

**Tuesday, 31 May 2015**

# **NAB Capital Notes 2**

## **Summary Term Sheet**

## Term Sheet

All investors must receive a copy of the Prospectus.

This is not a complete description of the NAB Capital Notes 2 (“NAB Capital Notes 2”) to be issued. Investors should consider the content of the Prospectus in its entirety, including the terms and conditions and key risks of the NAB Capital Notes 2 before making any investment decision.

The terms and conditions set out below are for discussion purposes only and must not be construed as a commitment from National Australia Bank Limited (“NAB”) to provide any financing or as any offer by NAB of any securities.

Please read the Important Notice at the end of this document. Terms defined in the Prospectus have the same meaning in this document unless the contrary intention appears.

### Key features of the Offer and NAB Capital Notes 2

Key Term	Definition
<b>Issuer</b>	<p>National Australia Bank Limited (“NAB”).</p> <p>The Group is a major financial services organisation in Australia and New Zealand with around 10 million customers and 35,000 employees, operating more than 1,000 retail branches and business banking centres. Its operations are primarily based in its core markets of Australia and New Zealand, but it also has a presence in Asia, the UK and the US.</p> <p>NAB is a public limited company, incorporated on June 23, 1893 in Australia, which is NAB’s main domicile. NAB’s registered office address is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.</p> <p>For further information, see Section 4 of the Prospectus.</p>
<b>Offer Size</b>	\$750 million, with the ability to raise more or less.
<b>Use of proceeds</b>	The net proceeds of the Offer will be used for general corporate purposes. APRA has provided confirmation that the NAB Capital Notes 2, once issued, will qualify as Additional Tier 1 Capital for the purposes of NAB’s regulatory capital requirements.
<b>Type of security</b>	Convertible notes directly issued by NAB which are not guaranteed or secured. NAB Capital Notes 2 are not deposit liabilities of NAB and are not Protected Accounts for the purposes of the Banking Act.
<b>Face Value</b>	\$100 per NAB Capital Note 2
<b>Term</b>	<p>Perpetual. NAB Capital Notes 2 do not have a fixed maturity date.</p> <p>However, NAB must Convert NAB Capital Notes 2 into Ordinary Shares on the Mandatory Conversion Date (8 July 2024) (subject to the Mandatory Conversion Conditions being satisfied). NAB must also Convert NAB Capital Notes 2 into Ordinary Shares if another entity acquires NAB, subject to certain conditions.</p> <p>In addition, with APRA’s prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes 2 on 7 July 2022, or earlier following the occurrence of certain events.</p> <p>For further information, see Sections 2.2 – 2.7 of the Prospectus.</p>

<p><b>Distributions</b></p>	<p>NAB Capital Notes 2 are scheduled to pay quarterly, floating rate Distributions in arrears in cash until all NAB Capital Notes 2 are Converted, Redeemed or Written Off.</p> <p>The Distribution Rate is calculated in accordance with the following formula:</p> <p><b>Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)</b></p> <p>Where</p> <ul style="list-style-type: none"> <li>▪ Margin is the margin to be determined under the Bookbuild, expected to be in the range of 4.95% to 5.10%. The Margin will not change for the term of the NAB Capital Notes 2.</li> <li>▪ Tax Rate is the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date.</li> </ul> <p>A Distribution will only be paid if:</p> <ul style="list-style-type: none"> <li>▪ The Directors resolve to pay it; and</li> <li>▪ A Payment Condition does not exist on the Distribution Payment Date</li> </ul> <p>This means a Distribution may not be paid.</p> <p>The Distribution Payment Dates are scheduled to be 7 January, 7 April, 7 July and 7 October.</p> <p>The first Distribution is expected to be paid on 7 October 2016. Distributions paid on NAB Capital Notes 2 are expected to be fully franked. However, Holders should be aware that franking is not guaranteed.</p> <p>Distributions are non-cumulative, which means that unpaid Distributions do not add up or accumulate. Holders will not have any right to compensation if NAB does not pay Distributions. Failure to pay a Distribution when scheduled will not constitute an event of default.</p> <p>If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions NAB cannot declare, determine to pay, or pay dividends on its Ordinary Shares, or buy-back or reduce capital on any of its Ordinary Shares, until the next Distribution Payment Date. However, if the Distribution is paid in full within 3 Business Days of the Distribution Payment Date, this restriction will no longer apply.</p> <p>Details of Distributions are set out in Section 2.1 of the Prospectus.</p>
<p><b>Mandatory Conversion on Mandatory Conversion Date</b></p>	<p>On the first to occur of 8 July 2024, and the first Distribution Payment Date after that date, on which the Mandatory Conversion Conditions are satisfied, NAB must Convert all (but not some) NAB Capital Notes 2 on issue at that date into Ordinary Shares.</p> <p>Details of the Mandatory Conversion Conditions are set out in Section 2.3 of the Prospectus and in the Terms.</p>

<p><b>Conversion conditions / What Holders receive on Conversion</b></p> <p><b>Mandatory Conversion – Conversion Number</b></p>	<p>The Conversion conditions are designed to ensure that upon a Conversion (other than following a Loss Absorption Event) Holders receive approximately \$101 worth of Ordinary Shares for each NAB Capital Note 2 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on the ASX.</p> <p>The number of Ordinary Shares that Holders will receive on a Conversion will not be greater than the Maximum Conversion Number.</p> <p>Details of the Conversion Conditions are set out in Section 2.3, 2.4, 2.6 and 2.7 of the Prospectus.</p> <p><b>Conversion Number</b></p> <p>On a Mandatory Conversion Date, a Holder will receive a number of Ordinary Shares per NAB Capital Note 2 (“<b>Conversion Number</b>”) which is the lesser of:</p> <p>(a) The number (N) calculated in accordance with the following formula:</p> $N = \$100 / 99\% \text{ of VWAP}$ <p>where,</p> <ul style="list-style-type: none"> <li>“VWAP” is broadly is the volume weighted average price of Ordinary Shares during the VWAP Period. For a Mandatory Conversion, the VWAP Period is the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.</li> </ul> <p>And:</p> <p>(b) The Maximum Conversion Number (“MCN”) calculated in accordance with the following formula:</p> $MCN = \$100 / (\text{Issue Date VWAP} \times \text{Relevant Fraction})$ <p>where,</p> <ul style="list-style-type: none"> <li>“Issue Date VWAP” is the VWAP during the 20 Business Day period on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which NAB Capital Notes 2 were issued.</li> <li>“Relevant Fraction” for Conversion on a Mandatory Conversion Date is 0.5<sup>1</sup>.</li> </ul> <p><sup>1</sup>This fraction reflects the ratings agency requirement that the maximum number of shares issued on a Conversion of this kind not exceed the amount that would be issued if the Ordinary Share price fell from the price it was at the Issue Date to 50% of that price.</p> <p>For further details, refer to Sections 2.3, 2.4, 2.6 and 2.7 of the Prospectus and Clauses 7.1 - 7.7 of the Terms.</p>
<p><b>Optional Conversion, Redemption or Resale</b></p>	<p><i>Optional Conversion</i></p> <p>With the prior written approval of APRA, NAB may elect to Convert all or some of NAB Capital Notes 2 into Ordinary Shares on 7 July 2022.</p> <p>Conditions apply to any Conversion in these circumstances. Details are set out in Section 2.4 of the Prospectus.</p> <p><i>Optional Redemption or Resale</i></p> <p>NAB may also, with the prior written approval of APRA, elect to Redeem or Resell all or some NAB Capital Notes 2 for the Face Value (\$100) in cash on 7 July 2022.</p> <p>There are restrictions on NAB’s ability to Redeem or Resell NAB Capital Notes 2 on 7 July 2022. Details are set out in Section 2.5 of the Prospectus and the Terms.</p> <p><i>Date of optional Conversion, Redemption or Resale</i></p> <p>In order to be eligible as Additional Tier 1 Capital, NAB cannot have the right to redeem or resell the NAB Capital Notes 2 earlier than the fifth anniversary of the Issue Date or later than two years before the first scheduled Mandatory Conversion Date.</p> <p>Accordingly, the date for a Conversion, Redemption or Resale at NAB’s election (and with APRA’s prior written approval) is 7 July 2022.</p> <p> Holders should not expect that APRA’s approval, if requested, will be given for an optional Conversion, Redemption or Resale.</p>

<p><b>Conversion, Redemption or Resale in other circumstances</b></p>	<p>With the prior written approval of APRA, NAB has the option to Convert, Redeem or Resell all or some NAB Capital Notes 2 following the occurrence of a Tax Event or Regulatory Event. NAB also has the option to Convert the NAB Capital Notes 2 following a Potential Acquisition Event. Holders should not expect that APRA’s approval will be given in these circumstances. For any Conversion, Redemption or Resale on these grounds which occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of the NAB Capital Notes 2 which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes 2 for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Distribution).</p> <p>Conditions also apply to any Conversion, Redemption or Resale in these circumstances. Details are set out in Sections 2.4 and 2.5 of the Prospectus and in the Terms.</p>
<p><b>Mandatory Conversion following a Loss Absorption Event or Acquisition Event</b></p>	<p>NAB must convert a number of NAB Capital Notes 2 into Ordinary Shares (or, in the case of an Acquisition Event, all NAB Capital Notes 2) in the following circumstances:</p> <ul style="list-style-type: none"> <li>▪ if an Acquisition Event occurs; or</li> <li>▪ if a Loss Absorption Event occurs.</li> </ul> <p>A Conversion following an Acquisition Event is subject to conditions being met – see Section 2.6 of the Prospectus.</p> <p>A Conversion following a Loss Absorption Event is not subject to any conditions.</p> <p>A Loss Absorption Event may occur where NAB encounters severe financial difficulty. In the event of a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than \$101 for each NAB Capital Note 2 they hold and may lose a significant amount of the money they invested in NAB Capital Notes 2 as a consequence. Following Conversion there is no certainty as to the future value of the Ordinary Shares. If NAB Capital Notes 2 are not Converted at that time they will be Written Off. The consequences of a Write Off are set out in Section 2.7 of this Prospectus and in the Terms.</p> <p>Details are set out in Sections 2.6 and 2.7 of the Prospectus.</p>
<p><b>Holders have no right to a return of capital</b></p>	<p>Holders will have no right to require NAB to Convert NAB Capital Notes 2 into Ordinary Shares, or to Redeem or Resell NAB Capital Notes 2.</p> <p>Holders should be aware that NAB Capital Notes 2 do not have a fixed maturity date and that the mandatory conversion events under the Terms are subject to conditions which may never be met or contingencies which may never occur. Accordingly, if NAB Capital Notes 2 are not Converted, Written Off, Redeemed or Resold in accordance with the Terms, they could remain on issue indefinitely. It is expected that NAB Capital Notes 2 will be quoted on the ASX, and that Holders will be able to buy and sell NAB Capital Notes 2 on the ASX at the prevailing market price.</p>

## Table 1: Summary of certain events that may occur during the life of NAB Capital Notes 2

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

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

# Holders should not expect that APRA approval will be given if requested.

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

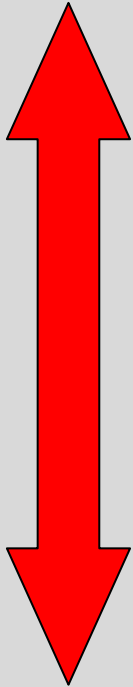
† If a Conversion (other than on account of a Loss Absorption Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of NAB Capital Notes 2 which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB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

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

= Based on a Face Value of \$100 and with the benefit of a 1% discount.

<b>Ranking</b>	In a winding up of NAB, NAB Capital Notes 2 rank ahead of Ordinary Shares, equally amongst themselves, equally with Equal Ranking Instruments and junior to Senior Creditors (which includes depositors), as shown in Table 2. However, the amount of any return in a winding up will be adversely affected if a Loss Absorption Event has occurred.
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**Table 2: Illustration of ranking on winding up**

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

1 This is a very simplified capital structure of NAB and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations or securities of any kind at any time. NAB Capital Notes 2 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time.

2 If a Write Off of a NAB Capital Note 2 occurs following a Loss Absorption Event, the rights of Holders to distributions and returns of capital in respect of that NAB Capital Note 2 will be terminated, the NAB Capital Note 2 will not be Converted, Redeemed or Resold on any subsequent date and the Holder will not have their capital repaid. If a NAB Capital Note 2 is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of NAB.

## Key Risks of NAB Capital Notes 2

You should read Section 6 of the Prospectus “Key Risks of NAB Capital Notes 2” in full before deciding to invest. The key risks outlined in that section include risks associated with an investment in NAB Capital Notes 2 and an investment in NAB. Some of these risks are summarised below.

See Section 6.2 of the Prospectus for a description of the risks associated with an investment in NAB and the Group.

### Key risks associated with an investment in NAB Capital Notes 2

Topic	Summary
<b>NAB Capital Notes 2 are not deposit liabilities or Protected Accounts</b>	NAB Capital Notes 2 do not constitute deposit liabilities of NAB, are not Protected Accounts for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any person. For further details, see Section 6.1.1 of the Prospectus
<b>Distributions may not be paid</b>	There is a risk that Distributions will not be paid, including where the Directors do not resolve to pay a Distribution or where a Payment Condition exists on the Distribution Payment Date. As Distributions are non-cumulative, if a Distribution is not paid then NAB has no liability to pay that Distribution and Holders have no claim or entitlement in respect of such non-payment. Failure to pay a Distribution when scheduled will not constitute an event of default. For further details, see Section 6.1.2 of the Prospectus
<b>The Distribution Rate will fluctuate</b>	The Distribution Rate will fluctuate up and down. There is a risk that the return on NAB Capital Notes 2 may become less attractive compared to returns on other investments. For further details, see Section 6.1.3 of the Prospectus
<b>Market price of NAB Capital Notes 2</b>	The market price of NAB Capital Notes 2 may fluctuate up or down and there is no guarantee NAB Capital Notes 2 will trade at or above their Face Value. The price at which NAB Capital Notes 2 trade may, for example, be affected by how the Distribution Rate of NAB Capital Notes 2 compares to that of other comparable instruments. For further details, see Section 6.1.4 of the Prospectus
<b>Liquidity of NAB Capital Notes 2</b>	The liquidity of NAB Capital Notes 2 may be low, which means that, at certain times, you may be unable to sell your NAB Capital Notes 2 at an acceptable price, if at all. For further details, see Section 6.1.5 of the Prospectus
<b>Liquidity and price of Ordinary Shares</b>	Where NAB Capital Notes 2 are Converted, the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion, or there may be no liquid market at that time. The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions, NAB’s financial performance and position and transactions affecting the share capital of NAB. As a result, the value of any Ordinary Shares received by Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter. The market price of Ordinary Shares is also relevant to determining whether Conversion will occur (except for Conversions on account of a Loss Absorption Event) and the number of Ordinary Shares you will receive. Depending on the market price of Ordinary Shares at the relevant time, Conversion may not occur. See on page 15 of the Prospectus the heading “Conversion or Write Off following Loss Absorption Event” and Section 6 of the Prospectus for further information on the Conversion or Write Off of NAB Capital Notes 2 following a Loss Absorption Event. For further details, see Sections 6.1.4, 6.1.5, 6.1.6 and 6.1.9 of the Prospectus
<b>NAB Capital Notes 2 are perpetual and may not Convert</b>	NAB Capital Notes 2 have no fixed maturity date but will Convert into Ordinary Shares on 8 July 2024 if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on 8 July 2024, Conversion will occur on the first Distribution Payment Date on which they are satisfied. If the Mandatory Conversion Conditions are never satisfied, there is a risk that NAB Capital Notes 2 may never Convert. For further details, see Section 6.1.9 of the Prospectus
<b>Holders have no right to request early redemption</b>	Holders have no right to request that their NAB Capital Notes 2 be redeemed. Absent a Conversion, Redemption or Resale, in order to realise their investment, Holders would have to sell their NAB Capital Notes 2 on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in NAB Capital Notes 2 (see Sections 6.1.4 and 6.1.5 of the Prospectus). For further details, see Sections 6.1.11 of the Prospectus



<b>NAB has certain early Conversion, Redemption and Resale rights</b>	<p>Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to:</p> <p>(a) Convert, Redeem or Resell NAB Capital Notes 2 on 7 July 2022, or because of a Tax Event, or a Regulatory Event; and</p> <p>(b) Convert NAB Capital Notes 2 because of a Potential Acquisition Event.</p> <p>Holders should not expect that APRA's approval, if requested, will be given for any Conversion, Redemption or Resale of NAB Capital Notes 2.</p> <p>For further details, see Section 6.1.11 - 6.1.12 of the Prospectus</p>
<b>Conversion or Write Off following Loss Absorption Event</b>	<p>If Conversion occurs following a Loss Absorption Event, depending on the market price of the Ordinary Shares at that time Holders are likely to receive significantly less than \$101 worth of Ordinary Shares per NAB Capital Note 2 and may lose a significant amount of the money they invested in NAB Capital Notes 2 as a consequence. In cases where NAB Capital Notes 2 are not Converted for any reason (within five days after the Loss Absorption Event Conversion Date), NAB Capital Notes 2 will be Written Off (with effect on and from the Loss Absorption Event Conversion Date).</p> <p>If a Write Off occurs following a Loss Absorption Event, the rights of Holders to Distributions and returns of capital will be terminated, NAB Capital Notes 2 that are Written Off will not be Converted, Redeemed or Resold on any subsequent date and a Holder will not have their capital repaid.</p> <p>For further details, see Section 6.1.14 of the Prospectus</p>
<b>Ranking in a winding up of NAB</b>	<p>In a winding up of NAB, NAB Capital Notes 2 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (which includes depositors).</p> <p>On a winding up of NAB, there is a risk that Holders may lose some or all of the money they have invested in NAB Capital Notes 2. See Section 6.1.14 of the Prospectus in relation to returns of capital following a Write Off. If NAB Capital Notes 2 are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding up.</p> <p>For further details, see Section 6.1.14 and 6.1.15 of the Prospectus</p>
<b>NAB may issue further securities</b>	<p>There is no limit on the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time, which may affect Holders' ability to be repaid on a winding up of NAB.</p> <p>For further details, see Section 6.1.16 of the Prospectus</p>

### Key risks associated with an investment in NAB

See Section 6.2 of the Prospectus for a description of the risks associated with an investment in NAB and the Group.

### Key Dates\*

<b>Important Dates</b>	
<b>Record Date for Securityholder Offer</b>	26 May 2016
<b>Announcement of the Offer</b>	31 May 2016
<b>Lodgement of Prospectus with ASIC</b>	31 May 2016
<b>Bookbuild</b>	7 June 2016
<b>Announcement of Margin</b>	8 June 2016
<b>Offer Opens</b>	8 June 2016
<b>Securityholder Offer Closes</b>	30 June 2016
<b>Broker Firm and Institutional Offers Close</b>	6 July 2016
<b>Issue of NAB Capital Notes 2</b>	7 July 2016
<b>Commencement of deferred settlement trading</b>	8 July 2016
<b>Despatch of Holding Statements</b>	from 8 July 2016 <sup>1</sup>
<b>Commencement* of trading on normal settlement basis</b>	12 July 2016
<b>First Distribution Payment Date</b>	7 October 2016
<b>Optional Conversion / Redemption / Resale Date<sup>2</sup></b>	7 July 2022
<b>Mandatory Conversion Date<sup>3</sup></b>	8 July 2024

<sup>1</sup> Expected to be completed by 11 July 2016.

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

<sup>3</sup> NAB Capital Notes 2 will Convert into Ordinary Shares on 8 July 2024 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes 2 have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 7 July 2016.

\*These dates are indicative only and may change without notice.

NAB may vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before NAB Capital Notes 2 are issued, at their discretion.

You are encouraged to apply as soon as possible after the Opening Date.

## Information about the Offer

Topic	Summary
<b>Offer Structure</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>▪ The Securityholder Offer;</li> <li>▪ The Institutional Offer; and</li> <li>▪ The Broker Firm Offer.</li> </ul> <p>Information about the different types of offer and how to apply is provided in Section 3 of the Prospectus “Applying for NAB Capital Notes 2”. For further details, see Section 3 of the Prospectus</p>
<b>How to Apply</b>	<ul style="list-style-type: none"> <li>▪ Eligible Securityholder Applicants should either apply online at <a href="http://www.nab.com.au/ncn2offer">www.nab.com.au/ncn2offer</a> and pay their Application Monies electronically or complete a paper Application Form and pay their Application Monies by cheque or money order.</li> <li>▪ Broker Firm Applicants should contact their Syndicate Broker.</li> </ul> <p>For further details, see Section 3 of the Prospectus</p>
<b>Minimum Application</b>	<p>50 NAB Capital Notes 2 (\$5,000) and thereafter in multiples of 10 NAB Capital Notes 2 (\$1,000). For further details, see Section 3 of the Prospectus</p>
<b>Key Dates</b>	<p><b>Offer Period:</b></p> <ul style="list-style-type: none"> <li>▪ The Offer opens on 8 June 2016;</li> <li>▪ The Securityholder Offer closes on 30 June 2016;</li> <li>▪ The Broker Firm Offer and Institutional Offer close on 6 July 2016.</li> </ul> <p><b>Issue Date:</b> NAB Capital Notes 2 are expected to be issued on 7 July 2016.</p> <p><b>Commencement of trading on ASX:</b> Trading is expected to commence on 8 July 2016 on a deferred settlement basis. Normal settlement trading is expected to commence on 12 July 2016.</p> <p><b>Despatch of Holding Statements:</b> Holding Statements are expected to be despatched from 8 July 2016.</p> <p>For further details, see Key Dates of the Prospectus</p>
<b>Tax consequences</b>	<p>Information about the Australian tax consequences of investing in NAB Capital Notes 2 is set out in Section 7 of the Prospectus.</p>
<b>Fees and expenses associated with the Offer</b>	<p>NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus. For further details, see Section 8 of the Prospectus</p>
<b>More information</b>	<p>If you have any questions about NAB Capital Notes 2 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the NAB Information Line on 1300 367 647 (within Australia) or on +61 3 9415 4299 (International) (Monday to Friday 8.00am - 7.30pm, AEST) during the Offer Period, and for a week following.</p>

## Important Notices

A prospectus for the issue by National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686) ("NAB" or "Issuer") of securities ("Securities") dated 31 May 2016 ("Prospectus") has been lodged with the Australian Securities & Investments Commission ("ASIC"). Following completion of the Bookbuild, NAB will lodge a replacement Prospectus with ASIC which will include the Margin and Application Form. Applications may only be made under the replacement Prospectus by completing the Application Form attached to or accompanying the replacement Prospectus. This Term Sheet is not an Offer, or invitation to apply for, Securities. The Offer of Securities will be made in the Prospectus. Applications may be subject to scaleback or return. The Prospectus is available from Product and Markets, a division of NAB ("Product and Markets") by calling 1300 367 647 (within Australia) or on +61 3 9415 4299 (International) (Monday to Friday 8.00am – 7:30pm AEST). For information relating to Product and Markets' financial services you should refer to our Financial Services Guide.

The information in this document has been made available to the recipient for information purposes only and is not intended to be, and does not constitute a product disclosure statement, prospectus, short form prospectus or profile statement as those terms are defined in the Corporations Act 2001 (Cth). It does not constitute an offer for the issue, sale or purchase of any securities, or any recommendation in relation to investing in the Securities. Full details are set out in the Prospectus.

While every care has been taken in the preparation of the information in this document, Product and Markets does not make any representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. Full details are set out in the Prospectus. To the maximum extent permitted by law, Product and Markets expressly disclaims all or any liability which may arise out of the provision to, or use by, any person, of the information contained in this document. This document does not purport to contain all of the information that prospective investors may require to evaluate a possible acquisition of the securities. The information in this document has been prepared for the purpose of providing information only without taking account of any particular investor's objectives, financial situation or needs. As an investment in the Securities can be subject to investment risk, including possible delays in repayment and loss of income and principal invested, an investor should read the Prospectus in its entirety and conduct their own independent review, investigation and analysis of the Issuer and the Securities and obtain any professional advice they require to evaluate the merits and risks of an investment in the Securities before making any investment decision.

You should note that if you invest in the Securities, NAB's broker to the offer of the Securities (which will be one or more entities that form part of the NAB Group of Companies), may receive a selling fee in respect of successful applications by clients paid on the completion of the capital raising. NAB does not guarantee the obligations or performance of its subsidiaries or the services they offer.

Product and Markets does not stand behind or guarantee the capital value and/or performance of the Securities, or assets held, by the Issuer or any of its subsidiaries or related entities or any other entities with a role in connection with the issue of the Securities or the investments of the Issuer. Whether this document or the Prospectus is provided to you by Product and Markets, Product and Markets makes no representation concerning the Securities and is not responsible for any loss suffered if you decide to invest in the Securities (including any loss arising from any failure, omission or conduct of the Issuer, Arranger, Joint Lead Manager or broker, or any of their respective related entities). Any investment in the Securities does not represent a deposit liability of NAB. Additionally, the Securities are not Protected Accounts for the purposes of the Banking Act or any other accounts with NAB and are not guaranteed or insured by any person.

This document is being provided to you solely for your information, may only be used for the purpose of considering this opportunity to invest in the Securities and must not be copied, disclosed or forwarded to any other person. No action has been taken to register the securities or otherwise permit a public offering of securities in any jurisdiction outside Australia. The distribution of this document outside Australia may be restricted by law.

### Code of Banking Practice

NAB has adopted the Code of Banking Practice (May 2004 version). For details of the Code contact NAB on 13 22 65 and select the option to speak to a Customer Service Representative. Or visit us at [nab.com.au](http://nab.com.au). For information about NAB's dispute resolution processes click on Dispute Resolution.

### Your Personal Information and Privacy

NAB has collected your personal information for the purpose of letting you know about this investment opportunity. NAB may use your personal information to confirm that you have received all of the information you require in connection with this opportunity and may disclose your personal information to certain organisations involved with this opportunity. Where your personal information is disclosed, we will seek to ensure that the information is held, used or disclosed consistently with the Privacy Act 1988 (Cth) and any other applicable privacy laws and codes. You may request access to personal information NAB holds about you subject to certain exceptions under law.

Your privacy is important to us. If you have provided NAB with your consent to receive information about future investment opportunities but you no longer wish to receive such information, if you would like to request access to your personal information and for more information about our Privacy Policy, please contact NAB on 13 22 65 and select the option to speak to a Customer Service Representative. Or visit us at [nab.com.au](http://nab.com.au). For more information about privacy in general, you can visit the Federal Privacy Commissioner's website [www.oaic.gov.au](http://www.oaic.gov.au).

### Anti-Money Laundering and Counter-Terrorism Financing Requirements

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML/CTF Act"), requires NAB to confirm certain information relating to your identity. NAB reserves the right to re-identify you and other related parties involved with your application in order to satisfy requirements under the AML/CTF Act and other legislation. Should you fail to provide necessary information in a timely manner when requested, you may be responsible for loss of investment value and payment of any amounts in respect of your investment may be forfeited.