencing customers to purchase inappropriate products and services, conducting inappropriate market practices, non-adherence to fiduciary requirements or provision of financial advice which is inappropriate or not in the best interests of customers. Since September 2014, the Australian Senate Economics References Committee (the **Committee**) has been engaged in an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee's final report is due by August 31, 2016. In October 2015, NAB began contacting customers who may have received non-compliant advice since 2009, to assess the appropriateness of that advice and identify if those customers have suffered loss as a result and would therefore warrant compensation. The outcomes and total costs associated with this work are uncertain. NAB is aware that two plaintiff law firms have advertised that they are investigating claims on behalf of NAB's customers who have suffered losses as a result of financial advice received from NAB's advisers. No formal action has yet been taken against NAB in this regard.

Provisions held in respect of conduct and litigation matters are based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of subjective judgment based on, where appropriate, external professional advice. Risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to NAB. These factors mean that the eventual costs of conduct and compliance related matters may differ materially from those estimated and further provisions may be required, adversely impacting NAB's reputation and financial performance and position.

*Disruption of technology systems or breaches of data security may adversely impact NAB's operations, reputation and financial performance and position.*

Most of the day-to-day operations of NAB are computer-based, and therefore the reliability and security of NAB's information technology systems and infrastructure are essential to its business. Technology risk may arise from events including a failure of these systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other form of cyber-attack. These events may be wholly or partially beyond the control of NAB. Such events may result in disruption to operations, reputation damage, litigation, loss or theft of customer data, or regulatory investigations and penalties. This may adversely impact NAB's reputation and financial performance and position.

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

NAB processes, stores and transmits large amounts of personal and confidential information through its computer systems and networks. NAB invests significant resources in protecting the confidentiality and integrity of this

information. However, threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are becoming increasingly sophisticated. NAB may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimize the resulting damage. An information security breach may result in operational disruption, regulatory enforcement actions, financial losses, theft or loss of customer data, or breach of applicable privacy laws, all of which may adversely impact NAB's reputation and financial performance and position.

As with other business activities, NAB uses select external providers (both in Australia and overseas) to continue to develop and provide its technology solutions. There is increasing regulatory and public scrutiny of outsourced and off-shored activities and their associated risks, such as the appropriate management and control of confidential data. The failure of any external providers to perform their obligations to NAB or the failure of NAB to appropriately manage those providers, may adversely impact NAB's reputation and financial performance and position.

*Transformation and change programs across NAB may not deliver some or all of their anticipated benefits.*

NAB has invested significantly in its enterprise-wide technology and infrastructure transformation, including the upgrade of its Australian core banking platform. As many of these newly delivered capabilities are deployed across NAB, there is a risk that their implementation may not realize some or all of the anticipated benefits. NAB also continues to pursue business process improvement initiatives and invest in technology in order to achieve its strategic objectives, meet ongoing customer expectations and respond to competitive pressures. As these changes are being undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are increased, which may adversely impact NAB's reputation and financial performance and position.

*NAB may be exposed to losses if critical accounting judgments and estimates are subsequently found to be incorrect.*

The preparation of NAB's financial statements requires management to make estimates and assumptions and to exercise judgment in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. Some areas involving a higher degree of judgment, or where assumptions are significant to the financial statements, include the estimates used in the calculation of provisions (including those pertaining to conduct-related matters), the valuation of goodwill and intangible assets, and the fair value of financial instruments.

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

*Litigation and contingent liabilities arising from NAB's business conduct may adversely impact its reputation and financial performance and position.*

Entities within NAB 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 accurately assessed. Any material legal proceedings may adversely impact NAB's reputation and financial performance and position.

See "Description of NAB—Legal and Arbitration Proceedings" for details in relation to NAB's material legal proceedings and contingent liabilities.

*Insufficient capital may adversely impact NAB's operations and financial performance and position.*

Capital risk is the risk that NAB does not have sufficient capital and reserves to meet prudential standard requirements, achieve its strategic plans and objectives, cover the risks to which it is exposed, or protect against

unexpected losses. NAB is required in all jurisdictions in which it undertakes regulated activities to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations.

Any changes to capital adequacy requirements, including regulatory changes arising from the BCBS capital adequacy reforms or in response to the recommendations of the FSI, may limit NAB's ability to manage capital across the entities within NAB or may require it to raise or use more higher quality capital. Additionally, if the information or the assumptions upon which assessments of capital requirements are made prove to be inaccurate, this may adversely impact NAB's operations and financial performance and position.

*NAB's funding and liquidity position may be adversely impacted by dislocation in global capital markets.*

Funding risk is the risk that NAB is unable to raise short- and long-term funding to support its ongoing operations, strategic plans and objectives. NAB accesses domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets, or a reduction in investor appetite for holding NAB's securities, may adversely affect NAB's ability to access funds or require NAB to access funds at a higher cost or on unfavorable terms.

Liquidity risk is the risk that NAB 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 borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in NAB's liquidity position may lead to an increase in the cost of NAB's borrowings, constrain the volume of new lending, or result in NAB drawing upon its committed liquidity facility with the Reserve Bank of Australia (**RBA**). This may adversely impact NAB's profitability and financial performance and position.

*A significant downgrade in NAB's credit ratings may adversely impact its borrowing costs, market access and competitive position.*

Credit ratings are an opinion on the general creditworthiness of an obligor and may be an important reference for market participants in evaluating NAB 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 NAB, or for sovereign governments in countries in which NAB conducts business. Review activity is based on a number of factors, including NAB's financial strength and outlook, the strength of NAB's operations and processes, the assumed level of government support for NAB in a crisis and the strength of that government, and the condition of the financial services industry and of the markets generally. Credit ratings may also be affected by changes in the rating methodologies used by the agencies.

A downgrade in the credit ratings within NAB or of NAB's securities, or a downgrade in the sovereign rating of one or more of the countries in which NAB operates, may increase NAB's borrowing costs or limit its access to the capital markets. A downgrade may also trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to NAB's credit ratings relative to peers could also adversely impact NAB's competitive position.

*Changes in interest rates may adversely impact NAB's financial performance and position.*

Interest rate risk is the risk to NAB's financial performance and position caused by changes in interest rates. As interest rates and yield curves change over time, including negative interest rates in countries in which NAB operates, NAB may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. In the banking industry, such exposure commonly arises from the mismatch between the maturity profile of a bank's lending portfolio compared to its deposit portfolio (and other funding sources). Interest rate risk also includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles. It is also possible that both short- and long-term interest rates may change in a way that NAB has not correctly anticipated, and this may have an adverse impact on NAB's financial performance and position.

*NAB is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position.*

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

NAB's ownership structure includes investment in overseas subsidiaries and associates and exposures from known foreign currency transactions (such as repatriation of capital and dividends from off-shore subsidiaries). NAB also conducts business outside of Australia and transacts with customers, banks and other counterparties in different currencies, most frequently Australian, New Zealand and United States Dollars, British Pounds and Euros. NAB's businesses may therefore be affected by a change in currency exchange rates, a full or partial break-up of the Eurozone, or a change in the reserve status of any of these currencies. Any unfavorable movement in foreign exchange rates may adversely impact NAB's financial performance and position.

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

*A material reduction in the fair value of an equity investment held by NAB may adversely impact its financial performance.*

NAB carries equity investments in its banking book at fair value. Fair value represents mark-to-market valuations derived from market prices, independent valuations and methodologies or other valuation techniques. The fair value of an equity investment may be impacted by factors such as economic, regulatory, operational, currency and market risk. A material reduction in the fair value of an equity investment in NAB's banking book may adversely impact the financial performance of NAB.

*NAB may suffer significant losses from its trading activities.*

Traded market risk is the risk of losses arising from trading activities, including proprietary trading, undertaken by NAB. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices. Any significant losses from such trading activities may adversely impact NAB's financial performance and position.

*NAB is exposed to life insurance risk, which may adversely impact its financial performance and position.*

Life insurance risk is the potential for losses when life insurance claims and other outgoings exceed those anticipated in the premiums collected and underlying investment income earned. Life insurance risk may arise due to inadequate or inappropriate underwriting, inadequate reserving, poor business claims management, product design or pricing processes or investment profit, all of which may adversely impact the financial performance and position of NAB. It also includes lapse risk, where a policy lapses before the upfront costs have been recouped from profit margins.

Provisions for mortality and morbidity claims are an estimate of the expected ultimate cost of such claims based on actuarial and statistical projections, rather than an exact calculation of liability. Provisions are affected by a range of factors, including unforeseen diseases or epidemics. Changes in any of these factors would necessitate a change in estimates of projected ultimate cost. Losses may occur when the experience of mortality and morbidity claims compares adversely to that assumed when pricing life insurance policies.

The Australian life insurance industry, in which NAB is a participant, has recently had poor lapse and claims experience and lower underlying investment income. This may adversely impact NAB's financial performance and position.

*Damage to NAB's reputation may adversely impact its financial performance and position.*

NAB's reputation may be damaged by the actions, behavior or performance of NAB, its employees, affiliates, suppliers, intermediaries, counterparties or customers, or the financial services industry generally. The risk of reputational damage may be heightened by the continuing growth and use of social media.

Following the demerger and initial public offering of CYBG PLC (**CYBG**), any unexpected performance of CYBG and its controlled entities over the near term may adversely impact NAB's reputation.

A risk event, such as a compliance breach or an operational or technology failure, may expose NAB to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts to NAB's share price. In addition, the event may adversely affect the perceptions of NAB held by the public, shareholders, investors, customers, regulators or ratings agencies.

Reputational damage may adversely impact NAB's ability to attract and retain customers or employees in the short- and long-term and the ability to pursue new business opportunities. It may result in a higher risk premium being applied to NAB, and impact the cost of funding, its operations, or its financial condition. It may also result in regulators requiring NAB to hold additional capital, pay fines or incur additional costs, including costs to undertake remedial action. Damage to NAB's reputation may also adversely impact NAB's financial performance and position.

*Failure to sell down underwriting risk may result in losses to NAB.*

As financial intermediaries, members of NAB underwrite or guarantee many 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 NAB may therefore suffer losses if it fails to sell down some or all of this risk to other market participants.

*A failure of NAB's risk management framework may adversely impact its reputation and financial performance and position.*

NAB operates within a risk management framework comprising systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and mitigate risks.

As with any risk management strategy, there is no guarantee that this framework is sufficient to mitigate known risks or to address changing or new and emerging risks. As such, any ineffectiveness or inadequacy in the risk management framework and its implementation may adversely impact NAB's reputation and financial performance and position.

*Certain strategic decisions, including acquisitions or divestments, may adversely impact NAB's financial performance and position.*

There is a risk that the assumptions on which NAB's strategic decisions are based are, or may prove to be, incorrect or that the conditions underpinning those strategic decisions may change. In addition, any one or more of NAB's strategic initiatives may prove to be too difficult or costly to execute effectively.

NAB regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) and evaluates these opportunities against strategic priorities and risk appetite and considers their ability to enhance NAB's financial performance, position or prospects.

Any corporate opportunity that is pursued may change NAB's risk profile and capital structure which, in turn, may contribute to negative sentiment or a negative impact on NAB's credit ratings.

Risks associated with the execution of a transaction may result from an over-valuation of an acquisition or joint venture, or an under-valuation of a divestment or joint venture. There may be reputational and financial risks associated with ongoing exposure to a divested business. For example, this may occur through the provision of continued services and infrastructure, or the retention of liabilities or credit exposures, as is the case with the demerger of CYBG. Ongoing credit exposures may also have adverse capital impacts on NAB.

Other risks may also arise through NAB's integration or separation of a business, including failure to realize expected synergies, loss of customers, disruption to operations, application of additional regulation, diversion of management resources or higher than expected costs. Once commenced or executed, corporate actions or other strategic initiatives may be unable to be reversed. These factors may adversely impact NAB's financial performance and position.

### ***Risks specific to the MLC life insurance transaction***

*In addition to the risks described above, the following are specific risks associated with the MLC life insurance transaction.*

As announced on October 28, 2015, NAB has agreed to sell 80 percent of MLC Limited to Nippon Life Insurance Company (**Nippon Life**). The transaction is subject to certain conditions, including regulatory approvals, establishment of the life insurance business as a standalone entity, extraction of the investment business from MLC Limited and finalization of certain agreements. The transaction may not proceed, or may be delayed, if certain contractual conditions cannot be satisfied.

NAB has agreed to take certain actions to establish MLC Limited as a standalone entity. One-off post-tax costs of approximately A\$440 million are expected to be incurred in implementing the transaction. While NAB has undertaken detailed work to quantify these costs, there is a risk that such costs could be higher than what has been anticipated by NAB.

In addition, NAB has given certain covenants, warranties and indemnities in favor of Nippon Life in connection with the transaction. A breach of these covenants and warranties may result in NAB being liable to Nippon Life.

As part of the transaction, NAB will enter into certain long-term arrangements. These include: (1) a 20-year distribution agreement under which NAB will distribute MLC life insurance products through its various channels, (2) a shareholders deed with respect to NAB's retained 20 percent share in MLC Limited (with that shareholders deed continuing while NAB holds shares in MLC Limited), and (3) a 10-year brand license agreement for MLC Limited to continue to have use of the MLC brand. The duration and nature of these arrangements give rise to certain risks. For example, changes in regulation or the commercial environment in the future may impact the attractiveness or commercial viability of these long-term arrangements and exclusivity and non-compete arrangements may limit future opportunities for NAB.

In addition, if the transaction is completed, Nippon Life will own the majority of the shares in MLC Limited and be entitled to appoint a majority of its directors. NAB will retain 20 percent ownership of MLC Limited but will not be in a position to direct the strategy or operations of MLC Limited, or manage the costs and risks involved.

*Claims to repay the Notes may be subject to separate insolvency proceedings by the OCC and under Australian Law and may be affected by mandatory priority provisions and other specific insolvency rules in Australia or other applicable jurisdictions.*

Because we are a federally-licensed branch maintained by NAB in the United States, the OCC has the authority to appoint a receiver to take possession of all the property and assets of NAB in the United States, including our property and assets, if (i) the OCC revokes NAB's authority to operate a federal branch or agency in the United States, including the Branch, (ii) any creditor of NAB obtains a judgment against NAB arising out of a transaction

with a federal branch or agency of NAB, including the Branch, in any court of the United States or any state of the United States and such judgment has remained unpaid for 30 days, or (iii) the OCC determines that NAB is insolvent. In any such receivership, the claims of depositors and creditors of NAB who are not affiliated with NAB and whose claim(s) (x) arise out of transaction(s) with any branch or agency of NAB located in the United States and (y) would represent enforceable legal obligation(s) against such branch or agency if such branch or agency were a separate legal entity (which would include claims of Noteholders that are not affiliated with NAB) may be satisfied out of the property in such receivership. In these circumstances, if there are insufficient assets of NAB in the United States to fully satisfy the claims of Noteholders, those holders would then need to seek payment from NAB at its main office or a non-U.S. branch or, upon bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to NAB, from the liquidator or receiver or administrator, as applicable, of NAB.

If NAB becomes insolvent, the treatment and ranking of holders of the Notes, other creditors of NAB and NAB's shareholders may be different from the treatment and ranking of holders of the Notes, other creditors of NAB and NAB's shareholders if NAB were subject to the bankruptcy laws of the United States.

In the event that NAB becomes insolvent, insolvency proceedings are likely to be governed by Australian law. Australian insolvency laws are different from the insolvency laws of certain other jurisdictions, including the United States. In particular, the voluntary administration procedure under the Corporations Act, which provides for the potential reorganization of an insolvent company, is different from Chapter 11 under the U.S. Bankruptcy Code and may differ from similar provisions under the insolvency laws of other non-Australian jurisdictions. Under the Banking Act, APRA may appoint an ADI statutory manager to an ADI 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 accelerate any debt under that contract, or close out any transaction relating to that contract, on the grounds that an ADI statutory manager is in control of the ADI's business. Accordingly, this may prevent Noteholders accelerating repayment of Notes on the grounds that an ADI statutory manager has been appointed.

If NAB were wound up, the winding up may be affected by Australian law and the laws of any other jurisdiction in which it is carrying on business. The claims of NAB's creditors in a winding up (including Noteholders) would be subject to the priority provisions of all applicable jurisdictions, which may in turn be subject to doctrines designed to ensure that creditors are treated in a manner considered fair in the light of the bankruptcy rules applicable in the forum. Such doctrines applicable under Australian law may include a requirement that Noteholders pay over any amounts received from the Branch before they can receive any amounts from NAB in Australia, so that they are treated equally with other unsecured creditors of NAB (subject to the mandatory priority provisions described below). This may result in the loss of any preferential distribution from the Branch as a condition of any further claim on NAB in Australia. The manner in which a court treats assets held in different jurisdictions on winding up is a complex matter, and may depend on matters such as the factual circumstances of the winding up and of the relevant liabilities and the jurisdictions involved. Potential investors should assume that their claims in a winding up would be subject to the priority provisions of all applicable jurisdictions.

In particular, claims against NAB under Australian law are subject to mandatory priority provisions including those applying to Australian ADIs (of which NAB is one). These priority provisions include section 13A of the Banking Act, which provides that, in the event NAB becomes unable to meet its obligations or suspends payment, its assets in Australia are to be available to meet specified liabilities in Australia (including protected accounts and most deposit liabilities) in priority to all other liabilities of NAB (including the Notes). These liabilities will be substantial and are not limited by the Conditions. Further, certain assets, such as the assets of NAB in a cover pool for covered bonds 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 covered bond holders and certain other secured creditors in respect of the covered bonds. The assets which are subject to such prior claims 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 the FDIC or any government, government agency or compensation scheme of Australia, the United States or any other jurisdiction or by any other party. The Notes are not guaranteed by any person, except as otherwise expressly stated in the applicable Pricing Supplement.

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

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

The Treasurer of the Commonwealth of Australia (**Australian Treasurer**) has published a declaration of products described as “protected accounts” for the purposes of the Banking Act, and this declaration has now been restated in the Banking Regulations 1966 of Australia, which also formally exclude foreign branches of Australian ADIs from the coverage of the financial claims scheme.

In addition, to the extent that the Noteholders are entitled to any recovery with respect to the Notes in any bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to NAB, those Noteholders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Australian dollars.

The Commonwealth Treasury has announced a consultation on a series of reform proposals directed at strengthening APRA’s crisis management powers. If implemented, these proposals could lead to some changes (for example, a broadening of APRA’s powers to appoint an ADI statutory manager) to the Australian law matters described above. The Australian Government’s FSI recommended that the issues raised in that consultation be pursued and the Government has endorsed that recommendation.

See “*Terms and Conditions of the Notes—3. Status of the Notes; Insolvency*” for more information on the status and ranking of the Notes and mandatory priority provisions.

*APRA has extensive powers to intervene in the operations of NAB.*

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. For example, as highlighted above, APRA has the power to appoint an ADI statutory manager to NAB and, if it does so, Noteholders may be subject to restrictions on enforcement. In addition, 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.

*The Fiscal and Paying Agency Agreement contains no limit on the amount of additional debt that we may incur.*

Our ability to make timely payments on our outstanding debt may depend on the amount and terms of our other obligations, including any outstanding Notes. The Fiscal and Paying Agency Agreement does not contain any limitation on the amount of indebtedness that we may issue in the future. As we issue additional Notes under the Fiscal and Paying Agency Agreement or incur other indebtedness, unless our earnings grow in proportion to our debt and other fixed charges, our ability to service the Notes on a timely basis may become impaired.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program**

*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 should:

- (i) have 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 Memorandum;
- (ii) have 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) have 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 (as defined below);
- (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

A wide range of Notes may be issued under the Program. 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:

*Where the Branch has the right to redeem the Notes, 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 of the Notes is likely to limit their market value. During any period when the Branch may elect to redeem the 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 Branch may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on those 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 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.

*There are particular risks associated with an investment in certain types of Index Linked Notes and Dual Currency Notes. In particular, an investor may 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 Branch 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 Branch 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 NAB or the Branch;
- (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 the 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.

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

The Branch may issue Notes where the issue price is payable in more than one installment. Any failure by an investor to pay any subsequent installment of the issue price in respect of such Notes could result in such investor losing all of his 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 London interbank offered rate (**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.

Regulators and law enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers' Association (the **BBA**) in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the trading market for LIBOR-based securities, including Notes the Branch may issue based on the LIBOR rate.

*If the Branch has the right to convert the interest rate on the Notes 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 may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate and such conversion may affect the secondary market and the market value of the Notes. If the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable 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. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on NAB's other Notes.

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

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

*The terms and 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 Branch and Fiscal and Paying Agent which may be exercised without the consent of the Noteholders and without regard to the particular interests of the Noteholders.*

The terms and 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 terms and conditions of the Notes also provide that the Branch and the Fiscal and Paying Agent may agree, without the vote or consent of the Noteholders, to (i) an amendment for the purpose of evidencing the succession of another corporation or entity to the Branch and the assumption by any successor to the covenants and obligations of the Branch under the Notes, (ii) any modification of the Fiscal and Paying Agency Agreement in a manner consistent with the Notes that is not materially prejudicial to the interests of the Noteholders, as certified by the Branch, or (iii) any modification which is of a formal, minor or technical nature or to correct a manifest error or proven error. Any such amendment, modification, or determination shall be binding on the Noteholders in accordance with the Conditions.

*Holders of Notes issued in the form of Global Notes and deposited with a nominee for DTC or an alternate clearing system will have to rely on such clearing system's and its nominee's procedures, including for transfer, payment and communications.*

Notes issued under the Program will be represented on issue by one or more Global Notes that may be deposited with a nominee of DTC, unless otherwise specified in the applicable Pricing Supplement. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. DTC and its 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 DTC's systems and its respective participants, and investors will have to rely on the procedures of DTC and its participants, including for transfer, payment and communications.

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

*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 (as defined in the applicable Pricing Supplement) 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 DTC 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.

*Exchange rate risks and exchange controls may adversely affect an investor's return on the Notes.*

The Branch will pay principal and interest on the Notes in the Specified Currency (as defined in the Conditions or applicable Pricing Supplement). 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.

In addition, under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a Specified Currency other than U.S. dollars would be required to render the judgment in the Specified Currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a Note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

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

*The value of the Notes could be adversely affected by a change in law.*

The Notes are based on New York law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice or the laws of the jurisdiction of incorporation of the Branch after the date of this Offering Memorandum.

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

Set out below is a brief description of the principal market risks, including liquidity 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 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. Illiquidity may have a severely adverse effect on the market value of the Notes.

The Branch cannot predict, or give any assurance as to whether an active or liquid trading market for any particular Notes will develop or be sustained. You should not purchase the Notes unless you understand and know you can bear all of the investment risks involving the Notes.

*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 may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to the Notes. 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 securities and may be revised, suspended or withdrawn by the relevant rating agency at any time.

Any credit rating in respect of any Notes, NAB or the Branch 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.

### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to 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.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the general purposes of the Branch, which may include loans to other offices or entities within NAB.

## REGULATION AND SUPERVISION OF THE NEW YORK BRANCH

We are licensed by the OCC under the federal laws of the United States. We are examined by the OCC and are subject to U.S. federal banking laws and regulations applicable to a foreign bank that operates a federally-licensed branch located in New York. We are not a legal entity with separate legal existence from NAB, but an office of NAB that is licensed to engage in a banking business from its location at 245 Park Avenue, 28th Floor, New York, New York.

Under U.S. federal banking laws and regulations, we must maintain a capital equivalency deposit with banks located in New York consisting of specified types of investment securities, U.S. dollar deposits, investment-grade certificates of deposit or other specified assets in an amount not less than the greater of (1) the amount of capital that would be required of a national bank organized at our location or (2) five percent of our total liabilities (excluding accrued expenses and liabilities to other offices, branches, agencies and subsidiaries of NAB, and any amounts due to NAB). Under U.S. federal banking laws and regulations, the OCC is also empowered to require us to maintain in New York certain assets for prudential, supervisory or enforcement reasons. At present, the OCC has not required of us any such asset maintenance, although specific asset maintenance requirements may be imposed on a case-by-case basis.

Under U.S. federal banking laws and regulations, we are generally subject to the same lending limits to a single borrower, expressed as a ratio of capital, that apply to a U.S. national bank, except that the limits are based on the capital of NAB. The lending limits to a single borrower do not apply to loans made by us to NAB.

Because we are a federally-licensed branch maintained by NAB in the United States, the OCC has the authority to appoint a receiver to take possession of all the property and assets of NAB in the United States, including our property and assets in certain situations, as set forth in Condition 3 (*Status of the Notes; Insolvency*). See “*Terms and Conditions of the Notes.*”

Under U.S. federal banking laws and regulations, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on U.S. domestic banks, and most U.S. branches and agencies of foreign banks, including us, are subject to reserve requirements on deposits pursuant to regulations of the Federal Reserve Board. The International Banking Act of 1978 (the **IBA**) and the Bank Holding Company Act of 1956, as amended (the **BHCA**), also restrict NAB’s ability to engage in non-banking activities, subject to certain exceptions.

If the OCC determines that there is reasonable cause to believe that NAB has violated or failed to comply with any of the provisions of the IBA, other applicable federal laws or regulations, or orders of the OCC, the OCC may revoke our license. Additionally, the Federal Reserve Board may recommend to the OCC that the license of any federal branch of a foreign bank be terminated if the Federal Reserve Board has reasonable cause to believe that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country (unless the home country is making demonstrable progress toward establishing such supervision) or has reasonable cause to believe that the foreign bank, or an affiliate, has violated the law or engaged in an unsafe or unsound banking practice in the United States, and as a result, the continued operation of the branch would be inconsistent with the public interest or the purposes of the IBA or BHCA. If we were to be closed by the OCC pursuant to such authority or NAB were voluntarily to discontinue our operations, the holders of our Notes would have recourse only against NAB, subject to any arrangements made for the payment of our liabilities by the relevant regulatory authorities.

For a description of the regulation and supervision of NAB more generally, please see the 2016 Half-Year U.S. Debt Funding Information, which is incorporated by reference herein. See “*Incorporation by Reference.*”

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes (the **Conditions**) which will generally apply to the Notes. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. Capitalized terms not defined herein shall have the meaning set forth in the applicable Pricing Supplement.*

The Notes are governed by the Amended and Restated Fiscal and Paying Agency Agreement (as amended, modified, supplemented or restated from time to time, the **Fiscal and Paying Agency Agreement**) dated November 23, 2012 made between National Australia Bank (**NAB**), acting through its New York branch (the **Branch**) and Deutsche Bank Trust Company Americas, as Fiscal and Paying Agent (the **Fiscal and Paying Agent**). References herein to the Fiscal and Paying Agent, Paying Agent or Registrar are to Deutsche Bank Trust Company Americas, who will serve in each such capacity until a replacement or substitute agent is appointed pursuant to Condition 10 (*Agents*).

The Fiscal and Paying Agency Agreement and its associated documents, including your Note and the applicable Pricing Supplement, contain the full legal text of the matters described in this section. The applicable Pricing Supplement will specify details regarding your Note (including interest and redemption provisions applicable to your Note) and may specify other terms and conditions (including definitions) 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 Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on your Note.

The Notes are being offered and sold in reliance on (i) an exemption from registration under the U.S. Securities Act of 1933, as amended (the **Securities Act**) provided by Section 3(a)(2) thereof and (ii) Section 16.6 of Part 16 of the OCC's regulations. The Fiscal and Paying Agency Agreement is not, and is not required to be, qualified under the United States Trust Indenture Act of 1939, as amended.

The Notes are being offered only to institutional investors that are accredited investors as defined in Rule 501(a)(1), (2) or (3) of the Securities Act and each owner of a beneficial interest in a Note is required to hold such beneficial interest in a principal amount of US\$250,000 (or the equivalent thereof in another currency or composite currency) or any integral multiple of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof at all times.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the persons in whose name the Notes are registered on the books that the Branch or the Fiscal and Paying Agent maintain for such purpose and not those persons who own beneficial interests in the Notes registered in street name or in Notes issued in book-entry form through a Depository.

As used herein, **Tranche** means Notes which are identical in all respects and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices (each as specified in the applicable Pricing Supplement).

Copies of the Fiscal and Paying Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Fiscal and Paying Agent being at 60 Wall Street, MS NYC 60-2710, New York, New York 10005. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Fiscal and Paying Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal and Paying Agency Agreement.

Words and expressions defined in the Fiscal and Paying Agency Agreement or used in the applicable Pricing Supplement 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 Fiscal and Paying Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## 1. Form, Denomination and Title

The Notes will be issued in global – *i.e.*, book-entry – form only and represented by one or more global notes (each, a **Global Note**), unless we specify otherwise in the applicable Pricing Supplement or as permitted upon the occurrence of an Exchange Event (as defined herein). See “*Legal Ownership and Book-Entry Clearance Systems—Exchange Event; special situations when a Global Note will be exchanged for a definitive Note.*” Notes in book-entry form will be represented by a Global Note registered in the name of a financial institution or clearance system, or their nominees, that we select for the Notes (any such entity, a **Depository**), which will be the holder of all the Notes represented by the Global Note. In addition, we will generally issue each Note in registered form, without coupons, unless we specify otherwise in the applicable Pricing Supplement. Global Notes will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**) as Depository, unless otherwise specified in the applicable Pricing Supplement.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Interest Notes, Dual Currency Interest Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

The Notes may be Index Linked Redemption Notes, Dual Currency Redemption Notes, Installment Notes, Partly Paid Notes or a combination of the foregoing depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement. Index Linked Notes and Dual Currency Notes where payments of principal are calculated by reference to an index and/or formula or, as applicable, such rate of exchange as is set out in the applicable Pricing Supplement, are referred to as Index Linked Redemption Notes and Dual Currency Redemption Notes.

For so long as any of the Notes is represented by a Global Note held by DTC, DTC will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Fiscal and Paying Agency Agreement and the Notes except to the extent that in accordance with such Depository’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants. See “*Legal Ownership and Book-Entry Clearance Systems.*”

References to DTC as Depository in these Conditions, shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Depository specified in the applicable Pricing Supplement or as may otherwise be approved by the Branch, the Dealers and the Fiscal and Paying Agent for a particular Tranche or Series of Notes.

## 2. Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by DTC, and, in turn, by other participants in the DTC system (**DTC participants**), including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), and, if appropriate, indirect participants in such clearance systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a 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 Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC and its participants, as the case may be, and in accordance with the terms and conditions specified in the Fiscal and Paying Agency Agreement. Transfers of a Global Note registered in the name of a nominee of DTC shall be limited to

transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### 3. Status of the Notes; Insolvency

Unless otherwise indicated in the applicable Pricing Supplement, the Notes will constitute unsubordinated, direct and unsecured obligations of the Branch and NAB and rank *pari passu* with all other unsecured and unsubordinated obligations of the Branch and NAB (other than any obligations of NAB that are preferred by mandatory provisions of applicable law, including but not limited to those referred to in Division 2 of Part II of the Banking Act 1959 of Australia (the **Banking Act**) and section 86 of the Reserve Bank Act 1959 of Australia (the **Reserve Bank Act**). The Notes will rank senior to subordinated obligations.

Among other mandatory provisions of applicable law in effect as of the date hereof, the OCC's authority to appoint a receiver for the Branch and priority of payment provisions under the Banking Act may affect Noteholders' claims against the Branch or NAB. Because we are a federally-licensed branch maintained by NAB in the United States, the OCC has the authority to appoint a receiver to take possession of all the property and assets of NAB in the United States, including our property and assets, if: (i) the OCC revokes NAB's authority to operate a federal branch or agency in the United States, including the Branch; (ii) any creditor of NAB obtains a judgment against NAB arising out of a transaction with a federal branch or agency of NAB, including the Branch, in any court of the United States or any state of the United States and such judgment has remained unpaid for 30 days; or (iii) the OCC determines that NAB is insolvent. In any such receivership, the claims of depositors and creditors of NAB who are not affiliated with NAB and whose claim(s) arise out of transaction(s) with any branch or agency of NAB located in the United States (which would include claims of Noteholders that are not affiliated with NAB) may be satisfied out of the property in such receivership. In these circumstances, if there are insufficient assets of NAB in the United States to fully satisfy the claims of Noteholders, those holders would then need to seek payment from NAB at its main office or a non-U.S. branch or, upon bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to NAB, from the liquidator or receiver or administrator, as applicable, of NAB. In the event of a liquidation, winding up or any other condition in which the Branch is unable to satisfy its obligations under the Notes or the Fiscal and Paying Agency Agreement, such obligations shall remain obligations of NAB.

In the event that NAB becomes insolvent, insolvency proceedings are likely to be governed by Australian law. Australian insolvency laws are different from the insolvency laws of certain other jurisdictions, including the United States. In particular, the voluntary administration procedure under the Corporations Act 2001 of Australia (the **Corporations Act**), which provides for the potential reorganization of an insolvent company, is different from Chapter 11 under the U.S. Bankruptcy Code and may differ from similar provisions under the insolvency laws of other non-Australian jurisdictions. Under the Banking Act, APRA may appoint an ADI statutory manager 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 accelerate any debt under that contract, or close out any transaction relating to that contract, on the grounds that an ADI statutory manager is in control of the ADI's business. Accordingly, this may prevent Noteholders from accelerating repayment of the Notes on the grounds that an ADI statutory manager has been appointed.

If NAB were wound up, the winding up may be affected by Australian law and the laws of any other jurisdiction in which it is carrying on business. The claims of NAB's creditors in a winding up (including Noteholders) would be subject to the priority provisions of all applicable jurisdictions, which may in turn be subject to doctrines designed to ensure that creditors are treated in a manner considered fair in the light of the bankruptcy rules applicable in the forum. Such doctrines applicable under Australian law may include a requirement that Noteholders pay over any amounts received from the Branch before they can receive any amounts from NAB in Australia, so that they are treated equally with other unsecured creditors of NAB (subject to the mandatory priority provisions described below). This may result in the loss of any preferential distribution from the Branch as a condition of any further claim on NAB in Australia. The manner in which a court treats assets held in different jurisdictions on winding up is a complex matter, and may depend on matters such as the factual circumstances of the winding up and of the relevant

liabilities and the jurisdictions involved. Potential investors should assume that their claims in a winding up would be subject to the priority provisions of all applicable jurisdictions.

NAB is an ADI for the purposes of the Banking Act in Australia. Accordingly, but without limitation to the other mandatory priority provisions of the Banking Act or the Reserve Bank Act 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 to be available to meet specified liabilities in Australia in priority to all other liabilities of NAB (including the Notes). These specified liabilities include obligations of NAB in respect of protected accounts (as defined in the Banking Act), debts due to the RBA and certain debts to 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 covered bond holders 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, including without limitation under the Banking Act provisions referred to above, will include protected accounts and most deposit liabilities, 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 the FDIC or any government, government agency or compensation scheme of Australia, the United States or any other jurisdiction or by any other party. The Notes are not guaranteed by any person, except as otherwise expressly stated in the applicable Pricing Supplement.

#### **4. Currency of Notes**

Amounts that become due and payable on the Notes will be payable in a currency, composite currency, basket of currencies or currency unit or units as specified in the applicable Pricing Supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a **Specified Currency**.

The Specified Currency for the Notes will be U.S. dollars, unless the applicable Pricing Supplement states otherwise. Some Notes may have different Specified Currencies for principal, premium and interest. You will have to pay for your Notes by delivering the requisite amount of the Specified Currency for the principal to any of the Dealers that we name in the applicable Pricing Supplement, unless other arrangements have been made between you and us or you and any such Dealers. We will make payments on your Notes in the Specified Currency, except as described below in Condition 6 (*Payments*).

#### **5. Interest**

##### **5.1 Fixed Rate Notes**

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 Pricing Supplement, 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 Pricing Supplement, amount to the Broken Amount so specified.

If “Business Day Convention—Adjusted” is specified in the applicable Pricing Supplement, (a) any Interest Payment Date otherwise falling on a day which is not a Business Day (as defined in Condition 5.6 (*Definitions*)) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Pricing Supplement (as described below) and (b) the amount of interest payable on such Interest Payment Date will be adjusted accordingly and the provisions of Condition 5.2 (*Floating Rate Notes and Index Linked Interest Notes—Determination of Rate of Interest and Calculation of Interest Amounts* and *—Notification of Rate of Interest and Interest Amounts*) (excluding the determination and notification of the Rate of Interest) below 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 Pricing Supplement, 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 Pricing Supplement (as described below) and there will be no corresponding adjustment of the amount of interest payable on such Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Pricing Supplement, such interest shall be calculated by applying the Rate of Interest to:

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

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

## **5.2 Floating Rate Notes and Index Linked Interest Notes**

### *Interest Payment Dates*

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

- (a) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (b) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement 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, 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.

#### *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### (a) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (a), **ISDA Rate** for an Interest Period means a rate equal to the floating rate that would be determined by the Calculation Agent specified in the applicable Pricing Supplement (the **Calculation Agent**) under an interest rate swap transaction if such 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:

- (i) the floating rate option is as specified in the applicable Pricing Supplement;
- (ii) the designated maturity is a period specified in the applicable Pricing Supplement; and
- (iii) the relevant reset date is either (a) if the applicable Floating Rate Option is based on LIBOR or on the Euro Interbank Offered Rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (a) only, “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 Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(b) Screen Rate Determination for Floating Rate Notes

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

- (i) the offered quotation; or
- (ii) 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 Specified Time (e.g., London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

*Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement 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 “—*Rate of Interest*” 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 Pricing Supplement 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 “—*Rate of Interest*” above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

*Determination of Rate of Interest and Calculation of Interest Amounts*

In the case of Floating Rate Notes and Index Linked Interest Notes, the Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination 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 or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Floating Rate Notes or Index Linked Interest 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 or an Index Linked Interest 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 Pricing Supplement 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 Pricing Supplement, 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.

#### *Notification of Rate of Interest and Interest Amounts*

The Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified as soon as possible after their determination but in no event later than:

- (a) in the case of notification to the Branch or the Fiscal and Paying Agent, the fourth New York Business Day thereafter; or
- (b) in the case of notification to any stock exchange on which any Floating Rate Notes or Index Linked Notes are for the time being listed, if applicable, 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. 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 or Index Linked Interest Notes are for the time being listed and to the Noteholders.

The expression **New York 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 New York.

#### *Determination or Calculation by Fiscal and Paying Agent*

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest in accordance with the provisions under “—*Rate of Interest*” above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with “—*Determination of Rate of Interest and Calculation of Interest Amounts*” above, the Fiscal and Paying Agent shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall

deem fair and reasonable in all the circumstances or, as the case may be, the Fiscal and Paying Agent shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

*Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained, whether by the Calculation Agent or, if applicable, the Paying Agent, shall (in the absence of willful default, bad faith, manifest error or proven error) be binding on the Branch, the Paying Agent, the Calculation Agent (if applicable), and all Noteholders, and (in the absence of willful default, bad faith, manifest error or proven error) no liability to the Branch, the Noteholders, shall attach to the Paying Agent or, if applicable, the Calculation Agent or the Fiscal and Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**5.3 Dual Currency Interest Notes**

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

**5.4 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 Pricing Supplement.

**5.5 Accrual of Interest on Redemption**

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 Paying Agent or the Registrar or the Fiscal and Paying Agent, as the case may be, and notice to that effect has been given to the Noteholders as provided in the Fiscal and Paying Agency Agreement.

**5.6 Definitions**

In this Condition 5:

**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) in relation to any sum payable in U.S. dollars, 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 New York and each Additional Business Center (if any) specified in the applicable Pricing Supplement; or

- (b) either (i) in relation to any sum payable in a Specified Currency other than euro or U.S. dollars, 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 center of the country of the relevant Specified Currency or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

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

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement 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 Pricing Supplement) 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:
    - (1) 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
    - (2) 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 Pricing Supplement 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 Pricing Supplement, 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 Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (e) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement, 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; and

- (i) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, 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.

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 Record Dates for Interest Payments**

Interest due on the Notes on an Interest Payment Date will be paid to the person in whose name the Note is registered at the close of business on the Record Date (as defined below) set forth in the applicable Pricing Supplement. Unless otherwise specified in the relevant Pricing Supplement, the Record Date will be the 15th day (whether or not such 15th day is a business day) before the relevant due date (the **Record Date**). For the purposes of determining a holder at the close of business on a Record Date that is not a business day, the close of business will mean 5:00 p.m. New York City time, on that date.

### **6.2 Payments in Respect of Global Notes**

*Payments in U.S. dollars.* The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note. Payments in respect of Global Notes will be made in accordance with the applicable policies as in effect from time to time of DTC. Under these policies, we will make payments directly to DTC, or its nominee, and not to any indirect owners who own beneficial interests in the Global Note. Each of the persons shown in the records of DTC (or Euroclear or Clearstream, Luxembourg, as DTC participants),

as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear, Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Branch to, or to the order of, the holder of such Global Note. An indirect owner's right to receive those payments will be governed by the rules and practices of DTC and its participants.

None of the Branch, the Fiscal and Paying Agent or the Agents (as defined in Condition 10 (*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 Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

*Payments in a Specified Currency other than U.S. dollars.* Unless otherwise indicated in the applicable Pricing Supplement, an indirect owner of a Global Note denominated in a Specified Currency other than U.S. dollars who has the right to elect to receive payments in that Specified Currency and has so elected must notify the relevant DTC participant through which the interest in the Global Note is held of such election:

- (a) on or before the applicable Record Date, in the case of a payment of interest; or
- (b) on or before the 16th day prior to stated maturity or any redemption or repayment date, in the case of payment or principal or any premium.

The DTC participant must, in turn, notify DTC of the election on or before the fifth New York Business Day after the Record Date (in the case of a payment of interest) or on or before the tenth New York Business Day before the stated maturity, or on the redemption or repayment date if the Note is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC will, in turn, notify the Fiscal and Paying Agent (or other Paying Agent) in accordance with DTC's procedures.

If complete instructions are received by the DTC participant and forwarded to DTC, and by DTC to the Fiscal and Paying Agent (or other Paying Agent), on or before the dates mentioned above, then the Fiscal and Paying Agent (or other Paying Agent) will, in accordance with DTC's instructions, make the payment by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the Specified Currency or in another jurisdiction acceptable to the Branch and the Fiscal and Paying Agent (or other Paying Agent).

If the foregoing instructions are not properly completed, DTC will inform the Fiscal and Paying Agent (or other Paying Agent) that payment is to be made in U.S. dollars, and the Exchange Agent (as defined below) will convert the payment into U.S. dollars at the applicable exchange rate in the Exchange Agent's complete discretion. The Exchange Agent will then make payment in U.S. dollars to DTC and DTC will, in turn, pass such U.S. dollar payments along to its participants.

*Specified Currency Unavailable.* If we are obligated to make a payment in a Specified Currency other than U.S. dollars, and the Specified Currency or any successor currency is not available to us due to circumstances beyond our control (such as the imposition of exchange controls or a disruption in the currency markets) we will be entitled to satisfy our obligation to make the payment in that Specified Currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the Exchange Agent, in its discretion.

*Exchange Agent.* If we issue Notes in a Specified Currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent for such Notes (the **Exchange Agent**) and will name the institution initially appointed when the Note is originally issued in the applicable Pricing Supplement.

### 6.3 *Payments in Respect of Definitive Notes*

Payments of principal (other than installments of principal prior to the final installment) in respect of any definitive Notes will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or the Paying Agent. 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 Note appearing in the register of holders of the Notes maintained by the Registrar (the **Register**) at the close of business on the Record Date before the relevant due date. Notwithstanding the previous sentence, if a holder does not have a Designated Account, payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the 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 center of the country of such Specified Currency (which, if the Specified Currency is U.S. dollars, Australian dollars or New Zealand dollars, shall be (i) New York, (ii) Sydney or (iii) Auckland or Wellington, respectively, unless otherwise specified in the applicable Pricing Supplement) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of any definitive Notes will be made by a check 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 Note appearing in the Register at the close of business on the Record Date at its address shown in the Register on the Record Date and at his 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 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) and installments of principal (other than the final installment) in respect of the 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 Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Note.

Noteholders will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a check posted in accordance with this Condition 6.3 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 Notes.

### 6.4 *Payment Day*

If the date for payment of any amount in respect of any Note 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 is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (ii) each Additional Financial Center specified in the applicable Pricing Supplement;
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 center of the country of the relevant Specified Currency (which if the Specified Currency is U.S. dollars, Australian

dollars or New Zealand dollars shall be (i) New York, (ii) Sydney or (iii) Auckland or Wellington, respectively, unless otherwise specified in the applicable Pricing Supplement) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

- (c) in the case of any payment in respect of a 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 Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

#### **6.5 Interpretation of principal and interest**

Any reference in these 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 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Fiscal and Paying Agency Agreement;
- (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 Notes redeemable in installments, the Installment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Branch 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 6.6 (*Payments—Payment of additional amounts*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Fiscal and Paying Agency Agreement.

#### **6.6 Payment of additional amounts**

##### *Taxes Imposed by Australia*

All payments of principal and interest in respect of the Notes by the Branch 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 or any political sub-division thereof or any authority thereof or therein, unless such withholding or deduction is required by law. In such event, the Branch will pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes, 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 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:

- which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Note;

- which is payable by reason of the Noteholder or beneficial owner having, or having had, some personal or business connection with Australia (other than mere ownership of or receipt of payment under the Notes or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, Australia);
- which is payable solely by reason of the Noteholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, or connection with taxing jurisdiction of the Noteholder or other beneficial owner of such Note;
- which is payable by reason of a change in law that becomes effective more than 30 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 30th day assuming that day to have been a Payment Day;
- which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge;
- which is payable by reason of the Noteholder or beneficial owner of such Note being an associate of NAB for the purposes of section 128F of the Income Tax Assessment Act 1936 of Australia (together, with the Income Tax Assessment Act 1997 of Australia, the **Australian Tax Act**);
- which 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;
- which is payable on the Notes presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to a Paying Agent located elsewhere;
- with respect to any payment of principal of or interest (including original issue discount) on the Notes by the Branch to any Noteholder 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; or
- any combination of the above.

**Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of funds payable has not been duly received by the Fiscal and Paying Agent or the Paying Agent on such date, it means the date on which, the full amount of such funds having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 11.

#### *Taxes Imposed by the United States*

We intend to make all payments on the Notes without deducting U.S. withholding taxes unless we are required by law to deduct such taxes. The remainder of this subsection applies to your Notes, unless the applicable Pricing Supplement specifies otherwise.

If we are required by law to deduct U.S. withholding taxes on payments to non-U.S. investors and if so specified in the applicable Pricing Supplement, we will pay additional amounts on those payments to the extent described in this subsection.

We will pay additional amounts on a Note only if the beneficial owner of the Note is a United States alien. The term **United States alien** means any person who, for U.S. federal income tax purposes, is:

- a nonresident alien individual;
- a foreign corporation;
- a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust; or
- a nonresident alien fiduciary of an estate or trust that is not subject to U.S. federal income tax on a net income basis on income or gain from a Note.

If the beneficial owner of a Note is a United States alien, we will pay all additional amounts that may be necessary so that every net payment of interest or principal on that Note will not be less than the amount provided for in that Note. By net payment, we mean the amount we or our Fiscal and Paying Agent pays after deducting or withholding an amount for or on account of any present or future relevant tax imposed with respect to that payment by a U.S. taxing authority.

Our obligation to pay additional amounts is subject to several important exceptions, however. In addition to other items of relevant tax, we will not pay additional amounts for or on account of any of the following:

- (a) any relevant tax imposed solely because at any time there is or was a connection between the beneficial owner — or between a fiduciary, settlor, beneficiary, shareholder or member of the beneficial owner, if the beneficial owner is an estate, trust, partnership or corporation — and the United States (other than the mere receipt of a payment or the ownership or holding of a Note), including because the beneficial owner — or the fiduciary, settlor, beneficiary, shareholder or member — at any time, for U.S. federal income tax purposes:
  - (i) is or was a citizen or resident or is or was treated as a resident of the United States;
  - (ii) is or was present in the United States;
  - (iii) is or was engaged in a trade or business in the United States;
  - (iv) has or had a permanent establishment in the United States;
  - (v) is or was a personal holding company, a passive foreign investment company or a controlled foreign corporation;
  - (vi) is or was a corporation that accumulates earnings to avoid U.S. federal income tax; or
  - (vii) is or was a “10 percent shareholder” of NAB;
- (b) any relevant tax imposed solely because of a change in applicable law or regulation, or in any official interpretation or application of applicable law or regulation, that becomes effective more than 15 days after the day on which the payment becomes due or is duly provided for, whichever occurs later;

- (c) any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax, or any similar relevant tax;
- (d) any relevant tax imposed solely because the beneficial holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or any beneficial owner of the Note, if compliance is required by statute or by regulation of the U.S. Treasury department or by an applicable income tax treaty to which the United States is a party, as a precondition to exemption from such tax, assessment or other governmental charge;
- (e) any relevant tax that can be paid other than by deduction or withholding from a payment on the Notes;
- (f) any tax, assessment or other governmental charge imposed solely because the payment is to be made by a particular paying agent (including our Fiscal and Paying Agent) and would not be imposed if made by another paying agent;
- (g) any relevant tax imposed solely because the holder (1) is a bank purchasing the Note in the ordinary course of its lending business or (2) is a bank that is neither (A) buying the Note for investment purposes only nor (B) buying the Note for resale to a third party that either is not a bank or holding the Note for investment purposes only; or
- (h) any combination of the above.

In addition, we will not pay additional amounts with respect to any payment of principal, or interest to any United States alien who is a fiduciary or a partnership, or who is not the sole beneficial owner of the payment, to the extent that we would not have to pay additional amounts to any beneficiary or settlor of the fiduciary or any member of the partnership, or to any beneficial owner of the payment, if that person or entity were treated as the beneficial owner of the Note for these purposes.

Notwithstanding any other provision in these Conditions, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to, or made for or on account of, 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.

**U.S. taxing authority** means the United States or any state, other jurisdiction or taxing authority in the United States.

## **7. Redemption and Purchase**

### **7.1 *Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Branch at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

### **7.2 *Redemption for tax reasons***

The Notes may be redeemed at the option of the Branch in whole or in part at any time (in the case of Notes that are neither Floating Rate Notes, Index Linked Interest Notes nor Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Notes that are either Floating Rate Notes, Index Linked Interest Notes or Dual Currency

Interest Notes), on giving notice to the Fiscal and Paying Agent, who shall notify the Noteholders and the Calculation Agent (which notice shall be irrevocable), not less than 30 nor more than 60 days prior to the date of redemption, if the Branch satisfies the Fiscal and Paying Agent immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes the Branch has or will become obliged to pay additional amounts as provided or referred to in Condition 6.6 (*Payments—Payment of additional amounts*), above as a result of:
  - (i) any change in, amendment to or announced proposed change in the laws or regulations under the laws of Australia or the United States, any political sub-division thereof or any authority thereof or therein;
  - (ii) a judicial decision interpreting, applying or clarifying those laws or regulations; or
  - (iii) an administrative pronouncement or action that represents an official position, including a clarification of an official position, of the governmental authority or regulatory body making the administrative pronouncement or taking any action; and
- (b) such obligation cannot be avoided by the Branch taking any other reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Branch would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Branch must provide notice to the Fiscal and Paying Agent in accordance with the above at least 15 New York Business Days prior to the date on which notice to the Noteholders and the Calculation Agent is to be provided.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Branch shall deliver to the Fiscal and Paying Agent a certificate signed by an Officer as defined below stating that the Branch is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Branch so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Branch 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 Fiscal and Paying Agent 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.

**Officer** means (i) any person who has been duly authorized to sign documents and to do other acts and things on behalf of the Branch or NAB for the purposes of the Fiscal and Paying Agency Agreement; or (ii) any Director, Managing Director or Company Secretary of NAB, or the Chief Executive Officer; Deputy Chief Executive Officer; Executive Director, Finance; Group Treasurer; any General Manager; or Head of Services, Americas or any Group Executive.

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

### **7.3 Redemption at the option of the Branch (Issuer Call)**

If Issuer Call is specified in the applicable Pricing Supplement, the Branch may, having given:

- (a) not less than 15 nor more than 30 days’ notice (or such shorter period as may be agreed in the applicable Pricing Supplement) to the Noteholders; and

- (b) not less than 15 New York Business Days before the giving of the notice referred to in (a) above, notice to the Fiscal and Paying Agent, any other Agents and the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement 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 Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected (i) individually by lot, in the case of Redeemed Notes represented by definitive Notes, and (ii) in accordance with the rules of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), 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**). 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 subsection and notice to that effect shall be given by the Branch to the Noteholders at least five days prior to the Selection Date.

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

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Branch not less than 30 nor more than 45 days' notice the Branch will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, 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. Notes may be redeemed in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the Pricing Supplement.

To exercise the right to require redemption of any Note the holder of the Note must, if the Note is represented by a Global Note within the notice period, give notice to the Fiscal and Paying Agent of such exercise in accordance with the standard procedures of DTC (which may include notice being given on its instruction by DTC to the Fiscal and Paying Agent by electronic means) in a form acceptable to DTC from time to time.

In the case of Notes represented by definitive Notes, to exercise the right to require redemption of such Note, the holder of such Note must deliver, at the specified office of the Registrar at any time during normal business hours of 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 the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made and the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Notes so surrendered is to be redeemed, an address to which a new Note in respect of the balance of such Notes is to be sent. If this Note is in definitive form, the Put Notice must be accompanied by the Note or evidence satisfactory to the Paying Agent concerned that the Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note shall be irrevocable except where prior to the due date of redemption an Event of Default (as defined in Condition 8 (*Events of Default and Waiver of Default*)) shall have occurred and the Fiscal and Paying Agent has declared the Notes to be due and payable, in which event such holder, at its option, may elect by notice to the Branch to withdraw the notice given and instead to declare such Note forthwith due and payable.

#### **7.5 Early Redemption Amounts**

Where applicable, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (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 but including an Installment Note and a Partly Paid 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, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortized Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

#### **7.6 *Installment Notes***

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates set out in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount will be calculated in accordance with the above and the applicable Pricing Supplement.

#### **7.7 *Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the applicable Pricing Supplement.

#### **7.8 *Purchases***

NAB, the Branch or any subsidiary of NAB may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Branch, surrendered to the Fiscal and Paying Agent for cancellation.

#### **7.9 *Cancellation***

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled, including Notes purchased and cancelled, shall be forwarded to the Fiscal and Paying Agent and cannot be reissued or resold.

### **7.10 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note (i) at maturity, (ii) for tax reasons, (iii) on an Issuer Call or (iv) on an Investor Put, or (v) upon its becoming due and repayable upon an Event of Default, is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the Amortized Face Amount calculated as provided 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 Fiscal and Paying Agent or the Registrar and notice to that effect has been given to the Noteholders.

## **8. Events of Default and Waiver of Default**

### **8.1 Events of Default**

If an Event of Default (as defined below) under the Notes has occurred and is continuing, except as set out below, holders of at least one-quarter in nominal amount of the Notes of the affected Series of Notes may by written notice to the Branch and the Fiscal and Paying Agent, declare the entire principal amount of all the Notes of an affected Series to be due and immediately payable (such action, a **declaration of acceleration of maturity**). Unless such event shall have been cured by the Branch prior to the Branch's receipt of the notice in writing from the requisite number of holders, the Notes shall thereupon immediately become, due and repayable at their Early Redemption Amount together with accrued interest as provided in the Fiscal and Paying Agency Agreement. Each of the following events shall be an **Event of Default**:

- (a) default 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 in payment when due of any installment of interest on the Notes or any of them and the default continues for a period of 30 days (a default under Condition 8.1(a) or (b) being referred to as a **Payment Default**);
- (c) a failure by the Branch to perform or observe any of its other obligations under the Conditions or the Fiscal and Paying Agency Agreement and the failure continues for the period of 30 days next following the service by the requisite number of holders on the Branch 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 NAB and such distress or execution or other legal process, as the case may be, (i) is materially prejudicial to the interests of the Noteholders and (ii) 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 NAB (other than in respect of monies borrowed or raised on a non-recourse basis) and such action is materially prejudicial to the interests of the Noteholders;
- (f) NAB (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 it or of the whole or any part of the undertaking, property, assets or revenues of it (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) a court order is made or an effective resolution passed by the shareholders or members for the winding-up of NAB 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 NAB, 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 NAB; or
- (i) NAB (i) ceases to carry on a banking business in Australia, or NAB'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 that results in a substitution of the principal debtor under the Notes; or (b) with the consent of the Noteholders by Extraordinary Resolution.

Notwithstanding any other provision of this Condition 8.1, no Event of Default (other than Condition 8.1(g)) in respect of the Notes shall occur solely on account of any failure by NAB 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 (as defined by APRA from time to time).

## **8.2 Waiver of Default**

The holders of not less than a majority in nominal amount of the Notes of the affected Series of Notes may cancel a declaration of acceleration of maturity if:

- (a) Either the Branch or NAB has paid or deposited with the Fiscal and Paying Agent a sum sufficient to pay:
  - (i) all overdue interest on the Notes of the affected Series;
  - (ii) the principal of, and premium, if any, on any Notes of the affected Series which have become due other than by that declaration of acceleration of maturity and any interest thereon at the rate or rates prescribed therefor in the Notes;
  - (iii) interest upon overdue interest at the rate or rates prescribed therefor in the Notes, to the extent that payment of that interest is lawful; and
  - (iv) all sums paid or advanced by the Fiscal and Paying Agent under the terms of the Fiscal and Paying Agency Agreement and the reasonable compensation, expenses, disbursements and advances of the Fiscal Agent and its agents and counsel as agreed between the Branch and the Fiscal and Paying Agent; and
- (b) All Events of Default with respect to the Notes of the affected Series, other than the non-payment of the principal of or premium (if any) of the Notes of that Series that have become due solely by that declaration of acceleration of maturity are no longer continuing.

## **9. Replacement of Notes**

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal and Paying Agent 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 Branch may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

## **10. Agents**

The Branch has appointed Deutsche Bank Trust Company Americas as initial Fiscal Agent, Paying Agent, Registrar and Calculation Agent (any person now or hereafter fulfilling such roles being referred to collectively herein as the **Agents**) and its specified offices are set out herein.

The Branch is entitled, with the prior written approval of the Fiscal and Paying Agent (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 Paying Agent and a Registrar;
- (b) so long as any of the Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City and London; and
- (c) if the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Transfer Agent 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.

Any variation, termination or change to the appointment of the initial Agents shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders.

In acting under the Fiscal and Paying Agency Agreement or Calculation Agency Agreement, as the case may be, the Paying Agent, Registrar and the Calculation Agent act solely as agents of the Branch and, in certain circumstances specified therein, of the Fiscal and Paying Agent and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Fiscal and Paying Agency Agreement and Calculation Agency Agreement each contain 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.

## **11. Notices**

All notices regarding Notes will be deemed 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. If any 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, so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, as Depository, the delivery of the relevant notice to DTC shall constitute valid notice to the holders of the Notes. 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 DTC shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to DTC.

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 Registrar, the Fiscal and Paying Agent or the Branch, as required by these Conditions.

## **12. Meetings of Noteholders, Voting, Modification and Amendment**

The Fiscal and Paying Agency Agreement 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 the Notes or any of the provisions of the Fiscal and Paying Agency Agreement. Subject to the above, such a meeting may be convened by the Branch or the Fiscal and Paying Agent and shall be convened by the Branch if required in writing by Noteholders holding not less than 20 percent of the nominal amount of the Notes for the time being remaining outstanding. At any such meeting one or more persons holding or representing in the aggregate not less than 20 percent of the nominal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the relevant business. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 percent of the 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 or the Fiscal and Paying Agency Agreement (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 quorum shall be one or more persons holding or representing not less than two-thirds of the 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 of the nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

At any meeting of the Noteholders duly convened in accordance with the above, upon the affirmative vote, in person or by proxy, of the holders of not less than a majority of the nominal amount of the Notes of such Series then outstanding represented at such meeting, or with the written consent of the owners of not less than a majority of the nominal amount of the Notes of such Series then outstanding, the Branch and the Fiscal and Paying Agent may modify, amend or supplement the terms of the Notes of such Series or the Fiscal and Paying Agency Agreement in any way, and the Noteholders of such Series may make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal and Paying Agency Agreement or the Notes of such Series to be made, given or taken by the Noteholders of such Series; *provided, however*, that no such action may:

- (a) change the due date for the payment of principal of, or premium, if any, or any installment of interest on any Tranche or Series of Notes;
- (b) reduce or modify the principal amount of any Tranche or Series of Notes, the portion of any principal amount that is payable upon acceleration of the maturity of such Notes, the interest rate or any premium payable upon redemption;
- (c) alter the currency in which payments under any Tranche or Series of Notes are to be made;
- (d) change the Branch's obligation to pay additional amounts in accordance with the Conditions;

- (e) shorten the period during which redemption of the Notes of a particular Tranche or Series is not permitted, or permit redemption by the Branch during a period not previously permitted or specified in the applicable Pricing Supplement with respect to such Notes;
- (f) in respect of any Tranche or Series of Notes for which Condition 7.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (Investor Put)*) is applicable, change any provisions relating to redemption pursuant to Condition 7.4 in any manner adverse to the interests of such Noteholders;
- (g) reduce the percentage of the nominal amount of Notes outstanding necessary to modify, amend or supplement the Fiscal and Paying Agency Agreement or the Notes or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided hereby to be made, taken or given;
- (h) alter the majority required to pass an Extraordinary Resolution; or
- (i) alter certain quorum requirements of the Fiscal and Paying Agency Agreement;

in each case, without the passage of an Extraordinary Resolution of the Noteholders.

The Fiscal and Paying Agency Agreement provides that an **Extraordinary Resolution** of the Noteholders shall mean: (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 Fiscal and Paying Agent) 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. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting. Notwithstanding the foregoing, the requisite number of Noteholders required to pass an Extraordinary Resolution with respect to paragraphs (a), (b), (c), (e) and (f) above shall be deemed to be not less than three-fourths of the Noteholders of the Tranche or Series so affected by the amendment or modification described therein.

In addition to the foregoing, the Branch and the Fiscal and Paying Agent may agree, without the vote or consent of the Noteholders, to (i) an amendment for the purpose of evidencing the succession of another corporation to the Branch and the assumption by any successor to the covenants and obligations of the Branch under the Notes, (ii) any modification of the Fiscal and Paying Agency Agreement in a manner consistent with the Notes that is not materially prejudicial to the interests of the Noteholders, as certified to the Fiscal and Paying Agent by the Branch in an officer's certificate, or (iii) any modification which is of a formal, minor or technical nature or is made to correct a manifest error or proven error. Any such amendment, modification, or determination shall be binding on the Noteholders in accordance with this Condition 12 as soon as practicable after it has been agreed.

### **13. Indemnification of the Fiscal and Paying Agent**

The Fiscal and Paying Agency Agreement contains provisions for the indemnification of the Agents against any certain losses and expenses (as defined therein) paid or incurred in defending any losses incurred or made against it as a result of or in connection with its appointment or the exercise of its powers and duties under the Fiscal and Paying Agency Agreement, other than as a result of its own default, gross negligence, or willful misconduct or that of its director, officers, employees or agents or controlling persons or the breach by it of the terms of the Fiscal and Paying Agency Agreement.

#### **14. Further Issues**

The Branch shall be at liberty from time to time without the consent of the Noteholders 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 and date of the first payment of interest thereon 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 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 Regulation 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, and (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.

#### **15. Prescription**

The Notes 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 6.6 (*Payments—Payment of additional amounts*)).

#### **16. Governing Law**

The Notes and the Fiscal and Paying Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and wholly to be performed in the State of New York.

#### **17. Submission to Jurisdiction**

NAB has agreed and consented that any suit, action or proceeding (together referred to as **Proceedings**) arising out of or in connection with the Fiscal and Paying Agency Agreement or the Notes may be brought in any state or federal court in the Borough of Manhattan in The City of New York, and to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any Proceedings for itself and in respect of its properties, assets and revenues. NAB has appointed the Branch, with offices at 245 Park Avenue, 28<sup>th</sup> Floor, New York, New York 10167 as its agent upon whom process may be served in any action brought against NAB arising out of or based on the Notes. NAB has waived any objection which it may have to the laying of venue of any Proceedings in any such courts and any claim that such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon NAB and may be enforced in the courts of any other jurisdiction.

## 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” or “National.”

NAB is registered in the State of Victoria with Australian Business Number (ABN) 12 004 044 937.

NAB was incorporated on June 23, 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**

NAB is a major financial services organization in Australia and New Zealand with around 10 million customers and 35,000 employees, operating approximately 1,000 retail branches and business banking centers.

Its operations are primarily based in its core markets of Australia and New Zealand, but it also has a presence in Asia, the United Kingdom and the United States.

NAB's strategy is to be Australia and New Zealand's most respected bank, with the objective of delivering superior returns to shareholders. To meet this objective, NAB aims to deliver initiatives in line with the following strategic themes:

- focusing on the priority customer segments;
- delivering a great customer experience;
- executing flawlessly and relentlessly; and
- great people living NAB's values.

The strategy is supported by NAB's foundations of maintaining a strong balance sheet, managing risk and investing in its technology.

NAB operates the following divisions and offers the following products and services to customer:

- **Australian Banking:** offers a range of banking and investment products and services to retail and business customers, ranging from personal and consumer, small and medium enterprises through to Australia's largest corporate and financial services institutions. Australian Banking comprises the Personal and Business Banking franchises, Fixed Income, Currencies and Commodities (FICC), Specialised Finance, Debt Markets, Asset Servicing and Treasury. NAB continues to maintain a wholesale banking and institutional markets business, and conduct treasury activity, in the United Kingdom through its London branch, and the other markets in which it operates. These businesses report into Australian Banking.

- NZ Banking: provides retail, business, agribusiness, corporate and insurance products and services to New Zealand customers, operating under the Bank of New Zealand (**BNZ**) brand. It excludes BNZ's market operations, which form part of Australian Banking.
- NAB Wealth: provides superannuation, investment and insurance solutions to retail, corporate and institutional clients. NAB Wealth operates across a range of brands including MLC and JBWere and provides financial advisory services through one of the largest networks of financial advisers in Australia.

## **Recent Developments**

### ***Demerger and IPO of CYBG Group***

NAB has exited its investment in CYBG and its controlled entities (the **CYBG Group**) by demerging 75 percent of the CYBG shares to NAB shareholders (**Demerger**) and selling the remaining 25 percent of the CYBG shares to institutional investors through an initial public offer (**IPO**).

The Demerger and IPO has resulted in a statutory post tax loss on sale for NAB of A\$4.218 billion.

The result of the Demerger and the IPO is that CYBG is operating its business separately from NAB. CYBG, which is the holding company of the CYBG Group, is a publicly listed company with its head office in Glasgow and listings in the United Kingdom and Australia.

### ***Sale of 80 percent of NAB Wealth's life insurance business***

On October 28, 2015, NAB announced it had entered into an agreement to sell 80 percent of NAB Wealth's life insurance business, MLC Limited, to Nippon Life for A\$2.4 billion, while NAB will retain the remaining 20 percent. The purchase price is an estimate and may be adjusted for certain capital inflows and outflows between signing and completion, including dividends paid by the life insurance business.

As part of the agreement, NAB will enter a 20 year distribution agreement to provide life insurance products through its owned and aligned distribution networks. NAB will retain ownership of its investments business which includes superannuation, platforms, advice and asset management. The transaction will occur through the sale of 80 percent of MLC Limited after the extraction of NAB's superannuation and investments business and certain other restructuring steps. NAB will retain the MLC brand, although it will be licensed for use by the life insurance business for 10 years.

The transaction is expected to be completed in late 2016 subject to certain conditions including regulatory approvals, establishment of the life insurance business as a standalone entity, extraction of the investment business from MLC Limited and the finalization of certain agreements. NAB will retain responsibility for managing the life insurance business until completion, subject to certain restrictions on carrying out material transactions and transactions outside the ordinary course of business. The expected separation costs remain A\$440 million post-tax as previously reported.

On completion, a portion of goodwill managed at the level of the NAB Wealth segment will be allocated to the sold business and included in the loss on sale. An indicative loss on sale of A\$1.1 billion was originally anticipated as a result of the transaction. The final loss on sale will vary depending on the level of earnings between signing and completion, the final allocation of goodwill at the time of deconsolidation, final transaction costs and a number of other items.

## **Principal Markets**

The principal markets in which NAB operates are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance and custodian, trustee and nominee services.

## **Organizational Structure**

National Australia Bank Limited is the holding company for NAB, and is the main operating company. As at the date of this Offering Memorandum, NAB had two wholly owned main operating subsidiaries: BNZ and MLC Limited.

NAB 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, accounting and other issues to address. While a number of issues have now been resolved, no decision as to whether to proceed has been made.

## **Trend Information**

There has been no material adverse change in the prospects of NAB since March 31, 2016.

There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on NAB's prospects for at least the current financial year, other than as disclosed in the 2016 Half-Year U.S. Debt Funding Information (as incorporated by reference in this Offering Memorandum) and the contingent liabilities described under "*—Legal and Arbitration Proceedings*" below.

## **Profit Forecasts or Estimates**

NAB does not make or imply any profit forecasts or profit estimates in this Offering Memorandum. No statement contained in this Offering Memorandum should be interpreted as such a forecast or estimate.

## **Administrative, Management and Supervisory Bodies**

The name and function of each Director of NAB as at the date of this Offering Memorandum is listed below. Unless otherwise stated, the business address of each Director is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

### **Kenneth R Henry AC**

Non-Executive Director, Chairman and Chairman of the Nomination Committee. Other appointments: Chairman, Sir Roland Wilson Foundation, ANU. Director, ASX Limited and some of its subsidiaries. Member, Board of Reconciliation Australia and John Grill Centre for Project Leadership's advisory board, University of Sydney.

### **Andrew G Thorburn**

Managing Director and Group Chief Executive Officer and a member of the Information Technology Committee. Other appointments: Chairman, Australian Bankers' Association Inc.; Director, The Financial Markets Foundation for Children.

**David H Armstrong**

Non-Executive Director, Chairman of the Audit Committee and the Risk Committee and a member of the Information Technology Committee and the Nomination Committee. Other appointments: Director, Opera Australia Capital Fund Limited and The George Institute for Global Health. Trustee, the Australian Museum and Lizard Island Reef Research Foundation.

**Philip W Chronican**

Non-Executive Director, Member of the Risk Committee, the Remuneration Committee and the Nomination Committee. Other appointments: Director, NSW Treasury Corporation, The Banking and Finance Oath and Juvenile Diabetes Research Foundation.

**Daniel T Gilbert AM**

Non-Executive Director, Chairman of the Remuneration Committee and the Information Technology Committee and a member of the Nomination Committee. Other appointments: Managing Partner, Gilbert + Tobin, Chairman, Western Sydney University Foundation, Co chairman of Cape York Partnership Group Limited and Director, Eucharistic Community Ltd.

**Peeyush K Gupta**

Non-Executive Director and a member of the Remuneration Committee, the Risk Committee and the Nomination Committee. Director of certain Wealth and BNZ subsidiaries (all subsidiaries of NAB). Other appointments: Chairman, State Super Financial Services Australia Limited, Charter Hall Direct Property Management Limited. Director, Charter Hall Wale Ltd, Securities Industry Research Centre of Asia Pacific, Quintessence Labs Pty Ltd., Western Sydney University Foundation, NSW (icare) and SBS Special Broadcasting Service Board.

**Geraldine C McBride**

Non-Executive Director and a member of the Information Technology Committee and the Nomination Committee. Other appointments: Director, Sky Network Television Limited and Fisher and Paykel Healthcare. Founder and Chief Executive Officer, MyWave.

**Jillian S Segal AM**

Non-Executive Director and a member of the Risk Committee, the Remuneration Committee, the Information Technology Committee and the Nomination Committee. Other appointments: Chairman, General Sir John Monash Foundation and Australia-Israel Chamber of Commerce (NSW). Director, The Garvan Institute of Medical Research and The Observership Program. Member, Australian War Memorial Council and Sydney Opera House Trust. Deputy Chancellor, University of New South Wales Council.

**Anthony KT Yuen**

Non-Executive Director and a member of the Risk Committee, the Audit Committee and the Nomination Committee. Other appointments: Member, Supervisory Committee, ABF Hong Kong Bond Index Fund and Hong Kong Red Cross International & Relief Service Management Committee.

As at the date of this Offering Memorandum, there are no 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.

## Major Shareholders

NAB is a public limited company. As at May 6, 2016, the following shareholders each held more than one percent of the issued share capital of NAB:

- HSBC Custody Nominees (Australia) Limited (17.88 percent)
- JP Morgan Nominees Australia Limited (11.97 percent)
- National Nominees Ltd (7.47 percent)
- Citicorp Nominees Pty Limited (5.15 percent)
- BNP Paribas Noms Pty Ltd <DRP> (2.45 percent)
- BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> (1.45 percent)
- Citicorp Nominees Pty Limited <Colonial First State Inv A/C> (1.26 percent)

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 percent or below to more than 20 percent, or from a starting point that is above 20 percent and below 90 percent, 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 percent 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 of 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 15 percent of the voting power of the financial sector company without first obtaining the Australian Treasurer's approval. Even if a person has less than 15 percent 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.

As disclosed above under "*—Organizational Structure,*" there are no arrangements in place within NAB the operation of which may result in a change of control of NAB.

## Legal and Arbitration Proceedings

### Overview

Except as listed below and as described in the documents incorporated by reference (see “*Incorporation by Reference*”), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NAB is aware) which may have, or have had in the recent past, significant effects on the financial position or profitability of NAB and/or that of the members of NAB.

### *Class actions*

On December 16, 2011, Steven Farey and Others commenced a class action proceeding against NAB in relation to the payment of exception fees, along with similar actions against other financial institutions. The proceeding had been stayed pending the resolution of the exception fees class action against Australia and New Zealand Banking Group Limited. On April 6, 2016, the Federal Court of Australia approved the settlement of the proceeding pursuant to which NAB has made a payment of A\$6.6 million (the **Settlement Monies**). The Settlement Monies will be distributed, in accordance with a Federal Court of Australia approved settlement distribution scheme, if no appeal of the settlement is brought before May 18, 2016. If an appeal of the settlement is ultimately allowed, the Settlement Monies are to be remitted to NAB.

In March 2013, a potential representative action against New Zealand banks (including, potentially, BNZ) was announced in relation to certain fees. On August 20, 2014, representative proceedings were filed against BNZ. Litigation Lending Services (NZ) Limited is funding the action. On September 24, 2014, on April 30, 2015, and again on December 3, 2015, these proceedings were stayed pending the outcome of proceedings in Australia (currently on appeal). The potential outcome of these proceedings cannot be determined with any certainty at this stage.

### *UK Conduct Issues and the Conduct Indemnity Deed*

As part of the arrangements relating to the CYBG demerger, NAB and CYBG entered into a conduct indemnity deed (the **Conduct Indemnity Deed**) under which NAB agreed, subject to certain limitations, to provide an indemnity in respect of certain historic conduct liabilities (the **Capped Indemnity**) up to a cap of £1.115 billion (the **Capped Indemnity Amount**). The Capped Indemnity provides CYBG with economic protection against certain costs and liabilities (including financial penalties imposed by a regulator) resulting from conduct issues relating to:

- payment protection insurance (**PPI**), certain interest rate hedging products and certain fixed rate tailored business loans; and
- other conduct matters, measured by reference to the following thresholds: (a) claims relating to an industry wide compensation customer redress program entered into as part of a settlement with a regulator exceeding £2.5 million, in aggregate; and (b) all other claims that exceed £5 million, in aggregate, and affect more than 50 customers, which, in each case, relate to conduct in the period prior to February 8, 2016 (the **Demerger Date**) whether or not known at the Demerger Date. Such conduct issues include acts, omissions and agreements by or on behalf of the CYBG Group with respect to customers which either constitute a breach of or failure to comply with applicable law or regulations, or are determined by CYBG in good faith to be reasonably likely on a balance of probabilities to constitute a breach of or failure to comply with applicable law or regulations. It is not expected that payments to CYBG under the Capped Indemnity will be taxable in the hands of the CYBG Group, but if tax were to be payable then the Conduct Indemnity Deed contains provisions pursuant to which NAB has agreed to compensate CYBG for any actual tax incurred that would not have been incurred but for the receipt of amounts under the Capped Indemnity. Claims may be made by CYBG under the Capped Indemnity when it or any member of the CYBG Group

raises a new provision or increases an existing provision in respect of any such conduct issues. Under a loss sharing arrangement, CYBG will be responsible for 9.7 percent of the liabilities under any provision for such conduct issues with NAB responsible for the remainder under the Capped Indemnity up to the Capped Indemnity Amount. The Capped Indemnity is perpetual in nature, although NAB has rights in certain circumstances to negotiate arrangements to terminate the Capped Indemnity subject to the approval of the PRA.

Between the Demerger Date and the date of this Offering Memorandum, CYBG has made claims under the Capped Indemnity for £19.3 million, leaving £1,096 million outstanding as available support under the Capped Indemnity (the **Unutilized Indemnity Amount**).

In addition, CYBG has notified NAB that it will increase the amount of its provision held in respect of PPI costs by £450 million at its half year results and would expect to make a claim in relation to this amount under the Capped Indemnity. Consequently NAB has increased the amount of provisions held against claims under the Conduct Indemnity Deed by £406.4 million (reflecting the portion of the PPI costs for which NAB is responsible under the loss sharing arrangement). Should CYBG make a claim under the Conduct Indemnity Deed for this amount, the Unutilized Indemnity Amount would be reduced to £689 million.

The Unutilized Indemnity Amount at any point in time is accounted for by NAB as a contingent liability, with any potential future losses incurred under the indemnity expensed within discontinued operations. The frequency and timing of any potential future losses is unknown. The amount of the Capped Indemnity that will be utilized by any potential future losses is unknown.

NAB collateralized its obligations under the Capped Indemnity by placing a cash deposit of £1.115 billion with The Bank of England from the Demerger Date. The cash deposit with The Bank of England has been reduced commensurate with the amounts claimed under the Capped Indemnity such that the cash deposit amount is equal to the Unutilized Indemnity Amount (plus accrued interest). The Unutilized Indemnity Amount is treated as a Common Equity Tier 1 deduction for NAB.

Save for the Capped Indemnity and the tax provisions set out in the Conduct Indemnity Deed, CYBG has agreed to release NAB from liability for any other conduct-related claims by any member of the CYBG Group against NAB.

#### *Industry investigations by Australian regulators*

ASIC is conducting an industry-wide investigation into potential wrongdoing in relation to the bank bill swap reference rate. NAB is cooperating with ASIC and is responding to ASIC's inquiries. ASIC has commenced proceedings against two market participants and ASIC's public comments suggest that it is considering whether proceedings will be brought against other market participants.

The industry-wide investigations by ASIC and the ACCC into potential wrongdoing in relation to Spot FX trading are continuing. NAB is cooperating with ASIC and the ACCC and is responding to their inquiries. The potential outcome of the investigations is uncertain at this time.

#### *Wealth advice review*

Since September 2014, the Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee was due to report by February 1, 2016, but this has been extended to August 31, 2016. NAB appeared before the Committee on March 6, 2015, and committed to write to customers where misconduct may have occurred in the preceding five years.

In October 2015, NAB began contacting customers who may have received non-compliant advice since 2009 to assess the appropriateness of that advice and identify if those customers have suffered loss as a result and would warrant compensation. The first cases through the review program have been finalized, with compensation in some cases offered and paid. No case has yet progressed to another forum, typically the Financial Ombudsman Service.

The outcomes and total costs associated with this work are uncertain. NAB is also aware that two plaintiff law firms have advertised that they are investigating claims on behalf of NAB customers who have suffered losses as a result of financial advice received from NAB advisers. No formal action has yet been taken against NAB in this regard.

*New Zealand Credit Contracts and Consumer Finance Act*

On June 6, 2015, the New Zealand Credit Contracts and Consumer Finance Act 2003 (as amended by the Credit Contracts and Consumer Finance Amendment Act 2014, the **CCCFA**) became effective in New Zealand. BNZ is currently validating and reviewing its compliance with the CCCFA with a particular focus on disclosure requirements. As at the date of this Offering Memorandum, this review is still in progress.

## LEGAL OWNERSHIP AND BOOK-ENTRY CLEARANCE SYSTEMS

*In this section, we describe special considerations that will apply to Notes issued in global—i.e., book-entry—form. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg currently in effect. The information in this section concerning DTC, Euroclear or Clearstream, Luxembourg has been obtained from sources that we believe to be reliable, but none of NAB, the Branch, the Fiscal and Paying Agent nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the DTC, Euroclear or Clearstream, Luxembourg are advised to confirm the continued applicability of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg. Neither the Branch, nor any other party to the Fiscal and Paying 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 DTC, Euroclear or Clearstream, Luxembourg or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### ***Legal Ownership***

Each Note will be issued in book-entry form only and will be represented by a Global Note that we deposit with and register in the name of a Depository, or its nominees. A Note will usually have only one Depository but it may have more. The Depository will hold the Global Note on behalf of other financial institutions that participate in the Depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the Notes on behalf of themselves or their customers.

A Global Note may represent one or any other number of individual Notes. Generally, all Notes represented by the same Global Note will have the same terms. A Global Note may not be transferred to or registered in the name of anyone other than the Depository or its nominee or a successor to the Depository or its nominee. If the applicable Pricing Supplement indicates that the Note will be issued in global form only, then the Note will be represented by a Global Note at all times unless and until the Global Note is terminated. We describe those situations below under “—*Exchange Event; special situations when a Global Note will be exchanged for a definitive Note.*” If termination occurs, we may issue the Notes through another book-entry clearing system or decide that the Notes may no longer be held through any book-entry clearing system.

Under the Fiscal and Paying Agency Agreement, only the person in whose name a Note is registered is recognized as the holder of that Note. Consequently, for Notes issued in global form, we will recognize only the Depository as the holder and we will make all payments on the Notes, including deliveries of any property other than cash, and deliver all notices as provided herein, to the Depository. The Depository passes along the payments it receives to its participants, which, in turn, pass the payments along to their customers who are the beneficial owners. The Depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the Notes.

As a result, investors will not own Notes directly. Instead, they will own beneficial interests in a Global Note, through a bank, broker or other financial institution that participates in the Depository's book-entry system or holds an interest through a participant. As long as the Notes are issued in global form, investors will be indirect owners, and not holders, of the Notes. See “—*Special considerations for owners of Global Notes*” below.

### ***Global Notes to be held through DTC***

Unless otherwise specified in the applicable Pricing Supplement, DTC will be the Depository for the Notes. The Global Notes will be deposited with the Registrar, as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Investors in the Notes who are DTC participants may hold their interests therein directly through DTC. Investors in the Notes who are not DTC participants may hold their interest therein indirectly through participating institutions (including Euroclear or Clearstream, Luxembourg) that are DTC participants.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in definitive form except in the limited circumstances described below.

References to DTC as Depository, shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Depository (such as Euroclear or Clearstream, Luxembourg) that is specified in the applicable Pricing Supplement or as may otherwise be approved by the Branch, the Dealers and the Fiscal and Paying Agent for a particular Tranche or Series of Notes.

#### ***Street name owners***

In the future, we may terminate a Global Note or issue Notes initially in non-global form. In these cases, investors may choose to hold their Notes in their own names or in street name. Notes held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those Notes through an account he or she maintains at that institution.

For Notes held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the Notes are registered as the holders of such Notes and we will make all payments on those Notes, including deliveries of any property other than cash, and deliver all notices, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so, not because they are obligated to do so under the terms of the Notes. Investors who hold Notes in street name will be indirect owners, not holders, of those Notes.

#### ***Special considerations for owners of Global Notes***

As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of DTC and those of the investor's financial institution or other intermediary through which it holds its interest, as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of the Note and instead deal only with DTC as the holder of the Global Note.

If Notes are issued only in the form of a Global Note, an investor should be aware of the following:

- An investor cannot cause the Notes to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the Notes, except in the special situations described below;
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes;
- An investor may not be able to sell interests in the Notes to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;
- An investor may not be able to pledge his or her interest in a Global Note in circumstances where certificates representing the Notes must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- DTC's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a Global Note, and those policies may change from time to time. We and the Fiscal and Paying Agent will have no responsibility for any aspect of DTC's policies, actions or records of ownership interests in a Global Note. We and the Fiscal and Paying Agent also do not supervise DTC in any way;

- DTC will require that those who purchase and sell interests in a Global Note within its book-entry system use immediately available funds and your broker or bank may require you to do so as well; and
- Financial institutions that participate in DTC's book-entry system and through which an investor holds its interest in the Global Notes, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes, and those policies may change from time to time. For example, if you hold an interest in a Global Note through an account with Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg, as applicable, will require those who purchase and sell interests in that Global Note through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

***Exchange Event; special situations when a Global Note will be exchanged for a definitive Note***

A Global Note may be exchanged in whole but not in part for definitive Notes only upon the occurrence of an Exchange Event. Upon the occurrence of an Exchange Event, the Branch shall give written notice to the Fiscal and Paying Agent of such Exchange Event, whereupon the Fiscal and Paying Agent shall promptly authenticate and deliver definitive Notes in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such Notes and otherwise having the same terms as the Global Note or Notes being replaced and as otherwise instructed by DTC as described below in exchange for such Global Note or Notes.

An **Exchange Event** will occur:

- if DTC notifies us that it is unwilling or unable to continue as depository or has ceased to be a clearing agency registered under the Exchange Act, and no alternative clearing system is available;
- if we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by a Global Note in definitive form; or
- if a Payment Event of Default has occurred and is continuing with regard to these Notes.

If a Global Note is terminated, only DTC, and not we or the Fiscal and Paying Agent, is responsible for deciding the names of the institutions in whose names the Notes represented by the Global Note will be registered and, therefore, who will be the holders of those Notes.

Any Global Note representing book-entry notes that is exchangeable pursuant to the preceding special situations shall be exchangeable in whole for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of US\$250,000 (or the equivalent thereof in another currency or composite currency) and integral multiples of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof.

**Considerations relating to DTC, Euroclear and Clearstream, Luxembourg**

*DTC.* DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities

through electronic computerized book-entry transfers and pledges between DTC participants' accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (**Indirect DTC participants**). The rules applicable to DTC's participants are on file with the SEC. More information about DTC can be found at its Internet website at [www.dtcc.com](http://www.dtcc.com), a website the contents of which are not incorporated by reference into this Offering Memorandum.

Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of principal and interest on the Notes will be made in immediately available funds in accordance with their respective holdings shown on DTC's records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities registered in "street name," and it will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC, the Fiscal and Paying Agent or us, 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 NAB or the Fiscal and Paying Agent. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and Indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of Indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or Indirect DTC participants, the ability of the owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

Ownership of interests in the Notes held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the Indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Notes held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Notes as DTC participants.

*Clearstream, Luxembourg.* Clearstream, Luxembourg holds securities for its participating organizations (**Clearstream, Luxembourg participants**) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or

maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear, as the operator of the Euroclear system (the **Euroclear Operator**), in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream, Luxembourg.

*Euroclear.* Euroclear holds securities and book-entry interests in securities for participating organizations (**Euroclear participants**) and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a Euroclear participant or any other securities intermediary that holds a book-entry interest in a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the **Euroclear Terms and Conditions**). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the depository for Euroclear.

### **Special payment and timing considerations for transactions in Euroclear and Clearstream, Luxembourg**

If Euroclear or Clearstream, Luxembourg is designated as a Depository for a particular Tranche or Series of Notes in the applicable Pricing Supplement, such Notes will be allocated a Common Code and an International Securities Identification Number, or ISIN. The Common Code and ISIN will be included in the Pricing Supplement applicable to such Notes.

Investors will be able to make and receive the Euroclear and Clearstream, Luxembourg payments, deliveries, transfers, exchanges, notices and other transactions involving any Notes held through systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the Notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchases or

sales of their interests between the DTC and Euroclear or Clearstream, Luxembourg, and those transactions may settle later than would be the case for transactions within one clearing system.

## TAXATION

### United States Federal Income Taxation

This section describes certain United States federal income tax consequences of the ownership and disposition of the Notes we are offering. It applies to you only if you acquire Notes in the offering at the offering price and you hold your Notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- an individual retirement account or other tax-deferred account,
- a person that is liable for the alternative minimum tax,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a person that purchases or sells Notes as part of a wash sale for tax purposes,
- a person that has ceased to be a U.S. citizen or a lawful permanent resident of the United States, or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in an applicable Pricing Supplement. This section is based on 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 treated as a partnership for U.S. federal income tax purposes holds the Notes, the United States 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. A partner in an entity treated as a partnership for U.S. federal income tax purposes holding the Notes should consult its tax adviser with regard to the United States federal income tax treatment of an investment in the Notes.

The tax consequences of any particular Note depend on its terms, and any particular offering of Notes may have features or terms that cause the U.S. federal income tax treatment of the Notes to differ materially from the discussion below. An applicable Pricing Supplement will discuss any material differences from the discussion below.

*Please consult your own tax adviser concerning the consequences of owning these Notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.*

### ***Treatment of the Notes as U.S. Booked Liabilities***

Unless otherwise specified in an applicable Pricing Supplement, the Branch intends to treat the Notes as U.S. booked liabilities, and the discussion below assumes such treatment. The applicable Pricing Supplement will discuss the treatment of any Notes that are not treated as U.S. booked liabilities.

### ***United States Holders***

This subsection describes the tax consequences to a United States holder. You are a **United States holder** if you are a beneficial owner of a Note and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States 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 authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to “—*United States Alien Holders*” 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*,” you will be taxed on any interest on your 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 (a **Foreign Currency**), as ordinary income from sources within the United States at the time you receive the interest or when it accrues, depending on your method of accounting for United States tax purposes.

*Foreign Currency Notes – Cash Basis Taxpayers.* If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a Foreign Currency, you must recognize 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 you actually convert the payment into U.S. dollars.

*Foreign Currency Notes – Accrual Basis Taxpayers.* If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a Foreign Currency by using one of two methods. Under the first method, you will 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.

If you elect the second method, you 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 you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that

you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service (IRS).

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your Note, denominated in, or determined by reference to, a Foreign Currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

### *Original Issue Discount*

*General.* If you own 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 original issue discount (**OID**) if the amount by which the Note's stated redemption price at maturity exceeds its issue price is 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 below under "*Variable Rate Notes.*"

In general, your 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  $\frac{1}{4}$  of one percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your Note will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If your Note has *de minimis* OID, you must include the *de minimis* amount in income as stated principal payments are made on the Note, unless you make the election described below under "*Election to Treat All Interest as Original Issue Discount.*" You can determine the includible amount with respect to each such payment by multiplying the total amount of your 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 your discount Note matures more than one year from its date of issue, you must include OID in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your discount Note. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount Note for each day during the taxable year or portion of the taxable year that you hold your discount Note. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount Note and you may vary the length of each accrual period over the term of your 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.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount Note's adjusted issue price at the beginning of the accrual period by your discount Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on your discount Note allocable to the accrual period.

You 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, you determine your discount Note's adjusted issue price at the beginning of any accrual period by:

- adding your discount Note's issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on your discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount Note contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you 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, you 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. You 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 your discount Note, other than any payment of qualified stated interest, and
- your discount Note's adjusted issue price as of the beginning of the final accrual period.

*Acquisition Premium.* If you purchase your discount Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your Note after the purchase date but is greater than the amount of your discount Note's adjusted issue price, as determined above under "*—General,*" the excess is acquisition premium. If you do not make the election described below under "*—Election to Treat All Interest as Original Issue Discount,*" then you must reduce the daily portions of OID by a fraction equal to:

- the excess of your adjusted basis in the discount Note immediately after purchase over the adjusted issue price of the Note

divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the 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 your Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on your Note is to be made within one year of your Note's issue date, and

- the 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 your Note. If this 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 tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

*Notes Subject to Contingencies Including Optional Redemption.* Your 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, you must determine the yield and maturity of your 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, you must include income on your Note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable Pricing Supplement.

Notwithstanding the general rules for determining yield and maturity, if your Note is subject to contingencies, and either you or we have 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 we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your Note and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your Note.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your Note for the purposes of those calculations by using any date on which your Note may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your 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 your Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your Note by treating your Note as having been retired and reissued on the date of the change in circumstances for an amount equal to your Note's adjusted issue price on that date.

*Election to Treat All Interest as Original Issue Discount.* You may elect to include in gross income all interest that accrues on your 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* original issue discount, 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 you make this election for your Note, then, when you apply the constant-yield method:

- the issue price of your Note will equal your cost,

- the issue date of your Note will be the date you acquired it, and
- no payments on your Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which you make it; however, if the Note has amortizable bond premium, you 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 you hold as of the beginning of the taxable year to which the election applies or thereafter. Additionally, if you make this election for a market discount Note, you 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 you acquire on or after the first day of the first taxable year as to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the IRS.

*Variable Rate Notes.* Your Note will be a variable rate Note if:

- your Note’s issue price does not exceed the total noncontingent principal payments by more than the lesser of:
  - (a) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
  - (b) 15 percent of the total noncontingent principal payments; and
- your Note provides for stated interest, compounded or paid at least annually, only at:
  - (a) one or more qualified floating rates,
  - (b) a single fixed rate and one or more qualified floating rates,
  - (c) a single objective rate, or
  - (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate;
- the value of any floating rate on any date during the term of your 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; and
- your Note does not provide for any principal payments that are contingent (other than as described above).

Your 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 your Note is denominated; or
- the rate is equal to such a rate either:
  - (a) multiplied by a fixed multiple that is greater than 0.65 but not more than 1.35; or
  - (b) 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 your 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.

Your 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 fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

Your 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.

Your 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 your Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your 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.

Your Note will also have a single qualified floating rate or an objective rate if interest on your 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.

Floating Rate Notes for which the Reference Rate is LIBOR or EURIBOR generally will be treated as variable rate Notes.

In general, if your 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 your 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 your Note.

If your variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate that is unconditionally payable at least annually in cash or property other than debt of the Branch or NAB, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your Note by:

- determining a fixed rate substitute for each variable rate provided under your 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 you determine the fixed rate substitute for each variable rate provided under the variable rate Note, you 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 your Note.

If your 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, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate Note will be treated, for purposes of the first three steps of the determination, as if your 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 your 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 you are an individual or other cash basis United States holder of a short-term Note (*i.e.*, a Note with a maturity of one year or less), you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). This election will apply to all obligations with a maturity of one year or less that you acquire on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. If you are 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, you 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 you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term Notes, you will be required to defer deductions for interest on borrowings allocable to your short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term Note, including stated interest, in your short-term Note's stated redemption price at maturity.

*Non-U.S. Dollar Discount Notes.* If your discount Note is denominated in, or determined by reference to, a Foreign Currency, you must determine OID for any accrual period on your discount Note in the Foreign 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 above under "*—Payments of Interest.*" You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your Note.

#### *Market Discount*

You will be treated as if you purchased your Note, other than a short-term Note, at a market discount, and your Note will be a market discount Note if:

- you purchase your Note for an amount 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 you paid for your Note is equal to or greater than  $\frac{1}{4}$  of one percent of your Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of your Note for these purposes, you generally add any OID that has accrued on your Note to its issue price.

If your Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price you paid for the Note by less than  $\frac{1}{4}$  of one percent 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 to you.

You must treat any gain you recognize on the maturity or disposition of your market discount Note as ordinary income to the extent of the accrued market discount on your Note. Alternatively, you may elect to include market discount in income currently over the life of your Note. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the IRS. If you own a market discount Note and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your Note in an amount not exceeding the accrued market discount on your Note until the maturity or disposition of your Note.

You will accrue market discount on your market discount Note on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the Note with respect to which it is made and you may not revoke it.

#### *Notes Purchased at a Premium*

If you purchase your Note for an amount in excess of its principal amount (or, in the case of a discount Note, in excess of its stated redemption price at maturity), you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your Note by the amount of amortizable bond premium allocable to that year, based on your Note's yield to maturity. If your Note is denominated in, or determined by reference to, a Foreign Currency, you will compute your amortizable bond premium in units of the Foreign Currency and your amortizable bond premium will reduce your interest income in units of the Foreign Currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your Note is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the IRS. See also "*Original Issue Discount—Election to Treat All Interest as Original Issue Discount.*"

#### *Purchase, Sale and Retirement of the Notes*

Your tax basis in your Note will generally be the U.S. dollar cost, as defined below, of your Note, adjusted by:

- adding any OID or market discount previously included in income with respect to your Note, and then
- subtracting any payments on your Note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your Note.

If you purchase your Note with a Foreign Currency, the U.S. dollar cost of your Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer that so elects, and your Note is traded on an established securities market, as defined in the applicable

Treasury regulations, the U.S. dollar cost of your Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your Note equal to the difference between the amount you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and your adjusted tax basis in your Note. If your Note is sold or retired for an amount in a Foreign Currency, the amount you realize 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 realized based on the U.S. dollar value of the Foreign Currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your Note, except to the extent:

- described above under “—*Original Issue Discount—Short-Term Notes*” or “—*Market Discount*,”
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder is generally taxed at a preferential rate where the property is held for greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

#### *Exchange of Amounts in Other than U.S. Dollars*

If you receive Foreign Currency as interest on your Note or on the sale or retirement of your Note, your tax basis in the Foreign Currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase Foreign Currency, you generally will have a tax basis equal to the U.S. dollar value of the Foreign Currency on the date of your purchase. If you sell or dispose of a Foreign Currency, including if you use it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

#### *Index Linked Notes, Contingent Payment Obligations, Installment Notes and Certain Specified Currency Notes*

The applicable Pricing Supplement will discuss any special United States federal income tax rules with respect to Notes the payments on which are determined by reference to any index, Notes that are subject to the rules governing contingent payment obligations and Installment Notes and Notes the payments on which are denominated in, or determined by reference to, more than one Specified Currency.

#### *Medicare Tax*

A United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8 percent tax on the lesser of (1) the United States holder’s “net investment income” (or “undistributed net investment income” in the case of an estate or trust) for the relevant taxable year and (2) the excess of the United States holder’s modified adjusted gross income for the taxable year over a certain threshold (which, in the case of individuals, is between US\$125,000 and US\$250,000, depending on the individual’s circumstances). A holder’s net investment income generally includes its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a

United States holder that is an individual, estate or trust, you are urged to consult your tax advisers regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Notes.

### ***United States Alien Holders***

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a nonresident alien individual,
- a non-U.S. corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If you are a United States holder, this subsection does not apply to you.

This discussion assumes that the Note is not subject to the rules of Section 871(h)(4)(A) of the Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party.

Under United States federal income and estate tax law, and subject to the discussion below under “—*Withholdable Payments to Non-U.S. Financial Entities and Other Non-U.S. Entities*” and under “—*Backup Withholding and Information Reporting*,” if you are a United States alien holder of a Note:

- we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including OID, to you if, in the case of payments of interest:
  - (a) you do not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of NAB entitled to vote,
  - (b) you are not a controlled foreign corporation that is related to NAB through stock ownership, and
  - (c) the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:
    - (i) you have furnished to the U.S. payor an IRS Form W-8BEN, W-8BEN-E, or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-U.S. person,
    - (ii) in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as the beneficial owner of the payment for United States federal income tax purposes and as a non-United States person,
    - (iii) the U.S. payor has received a withholding certificate (furnished on an appropriate IRS Form W-8 or an acceptable substitute form) from a person claiming to be:
      - 1. a withholding foreign partnership (generally a non-U.S. partnership that has entered into an agreement with the IRS to assume primary withholding

responsibility with respect to distributions and guaranteed payments it makes to its partners),

2. a qualified intermediary (generally a non-U.S. financial institution or clearing organization or a non-U.S. branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the IRS), or
3. a U.S. branch of certain non-U.S. banks or of certain non-U.S. insurance companies if such U.S. branch agrees with the withholding agent to be treated as a U.S. person under applicable U.S. Treasury Regulations (and other requirements under such regulations are satisfied),

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payment on the Notes in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the IRS),

- (iv) the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,
  1. certifying to the U.S. payor under penalties of perjury that an IRS Form W-8BEN, W-8BEN-E, or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and
  2. to which is attached a copy of the IRS Form W-8BEN, W-8BEN-E, or acceptable substitute form, or
- (v) the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payments on the Notes in accordance with U.S. Treasury regulations;

- no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your Note.

If you are a United States alien holder and interest paid on your Note, or gain realized upon the sale or other disposition of your Note, is effectively connected with the conduct of a trade or business within the United States by you, you will generally be taxed on a net income basis, that is, after allowance for applicable deductions, at the graduated rates that are applicable to United States holders in essentially the same manner as if your Note were held by a United States holder, as discussed above, unless such interest or gain is exempt or subject to reduced tax pursuant to an applicable income tax treaty and you are entitled to such treaty benefits. If you are a United States alien holder that is a corporation, such income may also be subject to the United States federal branch profits tax, which is generally imposed on a foreign corporation under the deemed repatriation from the United States of effectively connected earnings and profits, at a 30 percent rate, unless the rate is reduced or eliminated by an applicable income tax treaty and you are a qualified resident of the treaty country. Any interest that is effectively connected with the conduct of a trade or business within the United States and is includible in gross income for the taxable year by you, as described in this paragraph, will generally be exempt from United States withholding tax if you satisfy the applicable certification requirement (generally, by providing IRS Form W-8ECI).

Further, a Note held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States federal estate tax purposes if:

- the decedent did not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of NAB entitled to vote at the time of death, and
- the income on the Note would not have been effectively connected with a United States trade or business of the decedent at the same time.

#### ***Treasury Regulations Requiring Disclosure of Reportable Transactions***

U.S. 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 are denominated in a Foreign Currency, a United States holder (or a United States alien holder that holds the Notes in connection with a U.S. trade or business) that recognizes a loss with respect to the Notes that is characterized 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 US\$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax adviser 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***

Owners of "specified foreign financial assets" with an aggregate value in excess of US\$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 non-U.S. 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-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. Holders are urged to consult their tax advisers regarding the application of this reporting requirement to their ownership of the Notes.

#### ***Withholdable Payments to Non-U.S. Financial Entities and Other Non-U.S. Entities***

A 30 percent withholding tax may be imposed on certain payments to you or certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on your behalf if you or such persons fail to comply with information reporting or certification requirements. Such payments will include U.S.-source interest and the gross proceeds from the sale or other disposition of Notes. Payments of interest that you receive in respect of the Notes could be affected by this withholding if you are subject to the information reporting requirements and fail to comply with them or if you hold Notes through another person (e.g., a non-U.S. bank or broker) that is subject to withholding because it fails to comply with these requirements (even if you would not otherwise have been subject to withholding). Payments of gross proceeds from a sale or other disposition of Notes could also be subject to this withholding unless such disposition occurs before January 1, 2019. You should consult your own tax advisers regarding the relevant U.S. law and other official guidance on this withholding.

We will not pay any additional amounts in respect of the withholding described in the previous paragraph, so if this withholding applies, you will receive significantly less than the amount that you would have otherwise received with respect to your Notes. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have any such withholding refunded, the required procedures could be cumbersome and significantly delay your receipt of any amounts withheld.

### ***Backup Withholding and Information Reporting***

In general, if you are a noncorporate United States holder, we and other payors are required to report to the IRS all payments of principal, any premium and interest on your Note, and the accrual of OID on a discount Note. In addition, we and other payors are required to report to the IRS any payment of proceeds of the sale of your Note before maturity within the United States. Additionally, backup withholding will apply to any payments, including payments of OID, if you fail to provide an accurate taxpayer identification number or certification of exempt status, or you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

In general, if you are a United States alien holder, we and other payors are required to report payments of interest on your notes on IRS Form 1042-S. Payments of principal, premium or interest, including OID, made by us and other payors to you would otherwise not be subject to information reporting and backup withholding, provided that the certification requirements described above under “—United States Alien Holders” are satisfied or you otherwise establish an exemption. In addition, payment of the proceeds from the sale of Notes effected at a United States office of a broker will not be subject to backup withholding and information reporting if (i) the payor or broker does not have actual knowledge or reason to know that you are a United States person and (ii) you have furnished to the payor or broker an appropriate IRS Form W-8, an acceptable substitute form or other documentation upon which it may rely to treat the payment as made to a non-United States person.

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. In addition, certain foreign brokers may be required to report the amount of gross proceeds from the sale or other disposition of Notes under FATCA if you are, or are presumed to be, a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

### **Australian Taxation**

*The following is a summary of the taxation treatment under the Australian Tax Act, as of the date of this Offering Memorandum, of payments of interest (as defined in the Australian Tax Act) on the Notes to be issued by the Branch under the Program and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of Noteholders (including, dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders).*

*Prospective Noteholders 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 Noteholders 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.*

### ***Interest withholding tax***

Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (**IWT**) may apply in respect of payments of interest made by NAB through the Branch (subject to the application of an exemption as outlined below).

An exemption from IWT is available, in respect of the Notes issued by the issuer under section 128F of the Australian Tax Act, if the following conditions are met:

- (a) NAB remains 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, only one of which needs to be satisfied. The purpose of the public offer test is to ensure that lenders in capital markets are aware that the issuer is offering those Notes for issue. In summary, the five methods are:
  - (i) offers to 10 or more unrelated financiers or securities dealers;
  - (ii) offers to 100 or more investors;
  - (iii) offers of listed Notes;
  - (iv) offers via publicly available information sources; and
  - (v) offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods.

In addition, the issue of any of the Notes (whether in global form or otherwise) and the offering of interests in any of the 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 (as defined in section 128F(9)), except as permitted by section 128F(5) of the Australian Tax Act. The section 128F exemption also does not apply to interest paid by NAB 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 (as defined in section 128F(9)), 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 the issuer is not a trustee (i) a person or entity which holds more than 50 percent of the voting shares of, or otherwise controls, the issuer, (ii) an entity in which more than 50 percent 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 any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act, “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 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, 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 applicable Pricing Supplement (or another relevant supplement to this Offering Memorandum), NAB intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

### ***Exemptions under recent tax treaties***

The Australian Government has signed a number of new or amended double tax conventions (**New Treaties**) with foreign jurisdictions (each a **Specified Country**).

The New 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 New Treaties are in force in a number of jurisdictions including, for example, the United States and the United Kingdom. The Australian Government is progressively amending its double tax conventions to include this form of IWT exemption.

### ***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 applicable Pricing Supplement (or another relevant supplement to this Offering Memorandum), 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 those 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 compelled by law in relation to any Notes to deduct or withhold an amount in respect of any withholding taxes, NAB may have the option to redeem those Notes in accordance with the relevant Terms and Conditions.

### ***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 due to them in respect of the Notes. Whether income will be recognized 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 Noteholder who is a non-Australian resident will not be subject to Australian income tax on gains realized during that year on the sale or redemption of the Notes, provided:
  - (i) if the non-Australian resident is not a resident of a country with which Australia has entered into a double tax treaty – such gains do not have an Australian source; and
  - (ii) if the non-Australian resident is a resident of a country with which Australia has entered into a double tax treaty – the non-Australian resident does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia.

A gain arising on the sale of the Notes by a non-Australian resident 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 will be required to include any gain or loss on disposal 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, transfer or redemption 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). A withholding rate of 49 percent

applies temporarily in respect of payments of interest made from July 1, 2014 until June 30, 2017. A withholding rate of 47 percent is then expected to apply from July 1, 2017. 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 Noteholder in registered form who is not a resident of Australia and not holding those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of Noteholders in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

- (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) a GST-free supply. Furthermore, neither the payment of principal or interest by the Branch, 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 Memorandum 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 in the course of carrying on business in Australia. Any such Noteholders should consult their professional advisers for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of those Notes; and
- (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 generally not be subject to tax under the new provisions.

### **OECD Common Reporting Standard**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**) will require certain financial institutions resident in a participating jurisdiction to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. These financial institutions may include an intermediary in the chain of payments leading to a Holder (which may include a clearing house). Under CRS, Holders may be requested to provide certain information and certifications to ensure compliance. This information will be provided to the local tax authority of the intermediary, which may exchange that information with foreign tax authorities.

## UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to 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 Branch 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 Noteholder of the 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 Noteholder of the Notes or any interest therein which is a non-ERISA

Arrangement will be deemed to have represented by its purchase or holding of the 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 Branch 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.

## PLAN OF DISTRIBUTION

Pursuant to the Distribution Agreement, with respect to the Notes, the Branch and one or more of the Dealers may from time to time enter into an agreement for the issue and purchase of Notes. The Pricing Supplement in respect of each issue of Notes will set forth the names of the Dealer(s) participating in the offering of such Notes and the principal amount of such Notes that each such Dealer has agreed, subject to certain conditions, to purchase. Where more than one Dealer is named in the Pricing Supplement in respect of any issue of Notes, the agreement by such Dealers to purchase such Notes shall be several and not joint.

The Dealers named in the Pricing Supplement in respect of any issue of Notes shall be committed to take and pay for all of its shares of such Notes, if any are taken. The initial offering price shall be set forth in the applicable Pricing Supplement. After any Notes are released for sale, the relevant Dealers may change the offering price and other selling terms. The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part.

In connection with any offering of Notes, the Dealers participating in the offering may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Dealers participating in the offering of a greater number of Notes than they are required to purchase in such offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the relevant Notes while the offering is in progress.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilizing manager(s) (or persons acting on behalf of any stabilizing managers) in the applicable Pricing Supplement may over-allot or effect transactions (in each case outside of Australia and not on any market in Australia) with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilizing manager(s) (or persons acting on behalf of a stabilizing manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant stabilizing manager(s) (or persons acting on behalf of any stabilizing manager(s)) in accordance with all applicable laws.

The Dealers participating in any offering of Notes also may impose a penalty bid. This occurs when a particular Dealer participating in the offering repays to the Dealers participating in the offering a portion of the underwriting discount received by it because such Dealers or their affiliates have repurchased Notes sold by or for the account of such Dealer in stabilizing or short covering transactions.

The Dealers may from time to time purchase and sell Notes in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the Dealers may make a market in the Notes.

These activities by the Dealers participating in any offering of Notes, as well as other purchases of such Notes by such Dealers for their own accounts, may stabilize, maintain or otherwise affect the market price of such Notes. As a result, the price of such Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Dealers participating in the offering at any time. These transactions may be effected in the over-the-counter market or otherwise.

In the Distribution Agreement, NAB has agreed to severally indemnify the Dealers against certain liabilities, including liabilities under the Securities Act.

nabSecurities, LLC is an affiliate of NAB and a broker-dealer registered with the SEC. Any offer or sale of Notes by nabSecurities, LLC will comply with the requirements of FINRA Rule 5121 regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. nabSecurities, LLC (or any other affiliate of NAB) will not make any sales in any offering to any discretionary account, unless specific written approval of the account holder is obtained.

The Dealers and certain of their respective affiliates are 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. Certain of the Dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for NAB, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealers and their respective 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, and such investment and securities activities may involve securities and/or instruments of NAB. If any of the Dealers or their affiliates have a lending relationship with us, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these 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 our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of securities and/or instruments of NAB and may at any time hold, or recommend to clients that they acquire long and/or short positions in such securities and instruments.

Persons into whose hands the Offering Memorandum, any Pricing Supplement or other offering materials in respect of the Notes comes are, and each Noteholder is, required by NAB, the Branch and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

## SELLING RESTRICTIONS

*The selling restrictions set forth below may be modified by the agreement of the Branch and the relevant Dealers, including following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates. No action has been taken in any country or jurisdiction by the Branch or the Dealers that would permit a public offering of any of the Notes, or possession of distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.*

### United States

The Notes have not been registered with the SEC and are offered and sold pursuant to (i) an exemption from registration under Section 3(a)(2) of the Securities Act and (ii) Section 16.6 of Part 16 of the OCC's regulations. Initial offers and sales of Notes are limited solely to institutional "accredited investors" (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act). Each purchaser of the Notes offered hereby in making its purchase will be deemed to have made the acknowledgements, representations and agreements as set forth under "Notice to Investors."

As required by the OCC's regulations, any Notes issued in definitive form must contain a legend that it may be purchased and transferred only in a minimum principal denominations of US\$250,000 (or the equivalent thereof in another currency or composite currency).

### Public Offer Selling Restrictions under the Prospectus Directive

In relation to each EU Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the applicable Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Branch for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Branch or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant 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 the Notes, as the same may be varied in that EU Member State by any measure implementing the Prospectus Directive in that EU Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

## United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) 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 Financial Services and Markets Act 2000 (**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 apply to the Branch; and
- (b) 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.

## Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Program 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 Program will be required to represent and agree that unless the applicable Pricing Supplement (or another supplement to this Offering Memorandum) 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 Memorandum 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 otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act, (ii) such offer 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.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Corporations Act if the body offering the debentures is an Australian ADI. As at the date of this Offering Memorandum, NAB is an ADI.

## New Zealand

No action has been or will be taken by the Branch or the Dealers that 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 Program 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 Note and (2) it will not distribute any offering circular or advertisement in relation to any offer of 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) 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.

## **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 Program 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 Program will be required to represent and agree that:

- (a) 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 persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the SFO and any rules made thereunder; or (iii) 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 **CWUMPO**) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) 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 in 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 thereunder.

## **France**

Each of the Dealers and the Branch has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree that:

- (a) it has only made and will only make an offer of Notes to the public (*offre au public*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (**AMF**), on the date of its publication or, (ii) when a prospectus has been

approved by the competent authority of another EU Member State of the European Economic Area which has implemented the European Union Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of such prospectus, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

- (b) 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 Memorandum, the applicable Pricing Supplement 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 (i) 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/or (ii) 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

Persons may only act as intermediary in the context of an offer of investment instruments subject to, and in compliance with, Article 56 of the Law of June 16, 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, as amended from time to time and as last amended on April 19, 2014 (the **Belgian Prospectus Law**).

With regard to Notes having a maturity of less than 12 months, this Offering Memorandum has 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, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it shall refrain from taking any action that would be characterized as or result in a public offering of Notes in Belgium in accordance with the Belgian Prospectus Law.

## Singapore

Each Dealer acknowledges, and each further Dealer appointed under this Program will be required to acknowledge that this Offering Memorandum 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 (the **Securities and Futures Act**). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Program 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 Memorandum 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 pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person 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 (as defined in Section 239(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 six 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;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the Securities and Futures Act; or
- (v) pursuant to Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulation 2005 of Singapore.

### **The Netherlands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not make an offer of Notes to the public in the Netherlands in reliance on an exemption under the Prospectus Directive (as defined above under "Public Offer Selling Restrictions under the Prospectus Directive" above) from the requirement to publish a prospectus unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording is disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Notes shall require NAB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that no Notes may be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time (**Regulation No. 11971**); or
- (b) 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 that any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) 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. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the **Italian Banking Act**); and

- (ii) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## **China**

Each Dealer has represented and agreed and each further Dealer appointed under the Program 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 in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) (the **PRC**), as part of the initial distribution of the Notes.

## **Ireland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell any Notes otherwise than in conformity with the Central Bank Acts 1942 to 2014 of Ireland (as amended) and any codes of conduct made under Section 117(1) thereof; and
- (b) it has complied and will comply with all applicable provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (No.s 1-3) of Ireland, as amended, with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and is acting under and within the terms of an authorization to do so for the purposes of Directive 2004/39/EC (as amended) and the Council of April 21, 2004, and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction.

## **Canada**

Each Dealer has represented and agreed, and each further Dealer appointed under the Program 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.

Prospective Canadian-resident purchasers should also refer to the section entitled “*Notice to Canadian Purchasers*” below for additional information.

### **General**

Each Dealer has agreed and each further Dealer appointed under the Program 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 Memorandum 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 neither the Branch, the Fiscal and Paying Agent nor any of the other Dealers shall have any responsibility therefor.

None of the Branch, the Fiscal and Paying Agent 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 Branch and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

## NOTICE TO CANADIAN PURCHASERS

Prospective Canadian purchasers of Notes are advised that the information contained within this Offering Memorandum has not been prepared with regard to matters that may be of particular concern to Canadian purchasers. Accordingly, prospective Canadian purchasers of Notes should consult with their own legal, financial and tax advisers concerning the information contained within the Offering Memorandum and as to the suitability of an investment in the Notes in their particular circumstances.

Securities legislation in certain provinces or territories of Canada may provide a Canadian purchaser with remedies for rescission or damages if this Offering Memorandum (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.

Prospective Canadian purchasers are hereby notified that: (a) any of the Branch or the Dealers may be required to provide personal information pertaining to the Canadian purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including the Canadian purchaser's name, address, telephone number and the aggregate purchase price of any Notes purchased) (**personal information**), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (**OSC**) in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information at the date of this Offering Memorandum, is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase any Notes will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the Canadian purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Memorandum, 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.*

## **LEGAL MATTERS**

The validity of the Notes under New York law will be passed upon for us by our United States counsel, Sullivan & Cromwell, Melbourne, Australia. The validity of the Notes under New York law will be passed upon for the Dealers by their United States counsel, Linklaters LLP, New York, New York, United States of America.

## INDEPENDENT AUDITORS

The consolidated financial statements of NAB as of and for the years ended September 30, 2015, 2014 and 2013 included in the 2015 Annual Financial Report and 2014 Annual Financial Report which are incorporated by reference in this Offering Memorandum as described in “*Incorporation by Reference*” above have been audited by Ernst & Young, independent public accountants with respect to NAB and its consolidated subsidiaries within the meaning of the Code of Ethics for Professional Accountants APES 110, the Code of Ethics for Professional Accountants of the Institute of Chartered Accountants in Australia and the Corporations Act, as stated in their reports appearing therein.

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 (except for Tasmania), 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.

## APPENDIX A—FORM OF PRICING SUPPLEMENT

[Date]

**National Australia Bank Limited,  
acting through its New York Branch  
(ABN 12 004 044 937)**

**Issue of [US\$] [Aggregate Nominal Amount] [Title of Notes]  
under the US\$20,000,000,000  
Medium Term Notes, Series B, Program**

### **PART A – CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Memorandum, dated May 12, 2016[, and the supplement[s] to the Offering Memorandum, dated [●].] [*include details of supplements to the Offering Memorandum published since the date of the Offering Memorandum*] (the **Offering Memorandum**). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the Offering Memorandum or in the Amended and Restated Fiscal and Paying Agency Agreement dated November 23, 2012, as the case may be. Full information on the Branch and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum.

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

This document constitutes the Pricing Supplement for the Notes described herein and must be read in conjunction with the Offering Memorandum, dated May 12, 2016[, and the supplement[s] to the Offering Memorandum, dated [●].] [*include details of supplements to the Offering Memorandum published since the date of the Offering Memorandum*] (the **Offering Memorandum**), save in respect of the Conditions which are extracted from the Offering Memorandum dated [*original date*] [and the supplement to the Offering Memorandum dated [*insert earlier date*]] and are attached hereto. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions. Full information on the Branch and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). 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 Pricing Supplement.]*

1. The issuer: National Australia Bank Limited, acting through its New York Branch
2. (a) Series Number: [●]  
(b) Tranche Number: [●]  
*[If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible]*
3. Specified Currency or Currencies: [United States Dollars (US\$)] / *[Specify details]*
4. Aggregate Nominal Amount:  
(a) Series: [US\$][●]  
(b) Tranche: [US\$][●]
5. Issue Price: [●] percent of the Aggregate Nominal Amount [plus accrued interest from ●]
6. (a) Specified Denominations: [●]  
Calculation Amount: [●]
7. (a) Issue Date: [●]  
(a) Interest Commencement Date: *[specify / Issue Date / Not Applicable]*
8. Maturity Date: [●]
9. Interest Basis: [[●] percent per annum Fixed Rate]  
[[LIBOR/EURIBOR +/- [●] percent per annum Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
*[specify other]*  
(further particulars specified below)  
  
*[NB: If an index other than LIBOR or EURIBOR is specified, a calculation agent other than Deutsche Bank Trust Company Americas must be designated for such Notes.]*
10. Redemption/Payment Basis: [●]
11. Change of Interest Basis or Redemption/Payment Basis: [●]

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [Date of [Board] Approval for issuance of Notes:] [Not Applicable]  
*[N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes]*
14. Method of distribution: [Syndicated / Non-syndicated]

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

15. Record Date: [The 15th day prior to the Interest Payment Date] or *[Specify other]*
16. Fixed Rate Note Provisions: [Applicable / Not Applicable]
- (a) Rate(s) of Interest: [●] percent per annum [payable annually/semi-annually/quarterly/[other (specify)]] in arrear
- (b) Interest Payment Date(s): [●] in each year from (and including) [●] up to (and including) the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below
- (c) Fixed Coupon Amount(s): US\$[●] per Calculation Amount
- (d) Broken Amount(s): US\$[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (e) Day Count Fraction: 30/360 or Actual / Actual (ICMA) or *[Specify other] (see Condition 5.6 for alternatives)*
- (f) Business Day Convention: [Not Applicable/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 Centers: [Not Applicable.] / [Sydney (for the avoidance of doubt, in accordance with the Conditions, this center is in addition to New York)] / *[Specify other (for the avoidance of doubt, in accordance*

with the Conditions, this center is in addition to New York)]

- (h) Determination Date(s): [●] in each year
  - (i) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None / Give details]
17. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (a) Specified Interest Payment Dates: [●] in each year from (and including) [●] up to (and including) the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below/[specify other]
  - (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
  - (c) Additional Business Center(s): [Not Applicable.] / [Sydney (for the avoidance of doubt, in accordance with the Conditions, this center is in addition to New York)] / [Specify other (for the avoidance of doubt, in accordance with the Conditions, this center is in addition to New York)]
  - (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination /specify other]
  - (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [Deutsche Bank Trust Company Americas/specify other]  
  
*(If a calculation agent other than Deutsche Bank Trust Company Americas is designated as being responsible for calculating the Rate of Interest and Interest Amount, include the name and address of such calculation agent above)*
  - (f) Screen Rate Determination:
    - (i) Reference Rate: [●]
    - (ii) Interest Determination Date(s): [●]

(iii)	Relevant Screen Page:	[•]  <i>(It is anticipated that ISDA determination will be used on an issue by issue basis, unless otherwise agreed between the Branch and the relevant dealer or the relevant managers of the launch of a particular issue)</i>
(g)	ISDA Determination:	[•]
(i)	Floating Rate Option:	[•]
(ii)	Designated Maturity:	[•]
(iii)	Reset Date:	[•]
(h)	Margin(s):	[+/-][•] percent per annum
(i)	Minimum Rate of Interest:	[•] percent per annum
(j)	Maximum Rate of Interest:	[•] percent per annum
(k)	Day Count Fraction:	Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 (ISDA) Other see Condition 5.6 for alternatives
(l)	Interest Amounts Non-Adjusted:	[Applicable/Not Applicable]
(m)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
18.	Zero Coupon Note Provisions:	Not Applicable
19.	Index Linked Interest Note Provisions:	Not Applicable
20.	Dual Currency Interest Note Provisions:	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>		
21.	Issuer Call:	[Applicable/Not Applicable]

- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [US\$ [•] per Calculation Amount/specify other /See Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [•]
- (ii) Maximum Redemption Amount: [•]
- (d) Notice Period (if other than as set out in the Conditions): [Not Applicable]
- [or] [Not less than [number of days in words (number)] [insert Business Center(s)] Business Days' notice to the Fiscal and Paying Agent, Agent and Noteholders prior to the Optional Redemption Date in accordance with Condition 11. Any notice given to DTC in accordance with Condition 11 shall be deemed to have been given to the Noteholders on the day on which that notice is given to DTC. Condition 11 shall be deemed to be amended accordingly.]*
- [[insert Business Center(s)] **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in [insert Business Center(s)]]*
- [N.B.: If setting notice periods which are different to those provided in the Conditions, the Branch is advised to consider the practicalities of distribution of information through intermediaries, for example, Clearance Systems and custodians, as well as any other notice requirements which may apply, for example, as between the Branch and the Agent or Fiscal and Paying Agent.]*
- [N.B.: If a Depository other than DTC is specified in field 45, indicate that notices will be given to such other Depository in accordance with Condition 11.]*
22. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [•]

- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [US\$[●] per Calculation Amount/specify other /See Appendix]
- (c) Notice period (if other than as set out in the Conditions): [●]  
*[N.B. If setting notice periods which are different to those provided in the Conditions, the Branch is advised to consider the practicalities of distribution of information through intermediaries, for example, Clearance Systems and custodians, as well as any other notice requirements which may apply, for example, as between the Branch and the Agent or Fiscal and Paying Agent]*
23. Final Redemption Amount of each Note: [US\$[●] per Calculation Amount/specify other /See Appendix]
24. Early Redemption Amount of each Note 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): [US\$[●] per Calculation Amount/specify other /See Appendix]  
*[N.B.: if unchanged from that set out in Condition 7.5][See Condition 7.5]*

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes: Global Note (US\$[●] nominal amount) registered in the name of a nominee of DTC.  
*[N.B.: See field 45 and amend accordingly if other Depository is appointed.]*
26. Additional Financial Center(s) or other special provisions relating to Payment Days: [Sydney (for the avoidance of doubt, in accordance with the Conditions, this center is in addition to New York)/specify other (for the avoidance of doubt, in accordance with the Conditions, this center is in addition to New York)]
27. 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 of failure to pay, including any right of the Branch to forfeit the Notes and interest due on late payment: Not Applicable
28. Details relating to Installment Notes: Not Applicable

29. Redenomination applicable: Redenomination not applicable
30. Other Pricing Supplement: [Not Applicable/*give details*]
31. Additional United States federal income tax considerations: [Not Applicable/*provide additional disclosure if necessary or desired, e.g., in the case of a reopening of Notes.*]

## DISTRIBUTION

32. (a) If syndicated, names and addresses of Lead Manager(s), Managers and underwriting commitments:
- Lead Manager(s)  
 [●]  
 Underwriting commitment: US\$[●]
- Managers
- [●]  
 Underwriting commitment: US\$[●]
- [●]  
 Underwriting commitment: US\$[●]
- [●]  
 Underwriting commitment: US\$[●]
- ([collectively,] the **Manager[s]**)
- (b) Date of Distribution Agreement: The Notes described by this Pricing Supplement are being issued pursuant to the Amended and Restated Distribution Agreement, dated as of November 23, 2012, [as supplemented by the Terms Agreement dated [●], between the Branch and the Managers party thereto].
- (c) Stabilizing Manager (if any): [Not Applicable/*give name*]
33. If non-syndicated, name and address of relevant Dealer: [*give name [and address]*]
34. Total commission and concession: [●] percent of the Aggregate Nominal Amount
35. TEFRA rules: Not Applicable
36. Additional selling restrictions: [Not Applicable/*give details*]
- [Selling restrictions change frequently, and so the selling restrictions contained in the Offering Memorandum should be checked for currency]*

## RATINGS

37. Ratings:

The Branch's Notes with a maturity of more than one year issued under the Program have been rated:

S&P: [ ]

Moody's: [ ]

Note that a security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

Any credit rating in respect of any Notes or NAB is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia 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 2001 of Australia 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 this Pricing Supplement and anyone who receives this Pricing Supplement must not distribute it to any person who is not entitled to receive it.

*[NB: Amend as appropriate if Notes are to be offered in the European Union to include disclosures regarding Regulation (EC) No. 1060/2009]*

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

38. Statement regarding interests of natural and legal persons involved in the issue:

[Save for any fees payable to the Managers/Dealers, so far as the Branch is aware, no person involved in the issue of the Notes has an interest material to the offer.]

*[N.B.: Amend as appropriate if there are other interests]*

## REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

39. Reasons for the offer: *[N.B.: If reasons for offer differ from “Use of Proceeds” wording in Offering Memorandum disclose reasons for offer here.]*
40. Estimated net proceeds: US\$[●]

## YIELD

41. Indication of yield: [●] percent
- [Calculated as [include details of method of calculation in summary form] on the Issue Date.]*
- As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## OPERATIONAL INFORMATION

42. CUSIP/CINS: [●]
43. ISIN: [Not Applicable]
44. Common Code: [Not Applicable]
45. Depository: DTC *[Specify if other]*
46. Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable]
47. Delivery: Delivery against payment
48. Name(s) and addresses of initial Paying Agent(s): Deutsche Bank Trust Company Americas
49. Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/*specify other*]

## FURTHER ISSUES

The Branch shall be at liberty from time to time without the consent of the Noteholders 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 and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided, however, that either such Fungible

Notes (a) 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 Regulation 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, and (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.

**RESPONSIBILITY**

The Branch accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Branch:

By: .....  
*Duly authorized*

National Australia Bank Limited has authorization of the Australian Prudential Regulation Authority to pursue the business of a credit institution.

**ISSUER**

**National Australia Bank Limited,  
acting through its New York Branch**

245 Park Avenue  
28th Floor  
New York, New York 10167  
United States

with a copy to:

National Australia Bank Limited  
Level 1, 800 Bourke Street  
Docklands Victoria 3008  
Australia

**ARRANGER**

**Goldman, Sachs & Co.**

200 West Street  
New York, New York 10282  
United States

**FISCAL AND PAYING AGENT, REGISTRAR**

**Deutsche Bank Trust Company Americas**

60 Wall Street  
MS NYC 60-1630  
New York, New York 10005  
United States

**LEGAL ADVISERS**

*To the Branch and NAB as to U.S. law*

**Sullivan & Cromwell**  
Level 32, 101 Collins Street  
Melbourne Victoria 3000  
Australia

*To the Branch and NAB as to Australian law*

**King & Wood Mallesons**  
Level 50, 600 Bourke Street  
Melbourne Victoria 3000  
Australia

*To the Dealers as to U.S. law*

**Linklaters LLP**  
1345 Avenue of the Americas  
New York, New York 10105  
United States

**AUDITORS**

**Ernst & Young**  
Ernst & Young Building  
8 Exhibition Street

Melbourne Victoria 3000  
Australia



**NATIONAL AUSTRALIA BANK LIMITED**  
**acting through its New York Branch**

(ABN 12 004 044 937)

(incorporated with limited liability in the Commonwealth of Australia)

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US\$20,000,000,000

Medium Term Notes, Series B, Program

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OFFERING MEMORANDUM

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**Arranger**

**GOLDMAN, SACHS & CO.**

**Dealers**

**BARCLAYS**  
**CITIGROUP**  
**DEUTSCHE BANK SECURITIES**  
**HSBC**  
**MORGAN STANLEY**  
**RBC CAPITAL MARKETS**

**BofA MERRILL LYNCH**  
**CREDIT SUISSE**  
**GOLDMAN, SACHS & CO.**  
**J.P. MORGAN**  
**NABSECURITIES, LLC**  
**UBS INVESTMENT BANK**

May 12, 2016

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