8 February 2017

NAB Subordinated Notes 2

Summary Term Sheet

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All investors must receive a copy of the Prospectus.

This is not a complete description of NAB Subordinated 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 NAB Subordinated Notes 2 before making any investment decision.

This document provides a summary of the key features and risks of investing in NAB Subordinated Notes 2. Detailed information about these matters is provided in the Prospectus, and it is important that you read the Prospectus in full before deciding whether to apply for NAB Subordinated Notes 2. If you have any questions, it is strongly recommended that you seek professional guidance which takes into account your particular investment objectives and circumstances from a professional adviser who is licensed by ASIC to give such advice.

Capitalised words and certain terms used in this Summary Term Sheet have the meanings given to them in the Prospectus.

Key features of the Offer and NAB Subordinated Notes 2

Key Term	Definition
Issuer	National Australia Bank Limited ("NAB").
Offer Size	$750 million, with the ability to raise more or less.
Use of proceeds	The net proceeds of the Offer will be used to refinance NAB Subordinated Notes ("NSN") and for general corporate purposes.
Type of security	Subordinated unsecured notes, directly issued by NAB which are not guaranteed by any person. NAB Subordinated Notes 2 are not deposit liabilities of NAB and are not Protected Accounts for the purposes of the Banking Act or any other accounts with NAB.
Face Value	$100 per NAB Subordinated Note 2
Term	NAB Subordinated Notes 2 will mature on the Maturity Date (20 September 2028), unless previously redeemed, or purchased by NAB or a Related Entity and cancelled, or Converted or Written-Off. For further information, see Section 2.2 of the Prospectus.
Purpose and regulatory classification	NAB is issuing NAB Subordinated Notes 2 to raise Tier 2 Capital for the purposes of the regulatory capital requirements that apply to NAB and APRA has confirmed that the NAB Subordinated Notes 2 will qualify as Tier 2 Capital. For further information, see Section 2.7 of the Prospectus.
Offer Structure	The Offer comprises: • the Reinvestment Offer; • the Securityholder Offer; • the Broker Firm Offer; and • the Institutional Offer. The Reinvestment Offer provides Eligible NSN Holders with the opportunity to reinvest their NSN funds into NAB Subordinated Notes 2 and maintain an ongoing investment in NAB. Applications from Eligible NSN Holders to participate in the Reinvestment Offer can be made directly to NAB or through a Syndicate Broker. For further information, see Section 4 of the Prospectus.
Differences between NSN and NAB Subordinated Notes 2	There are important differences between NSN and NAB Subordinated Notes 2. Eligible NSN Holders should consider these differences before deciding whether to apply to participate in the Reinvestment Offer. In particular: • The margin applicable to NSN is 2.75%. The Margin for NAB Subordinated Notes 2 is expected to be in the range of 2.20% to 2.30%; • NAB Subordinated Notes 2 are subject to Conversion and Write-Off on account of a Non-Viability Trigger Event. The NSN are not subject to such provisions; and • in a Winding Up of NAB, a Holder's claim to an amount owing by NAB in connection with a NAB Subordinated Note 2 ranks junior to claims of holders of NSN and instruments that rank equally with NSN – see Table 2. See section 3.2 of the Prospectus further describes the differences between NSN and NAB Subordinated Notes 2.
Quotation	It is expected that NAB Subordinated Notes 2 will be quoted on the ASX under ASX code "NABPE", and that Holders will be able to buy and sell NAB Subordinated Notes 2 on the ASX at the prevailing market price.

Interest	A NAB Subordinated Note 2 entitles the Holder to receive floating rate, cumulative Interest, payable quarterly in arrears in cash, until it is Redeemed, Converted or Written-Off. The Interest Rate is equal to the sum of the Bank Bill Rate plus the Margin. The Margin is the margin to be determined under the Bookbuild, expected to be in the range of 2.20% to 2.30%. The Margin will not change for the term of the NAB Subordinated Notes 2. The Interest Payment Dates are each of 20 March, 20 June, 20 September and 20 December. The first Interest payment is expected to be paid on 20 June 2017. Interest paid on NAB Subordinated Notes 2 will not be franked. Interest is not discretionary or deferrable. NAB must pay Interest to Holders unless the Solvency Condition is not satisfied. If the Solvency Condition is not satisfied on a particular Interest Payment Date, Interest will not be paid on that date. For further information, see Section 2.1 of the Prospectus.
Optional Redemption	NAB may, with the prior written approval of APRA, elect to Redeem all or some NAB Subordinated Notes 2 for the Face Value ($100) in cash on 20 September 2023 and on any Interest Payment Date thereafter up to but excluding the Maturity Date (each an "Optional Redemption Date"). Holders should not expect that APRA's approval will be given in these circumstances. There are restrictions on NAB's ability to Redeem NAB Subordinated Notes 2 on an Optional Redemption Date. Details are set out in Section 2.2 of the Prospectus and in the Terms.
Redemption in other circumstances	NAB may, with the prior written approval of APRA, elect to Redeem all or some NAB Subordinated Notes 2 following the occurrence of a Tax Event or Regulatory Event. Holders should not expect that APRA's approval will be given in these circumstances. On Redemption in these circumstances, a Holder will receive an amount equal to: • the Face Value of $100; plus • any accrued but unpaid Interest up to the Redemption Date. Other conditions apply to any Redemption in these circumstances. Details are set out in Section 2.2 of this Prospectus and in the Terms.
Restrictions on early Redemption	NAB may only elect to Redeem NAB Subordinated Notes 2 before the Maturity Date if APRA is satisfied that either: • The NAB Subordinated Notes 2 proposed to be Redeemed are replaced concurrently or beforehand with a capital instrument of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity; or • The capital position of the NAB Level 1 Group and NAB Level 2 Group will remain adequate after NAB elects to Redeem the NAB Subordinated Notes 2.
Maturity Date	The Maturity Date is 20 September 2028. On the Maturity Date, for each NAB Subordinated Note 2 that is Redeemed a Holder will receive an amount equal to: • the Face Value; plus • any accrued and unpaid Interest on the NAB Subordinated Note 2 up to the Maturity Date. Payment is subject to the Solvency Condition and to the NAB Subordinated Notes 2 not having been Redeemed, Converted or Written-Off before that date. Clause 4.1 of the Terms contained in the Prospectus.
NAB may purchase NAB Subordinated Notes 2 on ASX	Subject to APRA's prior written approval, NAB or any of its Related Entities may purchase NAB Subordinated Notes 2 in the open market or otherwise at any time and at any price. Holders should not expect that APRA's approval will be given for any purchase of NAB Subordinated Notes 2.

Conversion following a Non-Viability Trigger Event	NAB must convert a number of NAB Subordinated Notes 2 into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur where NAB encounters severe financial difficulty. Broadly, the number of Ordinary Shares into which a NAB Subordinated Note 2 will Convert is calculated by dividing the Face Value ($100) by the VWAP of Ordinary Shares at the time of Conversion discounted by 1% to reflect the likely costs of sale of Ordinary Shares on the ASX. However, the maximum number of Ordinary Shares that can be issued on Conversion of a NAB Subordinated Note 2 is capped (as required by APRA) by reference to 20% of the Issue Date VWAP of Ordinary Shares. In the event of a Conversion following a Non-Viability Trigger Event, the value of Ordinary Shares that Holders will receive will depend on the market price of Ordinary Shares at the relevant time. Given that NAB is likely to be in severe financial difficulty at the time of a Non-Viability Trigger Event, the cap on the maximum number of Ordinary Shares that can be issued is likely to apply. As a result, Holders are likely to receive Ordinary Shares that are worth significantly less than the amount invested. There is no certainty as to the future price of Ordinary Shares. If, for any reason, NAB Subordinated Notes 2 required to be Converted are not Converted within 5 Business Days after the Conversion Date they will be Written-Off. Holders do not have any right to vote on or choose whether to participate in any Conversion or Write-Off. Where Conversion is required, it is unconditional and Holders have no right to refuse to have their NAB Subordinated Notes 2 Converted or Written-Off. The details of a Non-Viability Trigger Event, Conversion calculations and consequences of a Write-Off are set out in Section 2.4 of this Prospectus and in the Terms.

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

The table below summarises certain events that may occur during the life of NAB Subordinated Notes 2, and what Holders may receive upon the occurrence of such events. The events are subject to contingencies such as the Solvency and / or non-viability of NAB 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?
Optional Redemption	On 20 September 2023 and on any Interest Payment Date thereafter up to but excluding the Maturity Date	Yes	Yes	$100 (Face Value) and any accrued but unpaid interest	Cash
Redemption on the Maturity Date	On 20 September 2028	No	Yes	$100 (Face Value) and any accrued but unpaid interest	Cash
Redemption in other circumstances	If a Tax Event or a Regulatory Event occurs	Yes	Yes	$100 (Face Value) and any accrued but unpaid interest	Cash
Conversion into Ordinary Shares	If a Non-Viability Trigger Event occurs	No	No	Determined by dividing the Face Value ($100) by the VWAP discounted by 1% (resulting in Ordinary Shares with a value of approximately $101). The maximum number of Ordinary Shares issued is capped by reference to a price which is 20% of the Issue Date VWAP. Depending on the market price of Ordinary Shares, Holders are likely to lose a significant amount of the money they invested in NAB Subordinated Notes 2 as a consequence	Variable number of Ordinary Shares If NAB Subordinated Notes 2 are not Converted for any reason into Ordinary Shares within the required time, NAB Subordinated Notes 2 will be Written-Off^

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

^ If a NAB Subordinated Note 2 is Written-Off, all rights (including to Interest) in respect of that NAB Subordinated Note 2 will be terminated, the NAB Subordinated Note 2 will not be Redeemed or Converted on a subsequent date and the Holder will not have their capital repaid.

Ranking	In a Winding Up of NAB, NAB Subordinated Notes 2 rank ahead of Junior Ranking Instruments, equally amongst themselves, equally with Equal Ranking Instruments and junior to Senior Creditors (which include NSN holders and depositors), as shown in Table 2. However, the amount of any return in a Winding Up will be adversely affected if a Non-Viability Trigger Event has occurred. If NAB Subordinated Notes 2 are Converted, the Ordinary Shares received on Conversion will rank equally with all other Ordinary Shares and are the lowest ranking securities in respect of NAB. If NAB Subordinated Notes 2 are Written-Off, all rights in respect of those NAB Subordinated Notes 2 will be terminated, the NAB Subordinated Notes 2 will not be Redeemed or Converted on a subsequent date and the Holders will not have their capital repaid or be entitled to any return in a Winding Up.

Table 2: Illustration of ranking on Winding Up

		Examples	Examples of existing NAB obligations and securities[1]
Higher ranking			
	Senior obligations	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	NSN and other dated subordinated unsecured debt obligations issued before 1 January 2013
	Equal ranking obligations	Term subordinated unsecured debt issued after 1 January 2013 and perpetual subordinated unsecured debt	NAB Subordinated Notes 2[2], and any securities expressed to rank equally with NAB Subordinated Notes 2, which include: • the Undated Subordinated Floating Rate Notes; and • other instruments issued after 1 January 2013 as Relevant Tier 2 Capital Instruments.
	Lower ranking obligations	Preference shares and other equally ranked instruments	• NAB Capital Notes 2. • NAB Capital Notes. • NAB CPS II. • NAB CPS. • The preference shares which may be issued under the TPS (if issued). • The preference shares comprised in the National Income Securities.
		Ordinary Shares	Ordinary Shares

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 Subordinated 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 NAB Subordinated 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. If a Write-Off of a NAB Subordinated Note 2 occurs following a Non-Viability Trigger Event, the rights of the Holder to Interest and a return of capital in respect of that NAB Subordinated Note 2 will be terminated, the NAB Subordinated Note 2 will not be Redeemed or Converted on any subsequent date and the Holder will not have their capital repaid.

KEY DATES FOR OFFER*

	Important Dates[1]
Record Date for Securityholder Offer	3 February 2017
Announcement of the Offer	8 February 2017
Lodgement of Prospectus with ASIC	8 February 2017
Bookbuild	15 February 2017
Announcement of Margin	15 February 2017
Offer Opens	16 February 2017
Reinvestment and Securityholder Offers Close	10 March 2017
Broker Firm (excluding applications to reinvest NSN) and Institutional Offers Close	17 March 2017
Issue of NAB Subordinated Notes 2	20 March 2017
Commencement of deferred settlement trading	21 March 2017
Completion of despatch of Holding Statements	24 March 2017
Commencement of trading on normal settlement basis	27 March 2017
First Interest Payment Date	20 June 2017
First Optional Redemption Date[1]	20 September 2023
Maturity Date[2]	20 September 2028

1 With APRA's prior written approval, NAB may elect to Redeem NAB Subordinated Notes 2 on 20 September 2023 and on any Interest Payment Date thereafter and on the occurrence of certain other events. Holders should not expect that APRA's approval will be given for any optional Redemption. This date assumes the Issue Date is 20 March 2017.
2 This date assumes the Issue Date is 20 March 2017.

KEY DATES FOR NSN HOLDERS*

Important Dates[1]	
Record date for determining Eligible NSN Holders for Reinvestment Offer (relevant NSN must also be held on the Closing Date for the Reinvestment Offer)	3 February 2017
Opening Date for the Reinvestment Offer	16 February 2017
Closing Date for the Reinvestment Offer	10 March 2017
Closing Date for Broker Firm Offer (applications to reinvest NSN)	10 March 2017
Issue of NAB Subordinated Notes 2	20 March 2017
Quarterly interest payment of $1.1306 per NSN (including Reinvested NSN)[1]	20 March 2017
Expected redemption of NSN and quarterly interest payment date for remaining NSN	19 June 2017[2]

1 This is the accrued NSN interest payment from (and including) 18 December 2016 to (but excluding) the Issue Date.

2 Under the terms of the NSN, an optional redemption date and interest payment date occur on 18 June 2017, unless that day is not a Business Day, in which case the optional redemption date and interest payment date occur on the next Business Day. As 18 June 2017 is not a Business Day, the optional redemption date and interest payment date for remaining NSN is 19 June 2017.

*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 Subordinated Notes 2 are issued, at its discretion.

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

Key risks of NAB Subordinated Notes 2

You should read Section 7 "Key Risks of NAB Subordinated Notes 2" in full before deciding to invest. The key risks outlined in that section include risks associated with an investment in NAB Subordinated Notes 2 and an investment in NAB. Some of these risks are summarised below.

Key risks associated with an investment in NAB Subordinated Notes 2

Topic	Summary
NAB Subordinated Notes 2 are not deposit liabilities or Protected Accounts	NAB Subordinated 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 information, see Section 7.1.1 of the Prospectus.
The Interest Rate will fluctuate	The Interest Rate is likely to change. It may go up or down. There is a risk that the return on NAB Subordinated Notes 2 may become less attractive compared to returns on other investments. For further information, see Section 7.1.2 of the Prospectus.
All payments are subject to the Solvency Condition	NAB is not required to make any payment in respect of the NAB Subordinated Notes 2 if, on the day that payment is due, NAB is not, or would not be, Solvent. Holders may not take any action to recover an amount that is not required to be paid because of the Solvency Condition. Unpaid amounts will remain a debt owing to the Holder by NAB until paid and will be payable on the first Business Day on which NAB meets the Solvency Condition. However, if a Non-Viability Trigger Event occurs, all of NAB's obligations to make payments in respect of the NAB Subordinated Notes 2 will cease and Holders will have no right to recover any unpaid amounts. For further information, see Section 7.1.3 of the Prospectus.
Market price of NAB Subordinated Notes 2	The market price of NAB Subordinated Notes 2 may go up or down and there is no guarantee NAB Subordinated Notes 2 will trade at or above their Face Value. The price at which NAB Subordinated Notes 2 trade may, for example, be affected by how the Interest Rate of NAB Subordinated Notes 2 compares to that of other comparable instruments. For further information, see Section 7.1.4 of the Prospectus.
Liquidity of NAB Subordinated Notes 2	The liquidity of NAB Subordinated Notes 2 may be low, which means that, at certain times, you may be unable to sell your NAB Subordinated Notes 2 at an acceptable price, if at all. For further information, see Section 7.1.5 of the Prospectus.
Liquidity and price of Ordinary Shares	Where NAB Subordinated 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 the number of Ordinary Shares you will receive in the event the NAB Subordinated Notes 2 Convert following a Non-Viability Trigger Event. See on page 16 the heading "Conversion or Write-Off following a Non-Viability Trigger Event" and Section 7 (including Sections 7.1.4 and 7.1.5) of the Prospectus for further information on the Conversion or Write-Off of NAB Subordinated Notes 2 following a Non-Viability Trigger Event.
Holders have no right to request early redemption	Holders have no right to request that NAB repay their NAB Subordinated Notes 2 before the Maturity Date (except in certain circumstances where NAB is in Winding Up). Before the Maturity Date, absent a Redemption or Conversion, to realise their investment, Holders will have to sell their NAB Subordinated 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 Subordinated Notes 2. For further information, see Sections 7.1.4, 7.1.5 and 7.1.6 of the Prospectus.

NAB has certain early Redemption rights	Subject to the prior written approval of APRA and certain conditions being met, NAB has the right to Redeem NAB Subordinated Notes 2: • on 20 September 2023 and on any Interest Payment Date falling after that date up to but excluding the Maturity Date (each an Optional Redemption Date); and • following the occurrence of a Tax Event or a Regulatory Event. Holders should not expect that APRA's approval, if requested, will be given for any Redemption of NAB Subordinated Notes 2. The amount received on Redemption, being the Face Value and any accrued but unpaid Interest up to the Redemption Date, may be less than the current market value of NAB Subordinated Notes 2. For further information, see Sections 7.1.6 and 7.1.7 of the Prospectus.
Conversion or Write-Off following a Non-Viability Trigger Event	NAB must convert a number of NAB Subordinated Notes 2 into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur where NAB encounters severe financial difficulty. Broadly, the number of Ordinary Shares into which a NAB Subordinated Note 2 will Convert is calculated by dividing the Face Value ($100) by the VWAP of Ordinary Shares at the time of Conversion discounted by 1% to reflect the likely costs of sale of Ordinary Shares on the ASX. This will potentially result in Ordinary Shares with a value (on a VWAP basis) of approximately $101. However, the maximum number of Ordinary Shares that can be issued on Conversion of a NAB Subordinated Note 2 is capped (as required by APRA) by reference to 20% of the Issue Date VWAP of Ordinary Shares. If Conversion occurs following a Non-Viability Trigger Event, the value of Ordinary Shares that Holders will receive will depend on the market price of the Ordinary Shares at that time. Given that NAB is likely to be in severe financial difficulty at the time of a Non-Viability Trigger Event, the cap on the maximum number of Ordinary Shares that can be issued is likely to apply. As a result, Holders are likely to receive significantly less than $101 worth of Ordinary Shares per NAB Subordinated Note 2 they hold. In cases where NAB Subordinated Notes 2 are not Converted for any reason within five Business Days after the Conversion Date, NAB Subordinated Notes 2 will be Written-Off (with effect on and from the Conversion Date). Holders do not have any right to vote on or choose whether to participate in any Conversion or Write-Off. Where Conversion is required, it is unconditional and Holders have no right to refuse to have their NAB Subordinated Notes 2 Converted or Written-Off. If a NAB Subordinated Note 2 is Written-Off following a Non-Viability Trigger Event, the rights of the Holder to Interest and a return of capital in respect of that NAB Subordinated Note 2 will be terminated, the NAB Subordinated Note 2 will not be Redeemed or Converted on any subsequent date and the Holder will not have their capital repaid. For further information, see Section 7.1.8 of the Prospectus.
Ranking in a Winding Up of NAB	In a Winding Up of NAB, NAB Subordinated Notes 2 rank ahead of Junior Ranking Instruments, equally amongst themselves, equally with all Equal Ranking Instruments, but behind the claims of all Senior Creditors (which include NSN holders and depositors) – see Table 2 above. 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 Subordinated Notes 2. A Holder's return in a Winding Up will also be adversely affected if a Non-Viability Trigger Event occurs (see above and Section 7.1.8). If NAB Subordinated Notes 2 are Converted, Holders will only be entitled to claim against NAB in a Winding Up as Ordinary Shareholders. If NAB Subordinated Notes 2 are Written-Off, Holders will not have their capital repaid and will not be entitled to any return in a Winding Up. For further information, see Sections 7.1.8 and 7.1.10 of the Prospectus.
NAB may issue further securities	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. For further information, see Section 7.1.11 of the Prospectus.

Key risks associated with an investment in NAB

See Section 7.2 of the Prospectus for a description of the risks associated with an investment in NAB and the Group.

Information about the offer

How to Apply	To apply for NAB Subordinated Notes 2, you must complete an Application Form and follow the instructions in Section 4 of the Prospectus ("Applying for NAB Subordinated Notes 2"). If you are applying under the Reinvestment Offer, you must also read Section 3 of the Prospectus ("About the Reinvestment Offer"). For further information, see Sections 3 and 4 of the Prospectus.
Minimum Application	**Securityholder Offer and Broker Firm Offer (excluding applications to reinvest NSN)** 50 NAB Subordinated Notes 2 ($5,000) and thereafter in multiples of 10 NAB Subordinated Notes 2 ($1,000) (including if you are an Eligible NSN Holder and are applying for additional NAB Subordinated Notes 2 under the Securityholder Offer). **Reinvestment Offer** There is no minimum number of NSN that you must hold to be able to participate in the Reinvestment Offer. If you are an Eligible NSN Holder and own less than 50 NSN, you can still apply to participate in the Reinvestment Offer but you must apply to reinvest ALL of your NSN. If you are an Eligible NSN Holder and you own 50 or more NSN, you must apply to reinvest at least 50 of your NSN and thereafter in multiples of 10 NSN. For further information, see Sections 3 and 4 of the Prospectus.
Key Dates	**Offer Period:** • The Offer opens on 16 February 2017; • The Reinvestment Offer closes on 10 March 2017; • The Securityholder Offer closes on 10 March 2017; • The Broker Firm Offer (excluding applications to reinvest NSN) and Institutional Offer close on 17 March 2017. **Issue Date**: NAB Subordinated Notes 2 are expected to be issued on 20 March 2017. **Commencement of trading on ASX:** Trading is expected to commence on 21 March 2017 on a deferred settlement basis. Normal settlement trading is expected to commence on 27 March 2017. **Despatch of Holding Statements**: Holding Statements are expected to be despatched by 24 March 2017. For further information, see Key Dates section of the Prospectus.
Allocation policy	**Reinvestment Offer and Securityholder Offer** Allocations to NSN Reinvestment Applicants and Securityholder Applicants will be determined by NAB in consultation with the Joint Lead Managers. Applications from NSN Reinvestment Applicants and Securityholder Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, NAB's current intention is to give preference to NSN Reinvestment Applicants over Securityholder Applicants while still providing for a proportion of the available NAB Subordinated Notes 2 to be allocated to Securityholder Applicants. How NAB scales back applications will depend on the extent of applications from NSN Reinvestment Applicants and Securityholder Applicants. In the event of excess demand, it is possible that the proportionate scale back applied to Securityholder Applicants will be greater than that applied to NSN Reinvestment Applicants. **Broker Firm Offer and Institutional Offer** Allocations to Syndicate Brokers will be determined by NAB in consultation with the Joint Lead Managers following completion of the Bookbuild. Allocations to Institutional Investors will be determined by NAB following completion of the Bookbuild. Allocations to Syndicate Brokers and Institutional Investors will reflect expected demand under the Reinvestment Offer. Priority will be given to Broker Firm Applicants applying to reinvest their NSN over other Broker Firm Applicants. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. NAB takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker. For further information, see Section 4 of the Prospectus.
Tax consequences	Information about the Australian tax consequences of investing in NAB Subordinated Notes 2 is set out in Section 8 of the Prospectus.

Fees and expenses associated with the Offer	NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus which are described in Section 9 of the Prospectus. These include payments to the Joint Lead Managers and Co-Managers.
More information	If you have any questions about NAB Subordinated 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, Melbourne time) during the Offer Period, and for a week following.

Important Notice

A prospectus for the issue by National Australia Bank Limited ABN 12 004 044 937, AFSL 230686 ("NAB" or "Issuer") of securities ("Securities") dated 8 February 2017 ("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 Corporate & Institutional Banking, a division of NAB ("Corporate & Institutional Banking") by calling 1300 367 647 (within Australia) or on +61 3 9415 4299 (International) (Monday to Friday 8.00am – 7:30pm AEDT). For information relating to Corporate & Institutional Banking's financial services you should refer to our Financial Services Guide.

The offer of Securities is only open to residents of Australia, Eligible Security Holders and those investors who do not fall within the restrictions outlined in the Important Notices "Restrictions on foreign jurisdictions" of the Prospectus. By obtaining a copy of the Prospectus, you acknowledge and confirm that you are such an investor.

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, Corporate & Institutional Banking 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, Corporate & Institutional Banking 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 of up to 1.00% (exclusive of GST) 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.

Corporate & Institutional Banking 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 Corporate & Institutional Banking, Corporate & Institutional Banking 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.

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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. 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. For more information about privacy in general, you can visit the Federal Privacy Commissioner's website 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.