

## OFFERING CIRCULAR DATED 14 DECEMBER 2012.



NATIONAL AUSTRALIA BANK  
LIMITED

(ABN 12 004 044 937)  
(incorporated with limited liability in the  
Commonwealth of Australia)



BNZ INTERNATIONAL FUNDING LIMITED,  
acting through its  
London Branch

(incorporated in New Zealand with limited liability  
under registered number 1635202 and registered as  
a branch in England & Wales under numbers  
BR008377 and FC026206)



CLYDESDALE BANK PLC

(incorporated in Scotland with limited  
liability under registered number SC001111)

### U.S.\$100,000,000 Global Medium Term Note Programme unconditionally and irrevocably guaranteed in the case of Notes issued by BNZ International Funding Limited, acting through its London Branch by BANK OF NEW ZEALAND

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

Under this U.S.\$100,000,000 Global Medium Term Note Programme (the **Programme**), National Australia Bank Limited (**NAB**), Clydesdale Bank PLC (**Clydesdale**) and BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each, an **Issuer** and together, the **Issuers**) may from time to time issue notes (the **Notes**, which include Senior Notes and Subordinated Notes (as such terms are defined on page 116 of this Offering Circular)) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes in issue prior to the date hereof. The payment of all amounts owing in respect of the Notes issued by BNZ-IF (**Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by Bank of New Zealand (the **Guarantor**). Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**).

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

Application has been made to:

- (i) the *Commission de surveillance du secteur financier* in its capacity as competent authority (the **Competent Authority** or the **CSSF**) under the Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act 2005**) to approve this Offering Circular in connection with:
  - (a) the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with Directive 2003/71/EC as amended (the **Prospectus Directive**) (the **PD Notes**); and
  - (b) in the case of NAB only, the issue by NAB of certain Tranches of Notes under the Programme with a minimum denomination of less than Euro 100,000 (or its equivalent in any other currency) which are offered to the public in the European Economic Area in circumstances in which the requirement to publish a prospectus under the Prospectus Directive arises and either (i) admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive, or (ii) admitted to trading on another regulated market (as defined in Directive 2004/39/EC), or (iii) unlisted and not admitted to trading on any market (the **Non-Exempt PD Notes**); and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) (the **Exempt Notes**) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market (the **Euro MTF Market**).

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

**The CSSF has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Offering Circular or the quality or solvency of the Issuers in accordance with Article 7(7) of the Prospectus Act 2005.**

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

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

**Information relating to the ratings of the Programme and issues of Notes under the Programme is set out on page 60 of this Offering Circular.**

Neither the Notes nor the Guarantee (as defined under "*Terms and Conditions of the Notes*") (in the case of Guaranteed Notes) have been or will be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered or sold or, in the case of Bearer Notes, delivered in the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the

Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

**Arranger  
DEUTSCHE BANK  
Dealers**

**BARCLAYS  
CITIGROUP  
GOLDMAN SACHS INTERNATIONAL  
J.P. MORGAN  
NATIONAL AUSTRALIA BANK LIMITED  
THE ROYAL BANK OF SCOTLAND**

**BofA MERRILL LYNCH  
DEUTSCHE BANK  
HSBC  
MORGAN STANLEY  
RBC CAPITAL MARKETS  
UBS INVESTMENT BANK**

**This Offering Circular comprises (i) a prospectus for the issuance of Notes under the Programme by NAB; (ii) a prospectus for the issuance of Guaranteed Notes under the Programme by BNZ-IF; and (iii) a prospectus for the issuance of Notes under the Programme by Clydesdale. Each prospectus constitutes, in respect of all Notes other than Exempt Notes issued under the Programme, a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) to the extent such amendments have been implemented in a relevant Member State of the European Economic Area) and, for Exempt Notes to be listed on the Euro MTF Market, a base prospectus for the purposes of Part IV of the Prospectus Act 2005.**

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

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

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

**Following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Competent Authority pursuant to Article 16 of the Prospectus Directive may be prepared by any of the Issuers (a Supplement to this Offering Circular). Pursuant to Article 14(2) of the Prospectus Directive, any such Supplement to this Offering Circular will be available, free of charge, at the registered offices of the Issuers and the Guarantor and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained free of charge from the specified office of the Agent (as defined below) at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Each of the Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.**

**In relation to Exempt Notes to be listed, following the publication of this Offering Circular, a supplement to this Offering Circular approved by the Luxembourg Stock Exchange (as competent entity for the purposes of Part IV of the Prospectus Act 2005) may be prepared by any of the Issuers pursuant to Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (an Exempt Notes Supplement to this Offering Circular). In accordance with Article 10.1 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange, any such Exempt Notes Supplement to this Offering Circular will be available, free of charge, at the registered offices of the Issuers and the Guarantor and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained free of charge from the specified office of the Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Each of the Issuers and the Guarantor will, in the event of any significant new factor relating to information included in this Offering Circular which is capable of affecting the assessment of any Exempt Notes to be listed, prepare an Exempt Notes Supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Exempt Notes to be listed.**

**The Trustee has not independently verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by**

the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme.

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

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

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

No information in this Offering Circular has been sourced from a third party.

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

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

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

This Offering Circular has not been submitted for clearance to the *Autorité des marchés financiers* of France.

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

#### **IMPORTANT INFORMATION RELATING TO OFFERS OF NON-EXEMPT PD NOTES WHERE THERE IS NO EXEMPTION FROM THE OBLIGATION UNDER THE PROSPECTUS DIRECTIVE TO PUBLISH A PROSPECTUS**

**Restrictions on offers of Non-Exempt PD Notes in Relevant Member States where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus**

Non-Exempt PD Notes may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a **Non-exempt Offer**. This Offering Circular has been prepared on a basis that permits Non-exempt Offers of Non-Exempt PD Notes. However, any person making or intending to make a Non-exempt Offer of Non-Exempt PD Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) may only do so if this Offering Circular has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that NAB has consented to the use of this Offering Circular in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" below and the conditions attached to that consent are complied with by the person making the Non-exempt Offer of such Non-Exempt PD Notes.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Non-exempt Offer of Non-Exempt PD Notes in circumstances in which an obligation arises for NAB or any Dealer to publish or supplement a prospectus for such offer.

#### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

In the context of a Non-exempt Offer of such Non-Exempt PD Notes, NAB accepts responsibility, in the jurisdictions to which the consent to use the Offering Circular extends, for the content of this Offering Circular under Article 6 of the Prospectus Directive in relation to any person (an **Investor**) who acquires any Notes in a Non-exempt Offer made by any person to whom NAB has given consent to the use of this Offering Circular (an **Authorised Offeror**) in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of NAB or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of NAB or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Non-exempt Offer by any offeror and NAB has not consented to the use of this Offering Circular by any other person in connection with any Non-exempt Offer of Non-Exempt PD Notes. Any Non-exempt Offer made without the consent of NAB is unauthorised and neither NAB nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Offering Circular for the purposes of Article 6 of the Prospectus Directive in the context of the Non-Exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Offering Circular and/or who is responsible for its contents it should take legal advice.

### **Consent**

In connection with each Tranche of Non-Exempt PD Notes, and subject to the conditions set out below under "*Common Conditions to Consent*":

- (a) NAB consents to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Non-Exempt PD Notes by the relevant Dealer and by:
  - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and
  - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on NAB's website (<http://www.nab.com.au/>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer;
- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", NAB hereby offers to grant its consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended (in which regard, Investors should consult the register maintained by the Financial Services Authority at: [www.fsa.gov.uk/fsaregister](http://www.fsa.gov.uk/fsaregister)), or other applicable legislation implementing the Markets in Financial Instruments Directive; and
  - (ii) it accepts such offer by publishing on its website a statement confirming that it accepts the offer by NAB of its consent to their use of the Offering Circular in connection with the offer of the relevant Tranche of Non-Exempt PD Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Offering Circular, and that it is using the Offering Circular accordingly.

The **Authorised Offeror Terms** are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of NAB and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
  - I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will

immediately inform NAB and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

- II. comply with the restrictions set out under "*Subscription and Sale and Transfer and Selling Restrictions*" in this Offering Circular which would apply as if it were a Dealer;
- III. ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000;
- V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer, NAB or directly to the appropriate authorities with jurisdiction over NAB and/or the relevant Dealer in order to enable NAB and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to NAB and/or the relevant Dealer;
- VII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of NAB or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- VIII. co-operate with NAB and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from NAB or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by NAB or the relevant Dealer:

- (i) in connection with any request or investigation by any relevant regulator in relation to the Notes, NAB or the relevant Dealer; and/or
- (ii) in connection with any complaints received by NAB and/or the relevant Dealer relating to NAB and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any relevant regulator of competent jurisdiction from time to time; and/or
- (iii) which NAB or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow NAB or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

- IX. during the primary distribution period of the Notes: (i) not sell the Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the Notes otherwise than for settlement on the Issue Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
- X. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- XI. ensure that it does not, directly or indirectly, cause NAB or the relevant Dealer to breach any Rule or subject NAB or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- XII. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- XIII. make available to each potential Investor in the Notes the Offering Circular (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by NAB for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Offering Circular; and



- XIV. if it conveys or publishes any communication (other than the Offering Circular or any other materials provided to such financial intermediary by or on behalf of NAB for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of NAB, that such financial intermediary is solely responsible for such communication and that none of NAB and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of NAB or the relevant Dealer (as applicable), use the legal or publicity names of NAB or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe NAB as issuer of the relevant Notes on the basis set out in the Offering Circular;
- (B) agrees and undertakes to indemnify each of NAB and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by NAB or the relevant Dealer; and
- (C) agrees and accepts that:
- I. the contract between NAB and the financial intermediary formed upon acceptance by the financial intermediary of NAB's offer to use the Offering Circular with its consent in connection with the relevant Exempt Offer (the **Authorised Offeror Contract**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
  - II. the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts; and
  - III. each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties,

undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

**Any Authorised Offeror falling within (b) above who meets all of the conditions set out in (b) and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Offering Circular in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified at paragraph (b)(ii) above.**

### ***Common Conditions to Consent***

The conditions to NAB's consent are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms;
- (ii) only extends to the use of this Offering Circular to make Non-exempt Offers of the relevant Tranche of Non-Exempt PD Notes in one or more of Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom (the **Public Offer Jurisdictions**), as specified in the applicable Final Terms; and
- (iii) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

The only Relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom, and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Luxembourg, Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands and The United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for NAB or any Dealer to publish or supplement a prospectus for such offer.

### ***ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS***

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NON-EXEMPT PD NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NON-EXEMPT PD NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. NAB WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NON-EXEMPT PD NOTES CONCERNED AND, ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF NAB OR ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

### **U.S. INFORMATION**

**NEITHER THE NOTES NOR THE GUARANTEE (IN THE CASE OF GUARANTEED NOTES) HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED**

**STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED OR SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

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

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

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

**The Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Notes in bearer form, delivered, in the United States or to or for the account or benefit of, United States persons as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.**

**Notwithstanding anything herein to the contrary, potential purchasers may disclose to any and all persons, without limitation of any kind, the U.S. federal, state or local income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure. However, any information relating to the U.S. federal, state or local income tax treatment or tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent reasonably necessary to enable any person to comply with applicable securities laws. For this purpose, "tax structure" means any facts relevant to the U.S. federal, state or local income tax treatment of the offering but does not include information relating to the identity of the issuer of the securities, the issuer of any assets underlying the securities, or any of their respective affiliates that are offering the securities.**

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (ANNOTATED) (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN**

**THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **AVAILABLE INFORMATION**

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

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

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

Clydesdale is a corporation organised under the laws of Scotland. All of the respective officers and directors of Clydesdale named herein reside outside the United States and all or a substantial portion of the assets of Clydesdale and of its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Scotland upon Clydesdale or upon such persons, or to enforce judgments against them obtained in courts outside Scotland predicated upon civil liabilities of Clydesdale or its directors and officers under laws other than Scots law, including any judgment predicated upon United States federal securities laws. Clydesdale has been advised by Dundas & Wilson C.S. LLP, its Scottish counsel, that there is doubt as to the enforceability in Scotland in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

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

**Zealand in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.**

### **FORWARD-LOOKING STATEMENTS**

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

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

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

**In this Offering Circular all references to the "NAB Group" refer to NAB and its controlled entities. In addition, references to "U.S. dollars" and "U.S.\$" refer to United States dollars, references to Australian dollars and "A\$" refer to Australian dollars, references to New Zealand dollars and "NZ\$" refer to New Zealand dollars, references to "£" refer to pounds Sterling and references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended. All references in the "Summary of the Programme relating to Non-Exempt PD Notes" set out on page 15 herein to "prospectus" refer to this Offering Circular (and any applicable Final Terms related thereto), references to "securities" are to the Non-Exempt PD Notes and references to an "offer" are to a Non-exempt Offer.**

## CONTENTS

	<b>Page</b>
Summary of the Programme relating to Non-Exempt PD Notes .....	15
Risk Factors .....	33
Documents Incorporated by Reference and Credit Ratings .....	58
Overview of the Programme .....	62
Form of the Notes .....	70
Form of Final Terms .....	75
Terms and Conditions of the Notes .....	115
Use of Proceeds .....	174
Description of NAB .....	175
Description of Clydesdale .....	182
Description of BNZ-IF .....	187
Description of the Guarantor .....	190
Book-Entry Clearance Systems .....	195
Taxation .....	199
United States Employee Retirement Income Security Act .....	233
Subscription and Sale and Transfer and Selling Restrictions .....	235
General Information .....	245

**In connection with the issue of any Tranche of Notes, any relevant Dealer or Dealers or any person acting on its or their behalf (the Stabilising Manager(s)) may over-allot Notes or effect transactions (in each case outside 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may 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 of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allocation must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

National Australia Bank Limited does not have authorisation of De Nederlandsche Bank N.V. to pursue the business of a credit institution (*kredietinstelling*) in the Netherlands and is not registered pursuant to section 1:107 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*). National Australia Bank Limited has authorisation of the Australian Prudential Regulation Authority to pursue the business of a credit institution. In addition, the National Australia Bank Limited's London Branch is authorised and regulated by the Financial Services Authority, has permission to carry on the regulated activity of (amongst other things) accepting deposits, and is an authorised person for the purposes of the Financial Services and Markets Act 2000.

## SUMMARY OF THE PROGRAMME RELATING TO NON-EXEMPT PD NOTES

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and NAB. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of “not applicable”.

### Section A – Introduction and warnings

Element		
A.1	<p><b>This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor. Where a claim relating to information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</b></p>	
A.2	<p>Consent by NAB to the use of the Offering Circular for subsequent resale or final placement by financial intermediaries, during the offer period indicated and the conditions attached to such consent.</p>	<p><i>Consent:</i> Subject to the conditions set out below, NAB consents, within any Offer Period (as defined below) occurring within 12 months from the date of the Offering Circular, to the use of the Offering Circular in connection with a Non-exempt Offer of Notes by the Managers[, <i>[names of specific financial intermediaries listed in final terms,]</i> [and] [each financial intermediary whose name is published on NAB’s website (<a href="http://www.nab.com.au/">www.nab.com.au/</a>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under applicable legislation implementing Directive 2004/39/EC (the Markets in Financial Instruments Directive) and publishes on its website a statement confirming that it accepts the offer by NAB of its consent to their use of the Offering Circular in connection with the offer of the relevant Tranche of Non-Exempt PD Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Offering Circular, and that it is using the Offering Circular accordingly]].</p> <p><i>Offer period:</i> NAB's consent referred to above is given for Non-exempt Offers of Notes during [<i>offer period for the issue to be specified here</i>] (the <b>Offer Period</b>).</p>

Element		
	<p>Notice to investors that information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.</p>	<p><i>Conditions to consent:</i> The conditions to NAB's consent (in addition to the conditions referred to above) are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Offering Circular to make Non-exempt Offers of the relevant Tranche of Notes in [<i>specify each Relevant Member State in which the particular Tranche of Notes can be offered</i>] and (c) [<i>specify any other conditions applicable to the Non-exempt Offer of the particular Tranche, as set out in the Final Terms</i>].</p> <p><b>INFORMATION ON THE TERMS AND CONDITIONS OF THE OFFER BY ANY FINANCIAL INTERMEDIARY IS TO BE PROVIDED AT THE TIME OF THE OFFER BY THE FINANCIAL INTERMEDIARY</b></p>

#### Section B – NAB

Element	Title	
<b>B.1</b>	Legal and commercial name of the issuer	The legal name of the issuer is National Australia Bank Limited and the issuer trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	NAB is incorporated in Australia as a public limited company and registered in the State of Victoria and has its registered office at Level 4, (UB 4440) 800 Bourke Street, Docklands, Victoria 3008, Australia. NAB operates under Australian legislation including the Corporations Act 2001 and the Banking Act 1959 of Australia (the <b>Banking Act</b> ).
<b>B.4b</b>	Trends affecting NAB and the industries in which it operates	<p>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 the following contingent liabilities:</p> <p>(i) On 16 December 2011 Steven Farey and Others commenced a class action proceeding against the NAB Group in relation to the payment of exception fees, along with similar proceedings against several other financial institutions. The quantum of the claim against the NAB Group has not yet been identified in the proceeding. The NAB Group has not been required to file a defence as the proceeding has been stayed until 7 June 2013. The proceeding will be vigorously defended;</p>



Element	Title	
		<p>(ii) The NAB Group is subject to levies imposed by the United Kingdom Financial Services Compensation Scheme (the <b>FSCS</b>). The FSCS provides compensation to depositors in the event that certain financial institutions are unable to repay amounts due and the FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Following the failure of a number of financial institutions in the UK, claims have been triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits. The principal of these borrowings is anticipated to be repaid from the realisation of the assets of the institutions. The FSCS has estimated levies due to 31 March 2013 and an accrual of £8 million is held for the NAB Group's calculated liability. The NAB Group may be subject to additional levies imposed by the FSCS in future periods;</p> <p>(iii) The NAB Group is holding a provision of £108 million on account of potential claims regarding the mis-selling of Payment Protection Insurance (<b>PPI</b>) in the United Kingdom. This provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of factors that remain uncertain, including how many PPI claims will be made against Clydesdale Bank PLC (a member of the NAB Group), for what value, and the prospects of misselling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain and the NAB Group continues to keep the matter under review; and</p> <p>(iv) On 29 June 2012 the United Kingdom Financial Services Authority (the <b>FSA</b>) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate derivative products to small and medium businesses. Clydesdale Bank PLC agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a programme to identify small and medium sized customers that may have been affected. The exercise voluntarily incorporates certain of the NAB Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice. The total cost of this exercise is</p>

Element	Title																																		
		uncertain. A provision of £48 million for customer redress, including the interest rate derivative products review, is held and reflects management's best estimate of the probable outflow of funds as at 30 September 2012.																																	
<b>B.5</b>	Description of the group and NAB's position within the group	<p>The NAB Group is an international financial services group providing a comprehensive and integrated range of financial products. The NAB Group operates in Australia, New Zealand, the United States, the United Kingdom and parts of Asia.</p> <p>NAB is the holding company for the NAB Group, as well as the main operating company for the NAB Group.</p>																																	
<b>B.9</b>	Profit forecast or estimate	<p>Not Applicable.</p> <p>No profit forecast or estimate has been made in the Offering Circular.</p>																																	
<b>B.10</b>	Audit report qualifications	<p>Not Applicable.</p> <p>There are no qualifications in the audit report on historical financial information.</p>																																	
<b>B.12</b>	Selected historical key financial information regarding NAB	<p><b><i>Income Statement</i></b></p> <p>The table below sets out summary information extracted from NAB's audited consolidated income statement for each of the two years ended 30 September 2012:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><b>30 September</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2012</b></th> <th style="text-align: center;"><b>2011</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>A\$(m)</b></th> <th style="text-align: center;"><b>A\$(m)</b></th> </tr> </thead> <tbody> <tr> <td><b>Profit before income tax expense</b></td> <td style="text-align: right;"><b>6,159</b></td> <td style="text-align: right;"><b>6,728</b></td> </tr> <tr> <td><b>Net profit for the year</b></td> <td style="text-align: right;"><b>4,083</b></td> <td style="text-align: right;"><b>5,220</b></td> </tr> <tr> <td>Basic earnings per share (cents)</td> <td style="text-align: right;"><b>175.3</b></td> <td style="text-align: right;"><b>233.6</b></td> </tr> <tr> <td>Diluted earnings per share (cents)</td> <td style="text-align: right;"><b>174.4</b></td> <td style="text-align: right;"><b>231.5</b></td> </tr> </tbody> </table> <p><b><i>Balance Sheet</i></b></p> <p>The table below sets out summary information extracted from NAB's audited consolidated balance sheet as at 30 September 2011 and 30 September 2012:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><b>30 September</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2012</b></th> <th style="text-align: center;"><b>2011</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>A\$(m)</b></th> <th style="text-align: center;"><b>A\$(m)</b></th> </tr> </thead> <tbody> <tr> <td><b>Total assets</b></td> <td style="text-align: right;"><b>763,090</b></td> <td style="text-align: right;"><b>753,757</b></td> </tr> </tbody> </table>		<b>30 September</b>			<b>2012</b>	<b>2011</b>		<b>A\$(m)</b>	<b>A\$(m)</b>	<b>Profit before income tax expense</b>	<b>6,159</b>	<b>6,728</b>	<b>Net profit for the year</b>	<b>4,083</b>	<b>5,220</b>	Basic earnings per share (cents)	<b>175.3</b>	<b>233.6</b>	Diluted earnings per share (cents)	<b>174.4</b>	<b>231.5</b>		<b>30 September</b>			<b>2012</b>	<b>2011</b>		<b>A\$(m)</b>	<b>A\$(m)</b>	<b>Total assets</b>	<b>763,090</b>	<b>753,757</b>
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Element	Title	
		<p><b>Total liabilities</b> 719,287 711,569</p> <p><b>Net assets</b> 43,803 42,188</p> <p><b>Total equity (parent entity interest)</b> 43,756 42,168</p> <p><b>Total equity</b> 43,803 42,188</p> <p>Significant changes in the financial or trading position of NAB / Material adverse change in the financial position or prospects of NAB</p> <p>There has been no significant change in the financial or trading position of NAB since 30 September 2012 and there has been no material adverse change in the financial position or prospects of NAB since 30 September 2012.</p>
<b>B.13</b>	Events impacting NAB's solvency	<p>Not Applicable.</p> <p>There are no recent events particular to NAB which are to a material extent relevant to the evaluation of NAB's solvency.</p>
<b>B.14</b>	Dependence upon other group entities	<p>Not Applicable.</p> <p>NAB is not dependent on other NAB Group entities.</p> <p>See Element B.5 for information on NAB's position in the NAB Group.</p>
<b>B.15</b>	A description of NAB's principal activities	The principal activities of the NAB Group 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.
<b>B.16</b>	Controlling shareholders	<p>Not Applicable.</p> <p>NAB is not directly or indirectly owned or controlled.</p>
<b>B.17</b>	Solicited credit ratings	<p>[The Notes [have been]/[are expected to be] rated [●] by [●].]</p> <p>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 the assigning rating agency.</p>

### Section C – Securities

Element	Title	
<b>C.1</b>	Description of Notes/ISIN	The Notes described in this section are debt securities of NAB with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes may be Fixed

Element	Title	
		<p>Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.</p> <p>The Notes are [£/€/U.S.\$/[●]][●] [●] per cent./Floating Rate/Zero Coupon Notes due [●].</p> <p>International Securities Identification Number (ISIN): [●]</p>
C.2	Currency of the securities issue	<p>The currency of each Series of Notes issued will be agreed between NAB and the relevant Dealer at the time of issue.</p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/[●] ([●])].</p>
C.5	A description of any restrictions on the free transferability of the securities	Notes will be freely transferable.
C.8	Rights attaching to the notes, ranking and limitations to those rights	<p><i>Status</i></p> <p>The Notes and any Coupons are unsubordinated, direct and unsecured obligations of NAB and rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of NAB (other than any obligation 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 and section 86 of the Reserve Bank Act 1959 of Australia). The Notes do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or of any other jurisdiction or by any other party.</p> <p><i>Taxation</i></p> <p>All payments of principal and interest in respect of the Notes and any Coupons by NAB 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, in the case of Notes issued by a borrowing office of NAB located outside Australia, the jurisdiction in which such borrowing office is located), unless such withholding or deduction is required by law. In such event, NAB will, subject to certain exceptions described herein, pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction. Any amounts to be paid on the Notes will be paid net of any deduction or withholding</p>

Element	Title	
		<p>imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (the <b>Code</b>), 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.</p> <p><i>Negative pledge</i></p> <p>The terms of the Notes do not contain a negative pledge provision.</p> <p><i>Events of default</i></p> <p>The terms of the Notes contain, amongst others, the following events of default (the <b>Events of Default</b>):</p> <ul style="list-style-type: none"> <li>(a) default by NAB in any payment when due of principal on the Notes or any of them and the default continues for a period of seven days;</li> <li>(b) default by NAB in payment when due of any instalment of interest on the Notes or any of them and the default continues for a period of 30 days;</li> <li>(c) a failure by NAB to perform or observe any of its other obligations under the Conditions or the Trust Deed and the failure continues for the period of 30 days;</li> <li>(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, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;</li> <li>(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);</li> <li>(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 NAB or of the whole or any part of the undertaking, property, assets or</li> </ul>

Element	Title	
		<p>revenues of NAB (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;</p> <p>(g) an order is made or an effective resolution passed for a winding up of NAB other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency;</p> <p>(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</p> <p>(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 which results in a substitution of the principal debtor under the Notes and Coupons; or (b) with the consent of the Noteholders by Extraordinary Resolution.</p> <p>No Event of Default (other than (g) above) 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 the Australian Prudential Regulation Authority from time to time).</p> <p><i>Meetings</i></p> <p>The conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p>



Element	Title	
		modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders.
<b>C.10</b>	If the security has a derivative component, an explanation of how the value of the investment is affected by the value of the underlying instrument	<p>Not Applicable.</p> <p>The Notes do not have a derivative component in the interest payment.</p> <p>See Element C.9 for information on the interest payable in respect of the Notes.</p>
<b>C.11</b>	Application for admission to trading and distribution in a regulated market	<p><i>Listing and Admission to Trading</i></p> <p>The Notes will be listed on the Regulated Market of the Luxembourg Stock Exchange and on the official list of the Luxembourg Stock Exchange.</p> <p><i>Distribution</i></p> <p>The Notes may be offered to the public in the Public Offer during the Offer Period and, outside of the Offer Period, pursuant to an exemption from the requirement to publish a prospectus pursuant to the Prospectus Directive. See Element A.2 for further information relating to the distribution of the Notes.</p>

#### Section D – Risks

Element	Title	
<b>D.2</b>	Key risks regarding NAB	<p>In purchasing the Notes, investors assume the risk that NAB may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in NAB becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as NAB may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside NAB's control. There are a number of factors which could materially adversely affect NAB's business and its ability to make payments due under the Notes. These factors include, amongst others:</p> <ul style="list-style-type: none"> <li>• Subsequent changes in actual or perceived creditworthiness of NAB may adversely affect the market value of the Notes;</li> </ul>



Element	Title	
		<ul style="list-style-type: none"> <li data-bbox="735 315 1445 725">• Changes in the economic climate in which the NAB Group operates (including, but not limited to, economic growth rates, interest rates, inflation rates, employment levels, labour costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, commodity and asset prices, industrial production, taxation levels, domestic and international competition, monetary policy, fiscal policy, domestic and international political changes and environmental conditions) may adversely impact the NAB Group's financial performance and position;</li> <li data-bbox="735 763 1445 1106">• The global financial crisis and, in particular, the Eurozone crisis may affect the financial performance and position of the NAB Group, including if the terms and conditions (including those terms related to principal, interest or maturity) of some or all of the NAB Group's exposures to, amongst others, sovereigns, financial institutions or government entities fall, in the future, to be restructured (whether or not the event is deemed to be a default, however defined);</li> <li data-bbox="735 1144 1445 1442">• The financial performance and position of one or more of the NAB Group's businesses could be affected by changes in the legal, regulatory monetary, fiscal or other policies required by various regulatory authorities of Australian and foreign governments and any such changes in regulations or regulatory policy could result in the NAB Group incurring substantial cost to comply; and</li> <li data-bbox="735 1480 1445 2033">• Implementation of regulation to promote financial stability and competition (including, <i>inter alia</i>, regulation to implement the revised capital and liquidity principles of Basel III, schemes to protect deposits held by Australian authorised deposit-taking institutions, regulation to impose additional supervisory and prudential standards on "systemically important financial institutions" (which would include NAB) and market reforms in the over the counter derivative market) could, alone or in the aggregate, increase the regulatory compliance costs to the NAB Group, adversely impact the revenues and profitability of certain business lines of the NAB Group and, consequently, adversely impact the financial performance and position of the NAB Group.</li> </ul>

Element	Title	
		<p>In addition, there are a number of risk factors which arise directly from the operations of the NAB Group as a major participant in the banking and financial service industry and from the specific structure of the NAB Group which could have an adverse impact on the NAB Group's financial performance and position. These include, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• The portfolio of credit risk in the NAB Group (i.e. the level of the risk that a counterparty will fail to meet its obligations to the NAB Group in accordance with agreed terms) is large and diverse and, whilst it exists principally in the NAB Group's bank lending activities, it also exists in the NAB Group's banking book, the trading book and other financial instruments and loans, as well as in the extension of commitments and guarantees and the settlement of transactions. Accordingly, an increase in credit impairment could have an adverse impact on the NAB Group's financial performance and position;</li> <li>• The NAB Group's financial performance and position may be adversely impacted by material impairments of its conduit portfolio or other assets held within the NAB Group's Specialised Group Assets business (which include, amongst others, credit wrapped asset backed securities, U.S. and UK residential mortgage backed securities and loans, UK commercial mortgage backed securities and collateralised loan obligations), the performance of which are significantly dependent on the UK and U.S. economies;</li> <li>• Operational and technology risks arise from the day-to-day operational activities of the NAB Group (including, <i>inter alia</i>, process error or failure, inadequate process design, poor product development and maintenance, system failure, fraud, deficiencies in employees' skills and performance, operational failures by third parties, natural disasters, internal or external failures of information and payment systems and technology) and may result in direct or indirect losses which could adversely impact the NAB Group's financial performance and position;</li> <li>• The NAB Group is also subject to compliance risk across, but not limited to, its banking, wealth management and third party distribution channels. Compliance risk refers to the risk of legal or regulatory sanctions and/or material financial loss</li> </ul>

Element	Title	
		<p>and/or a loss of reputation as a result of failure to comply with laws, regulations, taxation requirements, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards. To the extent that these compliance risks limit the NAB Group's operations or flexibility, or result in fines, settlements, or restitution to customers, regulators or other stakeholders, they could adversely impact its financial performance and position.</p> <ul style="list-style-type: none"> <li>• The NAB Group may be involved from time to time in legal proceedings arising from the conduct of its business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings could have an adverse impact on the NAB Group's financial performance and position.</li> <li>• Capital risk that the NAB Group does not hold sufficient capital and reserves to achieve its strategic plans and objectives or cover the risks to which it is exposed and protect against unexpected losses;</li> <li>• Funding risk that the NAB Group is unable to raise short- and long-term funding to support its strategic plans and objectives and liquidity risk that the NAB Group is unable to meet its obligations, including financial commitments, as they fall due as a result of a deterioration in the NAB Group's liquidity position;</li> <li>• Credit rating risk that rating agencies reduce the credit rating of NAB or the sovereign rating of the countries in which the NAB Group operates or raises capital, which results in an increase in the NAB Group's borrowing costs, limit its access to capital markets and triggers additional collateral requirements in derivative contracts and other secured funding arrangements which may, in turn, adversely impact the NAB Group's financial performance and position;</li> <li>• Interest rate risk that interest rates and yield curves change over time and expose the NAB Group to a loss in earnings and economic value due to the interest rate profile of its balance sheet; and</li> <li>• Foreign exchange and translation risk arises from the impact of changes in foreign currency exchange</li> </ul>

Element	Title	
		<p>rates on the value of the NAB Group's cash flows and assets and liabilities as a result of participation in the global financial markets and international operations. It includes structural foreign exchange risk resulting from the NAB Group's ownership structure, including investment in overseas subsidiaries or associates, and exposures from known foreign currency transactions (such as repatriation of capital and dividends from offshore subsidiaries). It also includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. If the NAB Group were to suffer substantial losses due to any adverse movement in foreign exchange rates, such losses could adversely impact their financial performance and position. Also, as the NAB Group conducts business in different currencies, mainly Australian, New Zealand and U.S. dollars, British pounds sterling and euros, the NAB Group's businesses may be affected by a change in currency exchange rates, or a full or partial break-up or a change in the reserve status of any of these currencies. Additionally, as NAB's financial statements are prepared and presented in Australian dollars, any further appreciation in the Australian dollar against other currencies in which the NAB Group earns revenues may adversely impact NAB's financial performance and position.</p> <p>The operations of the NAB Group are also exposed to a variety of other risks which include, but are not limited to, the failure, in whole or in part, of the NAB Group's strategic initiatives or the NAB Group's risk management framework and processes, loss of key personnel, compliance and reputational risks, risks relating to changes in taxation law and accounting standards, risks relating to the competitive environment in which the NAB Group's operations are undertaken, risks related to the NAB Group's exposure to defined benefit pension fund liabilities, risks related to reductions in the valuation of non-traded equity investments and market prices of positions in financial instruments, risks related to unforeseen increases in liabilities of the NAB Group's life insurance business, underwriting risk and acquisition and divestment risk. If any of these risks are realised, they may have an adverse impact on the financial performance and position of the NAB Group.</p>
<b>D.3</b>	Key risks regarding the Notes	There are also risks associated with the Notes. These include a range of market risks including that the Notes may not be a suitable investment for all investors, if NAB

Element	Title	
		<p>has the right to redeem any Notes at its option, this may limit the market value of the Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return, there may be no, or only a limited, secondary market in the Notes, that any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes, the fact that the conditions of the Notes may be modified without the consent of the holder in certain circumstances, that the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by NAB in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation affecting the value of the Notes. There is also the risk that an investor's investment may be adversely affected by exchange rate movements. In addition:</p> <p>[A holder of Fixed Rate Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate.]</p> <p>[A holder of Floating Rate Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of Floating Rate Notes in advance.]</p> <p>[The market values of Zero Coupon Notes issued at a substantial discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.]</p>

### Section E – Offer

Element	Title	
E.2b	Reasons for the offer and the use of proceeds when different from making profit and/or hedging risk	The net proceeds from the issue of the Notes will be used for the general purposes of NAB (which include making a profit) and its subsidiaries.
E.3	Terms and conditions of the offer	<p>The terms and conditions of each offer of Notes will be determined by agreement between NAB and the relevant Dealers at the time of issue.</p> <p>An investor intending to acquire or acquiring any Notes from an Authorised Offeror other than NAB will do so, and</p>

Element	Title	
		<p>offers and sales of Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p><b>Offer Period:</b> [The period from [[●] until [●]/[the Issue Date]]/[the date which falls [●] Business Days thereafter]] [●]</p> <p><b>Offer Price:</b> [The Offer Price shall, on the Issue Date, be equal to the Issue Price. The offer price of the Notes thereafter will, for subsequent re-offers of the Notes, be determined by the seller and purchaser of such Notes in accordance with market conditions then prevailing, including supply and demand for the Notes and other similar securities (and within a range of 90 per cent. to 110 per cent. of the principal amount of the Notes).] [●]</p> <p><b>Conditions to which the offer is subject:</b> [Offers of the Notes are conditional on their issue. As between the Financial Intermediaries and their customers, offers of the Notes are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.] [●]</p> <p><b>The time period, including any possible amendments, during which the offer will be open and description of the application process:</b> [A prospective Noteholder should contact the applicable Financial Intermediary in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Financial Intermediary and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with NAB in connection with the subscription of the Notes.] [●]</p> <p><b>Details of the minimum and/or maximum amount of application:</b> [There are no pre-identified allotment criteria. The Financial Intermediaries will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations.] [●]</p> <p><b>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</b> [Not Applicable. The terms of the offers of the Notes do not provide for any reductions of subscriptions.] [●]</p> <p><b>Details of the method and time limits for paying up and delivering the Notes:</b> [Investors will be notified by the relevant Financial Intermediary of their allocations of Notes</p>

Element	Title	
		<p>and the settlement arrangements in respect thereof. The Notes will be issued on the Issue Date against payment to NAB of the net subscription moneys.] [●]</p> <p><b><i>Manner in and date on which results of the offer are to be made public:</i></b> [Investors will be notified by the applicable Financial Intermediary of their allocations of Notes and the settlement procedures in respect thereof.] [●]</p> <p><b><i>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</i></b> [Not Applicable. The terms of the offers of the Notes do not provide for a procedure for the exercise of any right of pre-emption or negotiability of subscription rights.] [●]</p> <p><b><i>Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:</i></b> [Offers may be made by the Financial Intermediaries in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the Managers pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes by the Financial Intermediaries will be made in compliance with all applicable laws and regulations.] [●]</p> <p><b><i>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</i></b> [A prospective Noteholder will receive 100 per cent. of the amount of the Notes allocated to it during the Offer Period. Prospective Noteholders will be notified by the applicable Financial Intermediary in accordance with the arrangements in place between such Financial Intermediary and the prospective Noteholders. No dealings in the Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC may take place prior to the Issue Date.] [●]</p> <p><b><i>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</i></b> [Not Applicable. The terms of the offers of the Notes do not provide for any expenses and/or taxes to be charged to any subscriber and/or purchaser of the Notes.] [●]</p> <p><b><i>Name(s) and address(es), to the extent known to NAB, of the placers in the various countries where the offer takes place:</i></b> [None] [●]</p>
E.4	Interest of natural and legal	The relevant Dealers may be paid fees in relation to any

Element	Title	
	persons involved in the issue/offer	<p>issue of Notes under the Programme.</p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [●] per cent. of the nominal amount of the Notes.] Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, NAB and its affiliates in the ordinary course of business.</p>
E.7	Expenses charged to the investor by NAB or an offeror	<p>It is not anticipated that NAB will charge any expenses to investors in connection with any issue of Notes. Other Financial Intermediaries may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant investor.</p> <p>[No expenses are being charged to an investor by NAB; however, expenses may be charged by a Financial Intermediary (as defined above) in the range of between [●] per cent. and [●] per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]</p>



## RISK FACTORS

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

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

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

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

### **Factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee**

The Notes and the Guarantee (as applicable) will constitute unsecured obligations of the relevant Issuer and the Guarantor (as applicable), respectively. A purchaser of Notes relies on the creditworthiness of the relevant Issuer and the Guarantor (as applicable) 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 the relevant Issuer and the Guarantor (as applicable) may adversely affect the market value of the Notes.

### ***BNZ-IF is the Guarantor's offshore funding entity***

BNZ-IF is a funding entity, the primary business of which is the carrying out of the Guarantor's offshore wholesale funding through the issuance of debt securities (see "*Description of BNZ-IF*" on page 187 of this Offering Circular for further details). BNZ-IF's debt securities have the benefit of a guarantee from the Guarantor to enable BNZ-IF to carry out such fund-raising activities. As all funds raised by BNZ-IF will be on-lent to the Guarantor, the ability of BNZ-IF to fund its debt obligations in respect of Guaranteed Notes will be dependent on the ability of the Guarantor to fund its debt obligations to BNZ-IF.

### ***General Economic Activity***

The business activities of NAB and Clydesdale (in this "*Risk Factors*" section, the **Bank Issuers**) and the Guarantor are dependent on the level of banking, finance and financial services required by their customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates at the time. As the Bank Issuers and the Guarantor conduct their respective businesses in various locations, including Australia, New Zealand, Asia, Europe, the United Kingdom and the United States, their performance is influenced by the level and cyclical nature of business activity in those locations, which is, in turn, affected by both domestic and international economic and political events. There can be no assurance that a weakening in the economies in which the Bank Issuers and the Guarantor operate will not have a material effect on their future results.

*The UK Banking Act has conferred substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at*

*risk of failing. The exercise of any of these actions in relation to Clydesdale could materially adversely affect the value of any Notes issued by Clydesdale*

Under the Banking Act 2009 (the **UK Banking Act**), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (the FSA, and together with HM Treasury and the Bank of England, the **Authorities**) as part of a special resolution regime (the **SRR**). These powers enable the Authorities to deal with a United Kingdom bank, building society or other United Kingdom institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (**FSMA**) (each a **relevant entity**) (such as Clydesdale) that are failing, or are likely to fail, to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to United Kingdom banks which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a bridge bank established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its United Kingdom-incorporated holding company. HM Treasury may also take a holding company of the relevant entity into temporary public ownership where certain conditions are met. In each case, the Authorities have been granted wide powers under the UK Banking Act including powers to modify and/or cancel contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retroactive effect) to enable the powers under the UK Banking Act to be used effectively. The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

*The SRR may be triggered prior to insolvency of Clydesdale*

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may be exercised if (a) the FSA is satisfied that a relevant entity (such as Clydesdale) is failing, or is likely to fail, to satisfy the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits, (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the United Kingdom financial system, public confidence in the United Kingdom banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

*Various actions may be taken in relation to Notes issued by Clydesdale without the consent of the Noteholders*

If Clydesdale were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities subject to certain protections in respect of Clydesdale). Exercise of these powers could involve taking various actions in relation to any securities issued by Clydesdale (including the Notes) without the consent of the Noteholders, including (among other things): (i) transferring the Notes notwithstanding any restrictions on transfer and free from any trust, liability or encumbrance; (ii) converting the Notes into another form or class (the scope of this power is unclear, although it may include, for example, conversion of the Notes into equity securities); (iii) modifying or disapplying certain terms of the Notes, including disregarding any termination or acceleration rights or events of default under the terms of the Notes which would be triggered by the transfer and certain related events; and/or (iv) where property is held on trust, removing or altering the terms of such trust.

There can be no assurance that the taking of any such actions would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of Clydesdale to satisfy its obligations under the Notes. In such circumstances, Noteholders may have a claim for compensation under

one of the compensation schemes existing under, or contemplated by, the UK Banking Act, but there can be no assurance that Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

*A partial transfer of Clydesdale's business may result in a deterioration of its creditworthiness*

If Clydesdale were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with Clydesdale (which may include the Notes) may result in a deterioration in the creditworthiness of Clydesdale and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Notes and/or eventually become subject to administration or insolvency proceedings pursuant to the UK Banking Act. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the UK Banking Act, but there can be no assurance that Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Offering Circular, the Authorities have not made an instrument or order under the UK Banking Act in respect of Clydesdale and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order or instrument if made.

*Impact of the proposed European crisis management directive*

Many of the provisions discussed above are similar to proposals contained in a draft European crisis management directive that was published in June 2012. It is currently unclear as to what extent, if any, the provisions of the UK Banking Act described above may need to change once the draft directive is implemented. See "*The European Commission has published proposals for a crisis management directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The full scope of the directive and its impact on Clydesdale is currently unclear but the implementation of the directive or the taking of any action under it could materially affect the value of any Notes*" below.

*The European Commission has published proposals for a crisis management directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The full scope of the directive and its impact on Clydesdale is currently unclear but the implementation of the directive or the taking of any action under it could materially affect the value of any Notes.*

In June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Crisis Management Directive** or **CMD**). The stated aim of the draft CMD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a firm's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of a firm presents a concern as regards the general public interest, a clear means to reorganise or wind down the firm in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses.

The draft CMD currently contains four resolution tools and powers: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) bridge institution - which enables resolution authorities to transfer of all or part of the business of the firm to a "bridge bank" (a public controlled entity); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to

be managed and worked out over time; and (iv) bail in - which gives resolution authorities the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

The draft CMD currently contemplates that it will be implemented in European member states by 31 December 2014 except for the bail in tool which is to be implemented by 1 January 2018.

The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. In addition, many of the proposals contained in the draft CMD have already been implemented in the Banking Act and it is currently unclear as to what extent, if any, the provisions of the Banking Act may need to change once the draft CMD is implemented. See *"The UK Banking Act has conferred substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to Clydesdale could materially adversely affect the value of any Notes issued by Clydesdale"* Accordingly, it is not yet possible to assess the full impact of the draft CMD on Clydesdale and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not adversely affect the rights of holders of Notes issued by Clydesdale, the price or value of their investment in such Notes and/or the ability of Clydesdale to satisfy its obligations under such Notes.

### ***Financial Services Compensation Scheme***

The Financial Services Compensation Scheme (the FSCS) was created under the FSMA and is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS protects claims in respect of deposits, insurance policies, insurance broking, investment business and home finance (for business on or after 31 October 2004). However, there are limits to the protection available under the FSCS which apply per person per firm, and per claim category.

The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31 December each year. If an institution is a market participant on this date it is obligated to pay a levy. Clydesdale was a market participant at 31 December 2011. Following the failure of a number of financial institutions, the FSCS has raised borrowings from the UK Government to cover compensation in relation to protected deposits. In the interim the FSCS has estimated levies due for the year to 31 March 2013 from the banking industry to support interest payments on the borrowings, and an accrued expense of £8 million was held as at 30 September 2012 for the Clydesdale's calculated liability for this period. Whilst the FSCS intends to use recoveries from the failed institutions with respect to the principal repayments if the assets of the failed institutions are insufficient to repay the UK Government loan, additional levies will become payable in future periods. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS (and therefore the level of Clydesdale's exposure in relation to such costs), remains uncertain. In the event that the FSCS raises funds from the authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to Clydesdale may have a material impact on Clydesdale's results of operations and financial condition. Potential changes to the FSCS arrangements with the potential to require the Issuer to incur additional costs or expose the Issuer to risks may arise from ongoing discussions at the national and European Union levels around the future design of deposit protection schemes, including but not limited to potentially increasing the level of protection which is accorded to deposits and/or moving to pre-funding of compensation schemes.

## ***Risks Related to the Business of the Bank Issuers and the Guarantor***

### ***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 the direct control of the Bank Issuers and the Guarantor.

### ***Macroeconomic risks and financial market conditions***

The Bank Issuers and the Guarantor are providers of a range of banking and financial services and products to individuals, incorporated and unincorporated entities, financial institutions and governments and government entities across a range of jurisdictions including but not limited to Australia, New Zealand, the United Kingdom, Europe, the United States and Asia. The business activities of the Bank Issuers and the Guarantor are dependent on the level of banking, finance, financial services and wealth management activities required by their customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy, market interest rates and global economic trends (given the degree of global interconnectivity, interdependency and potential for contagion in the financial system).

Forecast global economic growth is projected to remain weak, especially in Europe, and there is variability in business and economic conditions across a number of the Bank Issuers' and the Guarantor's key markets. Changes in the economic climate in which the Bank Issuers and the Guarantor operate may adversely impact their financial performance and position. Examples of such changes include, but are not limited to, economic growth rates, interest rates, inflation rates, employment levels, labour costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, changes in commodity and asset prices (i.e. bonds, equity securities, property and derivative instruments), levels of industrial production, taxation levels, domestic and international competition, monetary policy, fiscal policy, domestic and international political changes and environmental conditions. Factors causing these changes are many and varied and include, but are not limited to, the occurrence of major shock events such as natural disasters, war and terrorism, political and social unrest and sovereign debt restructures and defaults.

The Australian and New Zealand economies are heavily reliant on the economic climate in China and therefore any weakness, significant slowdown in growth or downturn in China's economy could significantly impact the NAB Group's Australian and New Zealand businesses (both directly and indirectly).

The Bank Issuers and the Guarantor operate in the United Kingdom and the United States where conditions are weak. Should conditions in the United Kingdom or the United States continue to be weak, or deteriorate, this could further impact the Bank Issuers and the Guarantor's activities and financial outcomes in the short to medium term. For example, absent legislative action, large government spending cuts and tax increases are due to commence in the United States on 1 January 2013 (referred to as the "Fiscal Cliff"). This has the potential to significantly reduce United States household income and adversely impact the United States and global Gross Domestic Product growth which could adversely impact on the financial performance and position of the Bank Issuers and the Guarantor.

### ***Eurozone conditions***

Concerns about credit risk (including that of sovereigns) and the Eurozone crisis persist. The large sovereign debts and/or fiscal deficits of a number of European countries and the United States, the United Kingdom, Japan and other countries have raised concerns regarding the financial condition of sovereign governments, financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, clearing houses, funding providers and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, insurers or other corporates could cause severe stress on the financial system generally and could

adversely affect the markets and market participants in ways which could be difficult to predict or effectively manage.

It is possible that one or more Eurozone countries may abandon the euro and return to national currencies or move to a series of new currency blocs. It is also possible that the euro currency could cease to exist. In addition, it is possible that one or more member countries may decide to leave the broader European Union.

The Bank Issuers and the Guarantor have direct and indirect exposure to sovereigns, financial institutions, government entities, counterparties, custodians, customers and service providers within the European Union. These exposures may, in the future, be affected by restructuring of their terms, principal, interest and maturity, either via the voluntary agreement of creditors or involuntarily, irrespective of whether or not the event is deemed to be a default, however defined.

#### *Potential impacts of macroeconomic and financial market conditions*

Current volatility in credit, currency and equity markets globally may result in uncertainty in financial markets that could affect all banks, including the Bank Issuers and the Guarantor. Market volatility has led to, and may in the future lead to, events including, but not limited to:

- Increased cost of funding and/or lack of availability of 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 on 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;
- Increased cost of insurance and/or lack of available insurance; and
- Lower growth, business revenues and earnings (for example, the 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 the NAB Group).

The financial performance and position of the Bank Issuers and the Guarantor has been, and their future financial performance and position may continue to be, affected by these factors.

#### *Financial services policy and regulatory change risk*

The Bank Issuers and the Guarantor are regulated in Australia, New Zealand and the United Kingdom and in the other countries in which they have operations, trade or raise funds, or have some other connection (including the United States and certain Asian and European jurisdictions). Regulations vary from country to country, and to differing degrees are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole.

The Bank Issuers' and the Guarantor's financial performance and position could be affected by changes in the legal, regulatory, monetary, fiscal or other policies required by various regulatory authorities of Australia, New Zealand, the United Kingdom and foreign governments, and international agencies. For example, the Australian Federal Government is currently consulting on draft proposals to strengthen the Australian Prudential Regulation Authority's (APRA) crisis management powers. A number of policy changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder

expectations of transparency, social responsibility and environmental impacts. Regulatory changes are also being informed by international harmonisation, matters relating to national interest and/or systemic stability. For example, APRA has proposed changes to Australian Prudential Standard APS 222: Associations with Related Entities that could reduce the ability of the Bank Issuers and the Guarantor to provide capital and funding support to their subsidiaries. The precise nature and impact of future changes in such policies are not predictable and could result in a lack of consistency and coordination between the various regulatory authorities. Changes in regulations or regulatory policy could adversely affect one or more of the Bank Issuers' or the Guarantor's businesses and could result in the incurring of substantial costs to comply.

The Reserve Bank of New Zealand is implementing a bank resolution policy (the **Open Bank Resolution**) in June 2013 that will require systemically important banks to pre-position their systems to allow liabilities to be frozen following the appointment of a statutory manager, and then for a percentage of some of those liabilities to be made available to customers and the failed bank to re-open the following day. The execution of the Open Bank Resolution policy is one option that would be open to a statutory manager in the event of a bank failure.

#### *Regulation to promote financial stability and competition*

APRA and the Reserve Bank of Australia (**RBA**) are working together to implement the revised capital and liquidity principles (**Basel III**) of the Basel Committee on Banking Supervision. The Basel III capital reforms were finalised in September 2012 and take effect from 1 January 2013. The Basel III liquidity reforms have not yet been finalised but are expected to be implemented progressively from 1 January 2015. The regulatory capital changes require an increase in the quality and amount of capital the Bank Issuers and the Guarantor are required to hold and the proposed regulatory liquidity changes require an increase in the amount and quality of liquid assets held by the Bank Issuers and the Guarantor. Regulators of the Bank Issuers and the Guarantor, including the Reserve Bank of New Zealand and the United Kingdom's Financial Services Authority are also undertaking Basel III reforms in their respective jurisdictions. Implementation of Basel III capital reforms in different ways across the different jurisdictions in which the Bank Issuers and the Guarantor operate could increase the regulatory compliance costs to the Bank Issuers and the Guarantor.

Within Australia, the Federal Government has introduced a revised deposit insurance scheme, which protects deposits held with Australian authorised deposit-taking institutions (**ADIs**) up to A\$250,000 per customer. Whilst generally seen as a positive outcome by the banking industry, it could adversely affect customer demand for deposits held within NAB that exceed the guarantee limit. Additionally, the Federal Government is undertaking reforms to the regulations governing the provision of financial advice, with the legislation implementing the majority of reforms having commenced from 1 July 2012. Despite being expected to strengthen the Australian financial planning profession, including NAB's banking and wealth management businesses, the reforms could adversely impact the revenues and profitability of these businesses.

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Dodd-Frank Act**) imposes additional supervisory requirements and prudential standards to "systemically important financial institutions", currently defined to include, among other things, all bank holding companies with assets of at least U.S.\$50 billion (which would include NAB). The legislation will also subject these institutions to, among other things, heightened risk-based capital, leverage, liquidity and risk management requirements, including periodic stress tests, as well as limitations on credit exposures. Other provisions include, but are not limited to, prohibitions on: proprietary trading; sponsorship of, and investment in, hedge and private equity funds by banking entities; and conducting significant swap-related activities.

The specific impact of the Dodd-Frank Act on the Bank Issuers' and the Guarantor's businesses and the markets in which they operate will depend on the manner in which the relevant agencies develop and implement the required rules. The Dodd-Frank Act may cause changes that adversely impact the financial performance and position of the Bank Issuers and the Guarantor.

Over The Counter (**OTC**) derivative market reforms (which are a broader commitment of the Group of 20 (**G20**) Finance Ministers and Central Bank Governors) are being implemented in the United States through the Dodd-Frank Act and in other countries including Australia (where the Australian Government has recently introduced the Corporations Legislation Amendment (Derivative Transactions) Bill 2012 to the House of Representatives). The full extent of these reforms is yet to be determined and could adversely impact the financial performance and position of the Bank Issuers and the Guarantor.

Regulators are requiring many banks, including the Bank Issuers and the Guarantor, to develop recovery and/or resolution plans that show how the institution would propose to recover from a significant loss that threatened its viability as a stand-alone entity. These plans include, but are not limited to, liquidity management, capital management, balance sheet reduction, repricing, cost reduction and asset disposal initiatives. If elements of the plan were implemented in response to a crisis, or preparatory actions relating to the plan were mandated by regulators, it is possible that some or all of these actions could have an adverse impact on the financial performance and position of the Bank Issuers and the Guarantor.

#### *U.S. withholding tax risk*

In March 2010, the United States passed legislation that will require foreign financial institutions to provide information regarding United States account holders (referred to as **FATCA**). If this information is not provided in a form satisfactory to United States tax authorities, a foreign financial institution may be subject to a 30 per cent. withholding tax applied on certain amounts derived from U.S. sources and certain payments attributable to such amounts (**passthru payments**). Under recently proposed United States Treasury regulations, no such withholding tax will be imposed on any payments from United States sources made prior to 1 January 2014, and no such withholding tax will be imposed on any passthru payments prior to 1 January 2017. At this time, it is not possible to quantify the costs of complying with the new legislation or whether such legislation will have a significant impact on the Issuers' financial performance and position, as the final regulations are still to be determined and the Australian and New Zealand governments are considering entering into inter-governmental agreements with the government of the United States in respect of FATCA. The United Kingdom government entered into an inter-governmental agreement with the government of the United States in respect of FATCA in September 2012, which agreement is yet to be implemented. See "*Taxation—United States Taxation—Foreign Account Tax Compliance Withholding*" for a further discussion of this new legislation.

#### *Accounting Standards*

The International Accounting Standards Board (**IASB**) and the Australian Accounting Standards Board (**AASB**) are currently reviewing or proposing changes to several of the accounting standards that govern key aspects of the Bank Issuers' and Guarantor's financial statements. While the outcome of these reviews and proposed changes is uncertain and difficult to predict, certain of these changes could have a material impact on the financial performance and position of the Bank Issuers and the Guarantor.

#### *UK regulatory change risk*

The United Kingdom's Independent Commission on Banking (**ICB**) was established by the UK Government in June 2010 to consider reforms to the United Kingdom banking sector in order to promote (among other things) financial stability and competition. The ICB published its final report to the Cabinet Committee (the **Final Report**) in September 2011. In June 2012, the UK Government published a "White Paper" setting out proposals for taking forward implementation of the ICB's recommendations. The ICB's recommendations include proposals to 'ring-fence' retail banks from investment (and wholesale) banking operations and capitalising each separately, as well as introducing more onerous minimum capital (including bail-in bonds) and capital buffer requirements based on the size and type of the banking entity. There are also recommendations designed to improve choice and competition in the banking sector of the UK market. The UK Government will implement the ICB's advice in stages, with the full package of reforms completed by 2019. These changes could adversely impact the financial performance and position of the Bank Issuers and the Guarantor.



In June 2010, the UK Government introduced a bank levy applicable to, *inter alia*, certain banks and building societies and UK operations of foreign banks. The levy is charged each year by reference to balance sheets at the end of the relevant chargeable period. The bank levy was applied with effect from 1 January 2011. Based on the 30 September 2012 balance sheet position, the bank levy has resulted in a charge to the Clydesdale income statement of £2 million. On 5 December 2012, the Chancellor announced that the rate of levy will increase from 0.105 per cent. to 0.130 per cent. from 1 January 2013.

### *Competition and consolidation*

There is substantial competition for the provision of financial services in the markets in which the Bank Issuers and the Guarantor operate, from existing and new competitors, across a broad range of product offerings. Competitive market conditions may adversely impact the financial performance and position of the Bank Issuers and the Guarantor. For example, increasing competition for customers can lead to compression in profit margins, increased advertising and related expenses to attract and retain customers, increased customer turnover and decreased customer loyalty. As technology and customer attitudes are rapidly evolving, this increases the risk of competition from new business entrants with lower cost operating models. The competitive landscape in the United Kingdom will be particularly influenced by the recommendations of the Final Report as discussed above. The trend towards consolidation and rationalisation in the financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. There has also been an increase in the direct role of governments in the international banking sector arising out of certain consolidations that occurred during the heightened period of instability during the global financial crisis.

The financial performance and position of the Bank Issuers and the Guarantor have been, and their future financial performance and position may continue to be, affected by these factors.

### ***Risks specific to the Bank Issuers and the Guarantor***

There are a number of risk factors which arise directly from the operations of the Bank Issuers and the Guarantor as major participants in the banking and financial services industry and from the specific structure of the Bank Issuers and the Guarantor. The financial performance and position of the Bank Issuers and the Guarantor have been, and their future financial performance and position may continue to be, affected by these factors. The key categories of these risks are set out below.

#### *Credit risk*

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Bank Issuers and the Guarantor in accordance with agreed terms. Bank lending activities account for most of the Bank Issuers' and the Guarantor's credit risk; however, other sources of credit risk also exist throughout the activities of the Bank Issuers and the Guarantor. These activities include the banking book, the trading book, and other financial instruments and loans (including but not limited to acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps, bonds and options), as well as in the extension of commitments and guarantees and the settlement of transactions.

The portfolio of credit risk is large and diverse. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause, and have caused, counterparties and customers (especially those concentrated in areas experiencing the less favourable business or economic conditions) to experience an adverse financial situation. This could thereby expose the Bank Issuers and the Guarantor to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Major sub-segments within the Bank Issuers' and the Guarantor's portfolio include residential loan borrowers and commercial real estate borrowers. A significant downturn in the housing markets and/or the commercial real estate markets in any of the economies in which the major businesses of the Bank Issuers and the Guarantor operate (or a continuation of, or further deterioration in, the significant downturn currently being experienced in the United Kingdom, particularly in the commercial real estate market) could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position. Other

factors that could have an adverse impact include, but are not limited to, declines in the Australian, New Zealand, United Kingdom, United States and other economies (impacting the Bank Issuers' and the Guarantor's retail, small and medium sized businesses, and large corporate business customer base) or further financial market dislocation which could lead to falling confidence, increased re-financing risk and further contagion risk among market participants, counterparties and customers.

The Bank Issuers and the Guarantor provide for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain and the accuracy of those estimates depends on many factors, including general economic conditions, assumptions of probability of default, loss given default and exposure at default, rating changes, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements and a number of assumptions based on available experience and management judgements. If the information (or the assumptions upon which the assessment is made) proves to be inaccurate, the provisions for credit impairment may need to be revised, which could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

#### *Valuation of conduit portfolio*

There are a range of circumstances which would require NAB and Clydesdale to recognise further impairment charges on their assets, including their conduit assets held within the Specialised Group Assets business. Particular portfolio sensitivities include, but are not limited to:

- Credit wrapped asset backed securities: sensitive to default and loss given default trends in U.S. residential mortgage loans, which are closely tied to house price trends, and some sensitivity to U.S. consumer loans, and to the default and/or potential default of the credit wrap providers;
- U.S. and UK residential mortgage backed securities: sensitive to default and loss given default trends in U.S. and UK residential mortgage loans, which are closely tied to house price trends;
- UK commercial mortgage backed securities: sensitive to UK commercial property valuation trends and commercial real estate finance market liquidity (i.e. refinance availability in 2012 and beyond); and
- Collateralised loan obligations: sensitive to default and loss given default trends in U.S. and European leveraged loans (i.e. high yield secured loans primarily to large corporate borrowers).

The ongoing performance of the Specialised Group Assets is significantly dependent on the UK and U.S. economies and therefore the financial results remain sensitive to market conditions.

Any further significant impairment of the conduit or other assets could adversely impact NAB's and Clydesdale's financial performance and position.

#### *Operational and technology risks*

Operational risks arise from the day-to-day operational activities of the Bank Issuers and the Guarantor, which may result in direct or indirect losses and could adversely impact Bank Issuers' and the Guarantor's financial performance and position. These losses may result from both internal and external events and risks, including but not limited to, process error or failure, inadequate process design, modelling error or failure, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, security and physical protection, fraud, deficiencies in employees' skills and performance, operational failures by third parties (including offshored and outsourced providers) or other major participants in the financial services industry, natural disasters, extreme weather events, terrorism, political, security and social events.

The financial services industry has recently been subjected to intentional cyber incidents from external sources, including denial of service attacks, malicious software attacks on client systems and unauthorised access to customer data. While the Bank Issuers and the Guarantor continue to invest in capabilities to prevent, detect and appropriately respond to attacks of this nature, there can be no assurance that such incidents, or other cyber incidents, will not impact the Bank Issuers and the Guarantor.

The Bank Issuers and the Guarantor are dependent on their information systems and technology from a system stability, data quality and information security perspective. The Bank Issuers and the Guarantor are also dependent on payments systems and technology that interface with wider industry infrastructure. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or adequately protected) could adversely impact the Bank Issuers' and the Guarantor's ability to conduct their daily operations and their financial performance and position.

The Bank Issuers and the Guarantor are also dependent on selected external technology providers to continue to develop and provide technology solutions. The failure of these providers could adversely impact the Bank Issuers' and the Guarantor's financial performance and position.

#### *Loss of key personnel*

The Bank Issuers and the Guarantor are also dependent on their ability to retain and attract key management and operating personnel. The Bank Issuers and the Guarantor have qualified and experienced management teams that they rely on in order to operate effectively and efficiently and maximise returns to investors. The unplanned loss of any key members of these teams, or the Bank Issuers' and the Guarantor's inability to attract the requisite personnel with suitable experience, could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

#### *Compliance risk*

The Bank Issuers and the Guarantor are also subject to compliance risk across, but not limited to, their banking, wealth management and third party distribution channels. Compliance risk refers to the risk of legal or regulatory sanctions and/or material financial loss and/or a loss of reputation as a result of failure to comply with laws, regulations, taxation requirements, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

To the extent that these compliance risks limit the Bank Issuers' and the Guarantor's operations or flexibility, or result in fines, settlements, or restitution to customers, regulators or other stakeholders, they could adversely impact their financial performance and position.

#### *Legal proceedings and contingent liabilities*

The Bank Issuers and the Guarantor may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

Refer to "*NAB - Legal and arbitration proceedings*" on page 180 (specifically including the "Notes to the Consolidated Financial Statements", Note 40 (Contingent Liabilities and Commitments)) in NAB's Annual Financial Report 2012 for details in relation to the Bank Issuers' material legal proceedings and contingent liabilities.

#### *Capital risk*

Capital risk is the risk that the Bank Issuers and the Guarantor do not hold sufficient capital and reserves to achieve their strategic plans and objectives or cover the risks to which they are exposed and protect against

unexpected losses. The Bank Issuers and the Guarantor are required, in all jurisdictions in which they undertake regulated activities, to maintain minimum levels of capital reserves relative to the risk profile of their operations. Any change that limits the Bank Issuers' and the Guarantor's ability to manage their capital or to deploy it across entities within the NAB Group, or requires them to hold more capital (including at a higher quality standard), could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

Changes have been proposed to minimum required levels of capital that the Bank Issuers and the Guarantor, and other members of the NAB Group are required to hold which may adversely impact the Bank Issuers' and the Guarantor's financial performance and position. See "*Risk Factors – Risks specific to the banking and financial services industry – Financial services policy and regulatory change risk*" above.

#### *Funding and liquidity risk*

Funding risk is the risk that the Bank Issuers and the Guarantor are unable to raise short and long term funding to support their strategic plans and objectives. In particular, the Australian and New Zealand banking sectors access global capital markets to help fund their businesses. Any dislocation in global capital markets could adversely affect the Bank Issuers' and the Guarantor's ability to access funds (including at a reasonable cost) to meet their strategic plans and objectives, reduce investor appetite for holding the Bank Issuers' and the Guarantor's securities and impact the Bank Issuers' and the Guarantor's financial performance and position.

Liquidity risk is the risk that the Bank Issuers and the Guarantor are unable to meet their 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 the Bank Issuers' and the Guarantor's liquidity position could adversely impact the Bank Issuers' and the Guarantor's financial performance and position.

There have been proposed changes to the minimum required levels of liquidity that the Bank Issuers and the Guarantor, or other members of the NAB Group are required to hold which may adversely impact their financial performance and position. See "*Risk Factors – Risks specific to the banking and financial services industry – Financial services policy and regulatory change risk*" above.

#### *Credit rating risk*

Ratings agencies regularly conduct review activity. There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility.

Standard and Poor's is changing its methodology for determining insurer ratings and published its initial proposals in September 2012, seeking feedback from interested parties. These proposals may impact National Wealth Management Holdings Limited, the holding company for the NAB Wealth business. The impact of any methodology change is not known at this time. Standard and Poor's currently expect that an updated methodology will be published in early 2013 and that any rating changes will take place after publication.

A reduction in the credit ratings of the Bank Issuers, the Guarantor, any other member of the NAB Group or the sovereign rating of the countries in which the Bank Issuers and the Guarantor operate or raise capital may increase the Bank Issuers' and the Guarantor's borrowing costs, limit their access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements, which may adversely impact the Bank Issuers' and the Guarantor's financial performance and position.

### *Interest rate risk*

This is the risk to the Bank Issuers' and the Guarantor's financial performance and position caused by changes in market interest rates. As interest rates and yield curves change over time, the Bank Issuers and the Guarantor may be exposed to a loss in earnings and economic value due to the interest rate profile of their balance sheets. This includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles.

### *Defined benefit pension fund risk*

This is the risk that, at any point in time, the assets available to meet pension liabilities are at a value below current and future pension scheme obligations. Asset values and liabilities are affected by a number of factors including, but not limited to, the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality rates) and the value of the investment portfolio (which in turn is affected by a number of factors, for example, equity markets conditions and bond yields). Many of these factors are outside the control of the NAB Group. The NAB Group's principal exposure to defined benefit pension fund risk is in the United Kingdom where its defined benefit scheme was closed to new members with effect from 1 January 2004.

Such defined benefit pension fund risk could adversely impact the NAB Group's financial performance and position as it can increase the amount participating members of the NAB Group are obliged to contribute to the scheme and any deficit is a direct deduction from Core Tier 1 capital.

### *Foreign exchange and translation risk*

This risk arises from the impact of changes in foreign currency exchange rates on the value of the Bank Issuers' and the Guarantor's cash flows and assets and liabilities as a result of participation in the global financial markets and international operations. It includes structural foreign exchange risk resulting from the Bank Issuers' and the Guarantor's ownership structure, including investment in overseas subsidiaries or associates, and exposures from known foreign currency transactions (such as repatriation of capital and dividends from offshore subsidiaries). It also includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. If the Bank Issuers and the Guarantor were to suffer substantial losses due to any adverse movement in foreign exchange rates, such losses could adversely impact their financial performance and position.

Also, as the Bank Issuers and the Guarantor conduct business in different currencies, mainly Australian, New Zealand and U.S. dollars, British pounds sterling and euros, the Bank Issuers' and the Guarantor's businesses may be affected by a change in currency exchange rates, or a full or partial break-up or a change in the reserve status of any of these currencies. The NAB Group's financial statements are prepared and presented in Australian dollars, any further appreciation in the Australian dollar against other currencies in which the Bank Issuers and the Guarantor earn revenues may adversely impact the NAB Group's financial performance and position.

### *Non-traded equity risk*

The Bank Issuers and the Guarantor carry equity investments in their banking books at fair value. Fair value reflects valuations derived from either market prices or an approved internal model. The fair value of an equity investment is impacted by various risk factors, including, but not limited to, economic risk, political risk, business and operating risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment in the Bank Issuers' and the Guarantor's banking books could have an adverse impact on the financial performance and position of the Bank Issuers and the Guarantor.

### *Traded market risk*

This is the potential for losses to arise from trading activities, including proprietary trading, undertaken by the Bank Issuers and the Guarantor as a result of adverse movement in market prices. Losses can arise from a change in the value of positions in traded financial instruments due to adverse movements in market prices (for example, interest rates, foreign exchange, commodities, equities and credit spreads). Any significant losses from such trading activities could adversely affect the Bank Issuers' and the Guarantor's financial performance and position.

### *Life insurance business risks*

Provision for mortality and morbidity claims in NAB's life insurance businesses do not represent an exact calculation of liability, but rather are an estimate of the expected ultimate cost based on actuarial and statistical projections. Factors affecting these estimates include, but are not limited to, the trend of future claims and incidence of actual claims, unforeseen diseases or epidemics, longer than assumed recovery periods for morbidity claims and future investment returns. A change in any of these factors would necessitate a change in estimates of projected ultimate cost, and therefore could adversely impact the financial performance and position of NAB's life insurance business. In addition, insufficient provisions for such liabilities, where for example the mortality and morbidity experience is higher than estimates, could adversely impact the financial performance and position of NAB's life insurance businesses.

Life insurance risk may also arise due to inadequate or inappropriate underwriting, claims management, product design or pricing processes, all of which could adversely impact the financial performance and position of the NAB.

### *Reputation risk*

Reputation risk is the possible impact of negative stakeholder opinion of the Bank Issuers' and the Guarantor's actions, behaviour, performance and position. This risk may expose the Bank Issuers and the Guarantor to litigation, financial loss, a decline in customer satisfaction and customer base and overall loss of competitiveness or loss of key personnel.

Reputation risk may arise through the actions of the Bank Issuers and the Guarantor or other financial services companies, and adversely affect perceptions of the Bank Issuers and the Guarantor held by the public, shareholders, investors, customers, regulators and/or rating agencies. The impact of a risk event (for example, operational, compliance or credit events) on the Bank Issuers' and the Guarantor's reputation and brand may adversely impact the Bank Issuers' and the Guarantor's financial performance and position.

### *Underwriting risk*

As financial intermediaries, members of the NAB Group underwrite listed and unlisted debt, equity-linked and equity securities. They may guarantee the pricing and placement of these securities and could therefore suffer losses if they fail to sell down some or all of this risk to other market participants.

### *Strategic risk*

There is a risk that the assumptions on which the Bank Issuers' and the Guarantor's strategic direction are based are incorrect, that market conditions may change, that the risks generated exceed expected and approved appetite for risk or that execution of the Bank Issuers' and the Guarantor's strategic initiatives prove ineffective. It is also possible that certain strategic initiatives are unable to be easily undone once the Bank Issuers and the Guarantor has committed to them. These risks could adversely impact the Bank Issuers' and the Guarantor's financial performance and position.

### *General acquisition and divestment risk*

The Bank Issuers and the Guarantor regularly examine a range of corporate opportunities (including acquisitions, divestments and joint ventures) with a view to determining whether these opportunities are in line with their strategic priorities and are able to enhance their financial performance and position.

Any corporate opportunity that is pursued could change the Bank Issuers' and the Guarantor's risk profile. There are also risks associated with the external approval process and integration of any new acquisition into the broader NAB Group, including but not limited to the risk that expected synergies will not be realised, that the NAB Group may lose customers, or that it may face disruption to its operations. Acquisitions may need to be funded by the issue of additional equity, which may be dilutive to existing shareholders. Additionally, there is a risk that the Bank Issuers' and the Guarantor's credit ratings may be placed on negative watch or downgraded as a result of corporate activity. These factors, combined with a possible negative sentiment in relation to acquisitions, joint ventures or asset and business disposals, could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

### *Other commercial risks*

There are a number of general commercial risks that could adversely impact the Bank Issuers' and the Guarantor's financial performance and position or future prospects, which are common to investments in most listed companies, including, but not limited to, the following risks associated with:

- New projects, including cost overruns and delays in (or inability to achieve) revenues or cost benefits intended to flow from such new projects. For example, the NAB Group is currently undertaking a significant restructure of its United Kingdom Banking business and a significant transformation of its technology and communications network and infrastructure, as well as investment in its Next Generation Banking Information Technology Platform;
- Development of new services or technology in competition with the Bank Issuers' and the Guarantor's operations;
- The level of market acceptance for the services provided by the Bank Issuers and the Guarantor;
- Technological change relating to the Bank Issuers' and the Guarantor's information systems;
- Loss of accreditation or regulatory or other licensing for the Bank Issuers' and the Guarantor's operations, causing the loss of contracts or market share; and
- Terrorist attacks and/or other malicious activities (including, but not limited to, bomb and cyber-attacks) by employees, customers or the general public or certain terrorist groups, which directly or indirectly target or adversely impact any of the Bank Issuers' or the Guarantor's assets, operations, staff, facilities, customers, off shored or outsourced providers, suppliers or the communities or economies in which the Bank Issuers and the Guarantor operate or on which they rely, or which are considered material to global commerce.

If any of these risks are realised, they may have an adverse impact on the financial performance and position of the Bank Issuers and the Guarantor.

### *Failure of risk management frameworks and processes*

The Bank Issuers' and the Guarantor's approach to identifying, assessing, measuring, managing and reporting their risks is subject to the successful application of a number of risk and control frameworks. Should these frameworks (including the assumptions on which they are based), or the judgement of the people involved in their application fail, this could have an adverse impact on the Bank Issuers' and the Guarantor's financial performance and position.

### ***Other risks***

The risks outlined above do not represent an exhaustive list of the risks associated with the Bank Issuers and the Guarantor. Other risks not specifically referenced in this Offering Circular (including a failure to identify and convert business opportunities) may adversely impact the future financial performance and position of the Bank Issuers and the Guarantor. Accordingly, no assurances or guarantees of future performance or profitability, distributions, or returns of capital are given by the Bank Issuers and the Guarantor.

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

#### ***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 Circular or any applicable Supplement to this Offering Circular;
- (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;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour 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 Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

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

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



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

The relevant Issuer may be expected to redeem Senior Notes when its cost of borrowing is lower than the interest rate on those Senior Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes 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.

Noteholders should not expect that APRA's approval will be given for any early redemption of Subordinated Notes.

*If the relevant Issuer has the right to convert the interest rate on any 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 favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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

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

*The relevant Issuer's (and the Guarantor's, in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes) obligations under Subordinated Notes are subordinated*

The relevant Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of Unsubordinated Creditors as defined in Condition 3.2 (in the case of NAB), Condition 3.3 (in the case of Clydesdale), or Condition 3.4 (in the case of BNZ-IF and the Guarantor). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Subordinated Notes will lose all or some of its investment should the relevant Issuer become insolvent.

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

Payment of interest, principal and other amounts in respect of Subordinated Notes and Guaranteed Subordinated Notes is conditional upon the relevant Issuer and (in the case of Guaranteed Subordinated Notes) the Guarantor and the BNZ Group being solvent when and immediately after such payment is made.

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

If BNZ-IF, the Guarantor or NAB fails to pay any amount of interest or principal on Subordinated Notes when due to be paid, the Trustee may, either at its own discretion or at the direction of the requisite number of holders but subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction, take action to recover the amount unpaid:

- (a) in the case of Subordinated Notes issued by NAB, provided that NAB may only be compelled to pay the unpaid amount to the extent that it is, and immediately after the payment is made would remain, solvent; and
- (b) in the case of Guaranteed Subordinated Notes issued by BNZ-IF, provided that BNZ-IF or the Guarantor may only be compelled to pay the unpaid amount to the extent that BNZ-IF, the Guarantor and the BNZ Group are, and after the payment would remain, solvent.

If Clydesdale fails to pay any amount of principal or interest on Subordinated Notes when due to be paid, the remedies available to the Trustee, either at its own discretion or at the direction of the requisite number of holders, are limited to taking action for the Winding Up of Clydesdale and proving in the Winding Up of Clydesdale on the subordinated basis as set out in Condition 3.3.

*Limited right to accelerate amounts owing under Subordinated Notes*

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

*Term Subordinated Notes issued by NAB are subject to mandatory conversion or write-off in the event of the non-viability of NAB*

Under the Terms and Conditions of the Notes, Term Subordinated Notes issued by NAB are subject to mandatory conversion into ordinary shares in the capital of NAB (**Ordinary Shares**) or write-off if a Non-Viability Trigger Event occurs.

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

On the date on which a Non-Viability Trigger Event occurs (the **Conversion Date**), where the requirements of the determination are not satisfied by the conversion or write-off of Tier 1 Capital Instruments of NAB, NAB will be required:

- (i) to convert immediately and irrevocably the nominal amount of all or some of the Term Subordinated Notes into Ordinary Shares; or
- (ii) alternatively, if NAB is prevented by applicable law, order or other reason from converting the Term Subordinated Notes into Ordinary Shares or if the applicable Final Terms so specify, to write off and immediately and irrevocably terminate all or some of the nominal amount of the Term Subordinated Notes.

It is a requirement under APRA's prudential standards, to come into effect on 1 January 2013, that any term subordinated debt, in order to be eligible for inclusion as regulatory capital, contain provisions for conversion or write-off in the event of non-viability.

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

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

Potential investors in Term Subordinated Notes should understand that, if a Non-Viability Trigger Event occurs and Term Subordinated Notes are converted into Ordinary Shares, investors are obliged to accept the shares even if they do not at the time consider such shares to be an appropriate investment for them at the time and despite any change in the financial position of NAB since the issue of the Term Subordinated Notes or any disruption to the market for those shares or to capital markets generally. Investors have no right to elect to have Term Subordinated Notes written off instead of converted (subject to the applicable Final Terms).

Further, the number of Ordinary Shares that an investor will receive on conversion is calculated in accordance with a formula which provides for a calculation based on a discounted five business day volume weighted average price (**VWAP**) (or other period specified in the applicable Final Terms) but cannot be greater than a maximum conversion number based on 20 per cent. of the VWAP during the period of 20 business days (or other period specified in the applicable Final Terms) preceding the issue date of the relevant Term Subordinated Notes (the **Issue Date VWAP**). The Issue Date VWAP is adjusted for only limited corporate actions of NAB, namely bonus issues, divisions and similar transactions. Accordingly, this may result in an investor in Term Subordinated Notes receiving on conversion Ordinary Shares worth significantly less than the nominal amount of the investor's Term Subordinated Notes.

To enable NAB to issue Ordinary Shares to an investor on conversion, investors need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to NAB, no later than the Conversion Date, their name and address and certain security holder account and other details. Investors should understand that a failure to provide this information to NAB on time may result in NAB issuing the Ordinary Shares to a nominee which will sell the Ordinary Shares and pay the net proceeds to the investors. In this situation, investors will have no further rights against NAB in relation to the conversion.

There may be no market in Ordinary Shares received on conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer loss. The sale of Ordinary Shares in NAB may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of Ordinary Shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the Term Subordinated Notes and the Ordinary Shares being issued without disclosure by NAB as required by the Corporations Act. The restrictions may apply to sales by any nominee for investors as well as sales by investors and by restricting sales investors may suffer loss.

Investors should also understand that if NAB is required to convert a nominal amount of Term Subordinated Notes but is prevented from doing so by applicable law, court order, government action or for any other reason, and the conversion is not effected within five business days after the Conversion Date, the conversion will not occur and the rights of investors in relation to those Term Subordinated Notes will be written off and immediately and irrevocably terminated. In this situation also, investors will lose some or all of the value of their investment and will not receive any compensation.

The rules and regulations of ASX in certain circumstances limit NAB's ability, without shareholder approval, to issue Ordinary Shares and other equity securities (which may include convertible notes) without the approval of holders of Ordinary Shares. If the issue or conversion of Term Subordinated Notes would contravene that limit, then NAB may be prevented from converting Term Subordinated Notes and such Notes may be required to be written off.

As described further below under "*Description of NAB - Major Shareholders*" on page 179 below, there are provisions of Australian law that are relevant to the ability of any person to acquire interests in NAB beyond the limits prescribed by those laws.

Noteholders should take care to ensure that by acquiring any Term Subordinated Notes which provide for such Notes to be converted to Ordinary Shares as provided in Condition 10A (taking into account any Ordinary Shares into which they may Convert), Noteholders do not breach any applicable restrictions on the ownership of interests in NAB. If the acquisition or conversion of such Notes by the Noteholder or a nominee would breach those restrictions NAB may be prevented from converting such Notes and where conversion is required under Condition 10A such Notes may be required to be written off.

Alternatively, if the applicable Final Terms specify that Term Subordinated Notes are to be written off upon a Non-Viability Trigger Event, upon the occurrence of a Non-Viability Trigger Event, investors will lose some or all of the value of their investment and will not receive any compensation.

The requirement for conversion or write-off on account of a Non-Viability Trigger Event does not apply to NAB's existing term subordinated debt and accordingly the holders of Term Subordinated Notes issued under this Offering Circular are likely to be in a worse position in the event of NAB becoming non-viable than holders of NAB's existing term subordinated debt.

#### ***Risks applicable to certain types of Exempt Notes***

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

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

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

- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

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

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

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

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

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

Division 2AA of Part II of the Banking Act sets out arrangements for the protection of deposit account holders of an insolvent ADI under the Financial Claims Scheme. Pursuant to the Financial Claims Scheme a person who holds a protected account with a net credit balance at an ADI which APRA has applied to be wound up and which has been declared by the responsible Australian Government minister to be covered by the Financial Claims Scheme will be entitled to receive payment from APRA in respect of that balance and certain accrued but uncredited interest, subject to various adjustments and preconditions. The rights of account-holders with protected accounts will be reduced to the extent protected under the Financial Claims Scheme and, to the extent of that reduction, will become rights of APRA.

A **protected account** is, subject to certain conditions including as to currency and unless prescribed otherwise by regulations, an account or a specified financial product:

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

The Australian Treasurer has published a declaration of products prescribed as protected accounts for the purposes of the Banking Act.

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

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

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

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

*Withholding under the EU Savings Directive*

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or to or for certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the relevant Issuer, the Guarantor, any Paying Agent (as defined in the Conditions of the Notes) or any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required, pursuant to Condition 12(d) of the Terms and Conditions, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such

Notes may be traded in amounts 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 his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

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

The conditions of the Notes (except for the subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the schedule to the Conditions (in relation to NAB) and Condition 3.4 (in relation to BNZ-IF and the Guarantor)) are based on English law in effect as at the date of this Offering Circular. The subordination provisions set out in Condition 3.2, Condition 10A and the conversion mechanisms set out in the schedule to the Conditions (in relation to NAB) and Condition 3.4 (in relation to BNZ-IF and the Guarantor) are based on the jurisdiction of incorporation of the relevant Issuer and the Guarantor. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or the laws of the jurisdiction of incorporation of the relevant Issuer or the Guarantor after the date of this Offering Circular and any such decision or change to English law or administrative practice or the laws of the jurisdiction of incorporation of the relevant Issuer or the Guarantor could materially adversely impact the value of any Notes affected by it.

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

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

*Current market volatility and recent market developments may affect the primary market for the Notes*

The global financial system has been experiencing difficulties since approximately mid-2007 and financial markets deteriorated dramatically after the bankruptcy filing of Lehman Brothers in September 2008 and more recently the financial crisis affecting Greece and other European countries. Measures taken by governments and central banks to stabilise the financial markets, the volatility and disruption of the capital and credit markets have seen mixed results. The significant decline in the property markets in various countries over the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major retail, commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be nationalised and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced and, in some cases, stopped their funding to borrowers, including other financial institutions.

Market conditions have produced downward pressure on stock prices and credit capacity for certain issuers. The resulting lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could continue to materially and adversely affect the Bank Issuers' and the Guarantor's business, financial condition and results of operations.

Potential investors in the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a severe lack of liquidity in the secondary market for instruments similar to the Notes. As a result there exist significant additional risks to the Bank Issuers, the Guarantor and the investors which may affect the returns on the Notes to potential investors.

In addition, ongoing liquidity conditions have adversely impacted the primary market for a number of financial products including instruments similar to the Notes. While it is possible that the current conditions may improve for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Notes will recover at the same time or to the same degree as such other recovering global credit market sectors.

*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 his 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.

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

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

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

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

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

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Notes, a relevant Issuer or the Guarantor. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Any credit rating in respect of any Notes of NAB is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act of 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.

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

### **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 advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE AND CREDIT RATINGS

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

The following documents, which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Competent Authority and the Luxembourg Stock Exchange, shall be incorporated in, and form part of, this Offering Circular:

- (a) NAB's Annual Reports for the financial years ended 30 September 2011 and 30 September 2012 (**NAB's Annual Reports**) (including the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial years ended 30 September 2011 and 30 September 2012);
- (b) the Guarantor's Disclosure Statements for the financial years ended 30 September 2011 and 30 September 2012;
- (c) Clydesdale's Annual Reports and consolidated Financial Statements for the financial years ended 30 September 2011 and 30 September 2012;
- (d) BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2011 and 30 September 2012; and
- (e) the statutory documents of NAB, Clydesdale, BNZ-IF and the Guarantor as follows:
  - (i) the constitution of NAB;
  - (ii) articles of association of Clydesdale;
  - (iii) the constitution of BNZ-IF; and
  - (iv) the constitution of the Guarantor.

Any statement contained herein or in a document and/or information which is incorporated by reference herein shall be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any such subsequent document and/or information which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of supplement to the Offering Circular pursuant to Article 16 of the Prospectus Directive (in the case of PD Notes and Non-Exempt PD Notes) or Article 10.2 of Part 2, Chapter I of the rules and regulations of the Luxembourg Stock Exchange (in the case of Exempt Notes). Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the relevant Issuer and the Guarantor (if applicable). Requests for such documents should be directed to any of the Issuers or the Guarantor at their respective offices set out at the end of this Offering Circular. In addition, such documents will be available from the specified offices of the Paying Agents for the time being in London and Luxembourg, and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

The documents listed in (a) – (d) above contain financial information on each of the Issuers and the Guarantor, as described in the tables below. Other information contained in such documents, but not specifically set out in the tables below, is incorporated by reference into this Offering Circular for information purposes only.

The statutory documents of NAB, Clydesdale, BNZ-IF and the Guarantor are incorporated by reference into this Offering Circular for information purposes only.

## Cross Reference Table

	<b>NAB</b>	<b>Clydesdale</b>	<b>The Guarantor</b>	<b>BNZ-IF</b>
<b>Balance sheet</b>	<i>2011</i> NAB Annual Report, page 58	<i>2011</i> Clydesdale Annual Report, page 21	<i>2011</i> Disclosure Statement, page 10	<i>2011</i> Annual Report, page 3
	<i>2012</i> NAB Annual Report, page 56	<i>2012</i> Clydesdale Annual Report, page 25	<i>2012</i> Disclosure Statement, page 10	<i>2012</i> Annual Report, page 3
<b>Income statement</b>	<i>2011</i> NAB Annual Report, page 56	<i>2011</i> Clydesdale Annual Report, page 19	<i>2011</i> Disclosure Statement, page 8	<i>2011</i> Annual Report, page 1
	<i>2012</i> NAB Annual Report, page 54	<i>2012</i> Clydesdale Annual Report, page 23	<i>2012</i> Disclosure Statement, page 8	<i>2012</i> Annual Report, page 1
<b>Cash flow statement</b>	<i>2011</i> NAB Annual Report, page 59	<i>2011</i> Clydesdale Annual Report, page 24	<i>2011</i> Disclosure Statement, pages 11-12	<i>2011</i> Annual Report, pages 4-5
	<i>2012</i> NAB Annual Report, page 57	<i>2012</i> Clydesdale Annual Report, page 28	<i>2012</i> Disclosure Statement, pages 11-12	<i>2012</i> Annual Report, pages 4-5
<b>Accounting policies and explanatory notes</b>	<i>2011</i> NAB Annual Report, pages 62-160	<i>2011</i> Clydesdale Annual Report, pages 25-115	<i>2011</i> Disclosure Statement, pages 13-92	<i>2011</i> Annual Report, pages 6-18
	<i>2012</i> NAB Annual Report, pages 60-161	<i>2012</i> Clydesdale Annual Report, pages 29-112	<i>2012</i> Disclosure Statement, pages 13-90	<i>2012</i> Annual Report, pages 6-18
<b>Audit reports</b>	<i>2011</i> NAB Annual Report, pages 162-163	<i>2011</i> Clydesdale Annual Report, pages 16-17	<i>2011</i> Disclosure Statement, pages 93-94	<i>2011</i> Annual Report, page 19
	<i>2012</i> NAB Annual Report, pages 163-164	<i>2012</i> Clydesdale Annual Report, pages 20-21	<i>2012</i> Disclosure Statement, pages 91-92	<i>2012</i> Annual Report, page 19
<b>Legal and arbitration proceedings</b>	<i>2011</i> NAB Annual Report, Note 40, at pages 121-124	<i>2011</i> Clydesdale Annual Report, Note 27 at pages 72-73 and Note 36 at page 84	None	None
	<i>2012</i> NAB Annual Report, Note 40, at pages 117-120	<i>2012</i> Clydesdale Annual Report, Note 27 at pages 77-78 and	None	None

*(B) Credit Ratings*

The Programme is, as of the date of this Offering Circular, rated as follows:

	NAB	BNZ-IF	Clydesdale
Senior Notes with a maturity of less than one year	Standard & Poor's (Australia) Pty Ltd: A-1+ Moody's Investors Service Pty. Limited: Prime-1	Standard & Poor's (Australia) Pty Ltd: A-1+ Moody's Investors Service Pty. Limited: Prime-1	Standard & Poor's Credit Market Services Europe Limited: A-2 Moody's Investors Service Limited Prime-1
Senior Notes with a maturity of more than one year	Standard & Poor's (Australia) Pty Ltd: AA- Moody's Investors Service Pty. Limited: Aa2	Standard & Poor's (Australia) Pty Ltd: AA- Moody's Investors Service Pty. Limited: Aa3	Standard & Poor's Credit Market Services Europe Limited: BBB+ Moody's Investors Service Limited: A2
Subordinated Notes	—	Standard & Poor's (Australia) Pty Ltd: A- Moody's Investors Service Pty. Limited: A2	Standard & Poor's Credit Market Services Europe Limited: BBB- Moody's Investors Service Limited: Baa1

There are credit ratings contained in certain of the documents incorporated by reference into this Offering Circular. In the case of NAB's Annual Reports, these credit ratings are assigned by Standard & Poor's (Australia) Pty Ltd (**S&P Australia**), Moody's Investors Service Pty. Limited (**Moody's Australia**), Moody's Investors Service Limited (**Moody's Europe**) and Fitch Ratings Limited (**Fitch Europe**). In the case of the Guarantor's Disclosure Statements for the financial years ended 30 September 2011 and 30 September 2012, these credit ratings are assigned by S&P Australia, Moody's Australia and Fitch Australia Pty Ltd (**Fitch Australia**).

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

## OVERVIEW OF THE PROGRAMME

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

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

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

### Information relating to the Issuers and the Guarantor

Description of the Issuers: National Australia Bank Limited: registered in Australia with ABN 12 004 044 937 and having its registered office at Level 4, (UB 4440) 800 Bourke Street, Docklands, Victoria 3008, Australia.

Clydesdale Bank PLC: registered in Scotland with company number SC001111 and having its registered office at 30 St Vincent Place, Glasgow G1 2HL, United Kingdom.

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

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

Business of the Issuers: National Australia Bank Limited: NAB was incorporated on 23 June 1893. Today it is an international financial services group providing a comprehensive and integrated range of products. The NAB Group operates in Australia, New Zealand, the United States, the United Kingdom and parts of Asia.

Clydesdale Bank PLC: Clydesdale is a Scottish bank founded in Glasgow in 1838. It has been a member of the NAB Group since 1987. In 2004 Yorkshire Bank PLC (**Yorkshire**) merged with Clydesdale.

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

Business of the Guarantor: Bank of New Zealand: The Guarantor is one of New Zealand's oldest banks, founded in 1861. It is a provider of a range of financial services including loans, savings and private banking to over one million customers in New Zealand. It has been a member of the NAB Group since 1992.

## Information relating to the Programme

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

each case, on a syndicated or non-syndicated basis.

**Currencies:** Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.

**Maturities:** Such maturities as may be agreed between the relevant Issuer and the relevant Dealer (save for Undated Subordinated Notes, which have no fixed maturity), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to such Issuer or the relevant Specified Currency.

**Issue Price:** Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:** The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

**Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

**Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both

**Exempt Notes:** The relevant Issuer may issue Exempt Notes which are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes



in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

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

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

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

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

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

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity date (other than, in the case of Exempt Notes, in specified instalments, if applicable or for certain taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer upon giving not less than 15 nor more than 30 days' notice to the Noteholders, or such other notice period specified in the applicable Final Terms, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Repayment: In relation to BNZ-IF, Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution; see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Subordinated Notes issued by Clydesdale may only be repaid prior to their Maturity Date subject to notice having been given to the FSA of, and the FSA not having objected to, such redemption and any prior written approval of the Australian Prudential Regulation Authority (APRA). Any Term Subordinated Notes issued by Clydesdale shall have a minimum maturity of five years.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note (other than an Exempt Note) that will be admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be, in respect of NAB, €1,000 and will be, in

respect of Clydesdale and BNZ-IF, €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the date of issue) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency; see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes to the extent provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will not contain a negative pledge.
Cross Default:	The terms of the Notes will not contain cross default provisions.
Set-off:	A holder of a Subordinated Note (or any related Receipt or Coupon) issued by any of NAB, Clydesdale or BNZ-IF shall not, on any account, set-off against any amounts owing to it in respect of such Subordinated Note, Receipt or Coupon amounts owing by the holder thereof to NAB or Clydesdale or BNZ-IF or the Guarantor, as the case may be and NAB shall not have any right to set-off any amounts owing by it to a holder against any amount owing by the holder to it.
Status of the Senior Notes:	The Senior Notes will be unsubordinated, direct and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the relevant Issuer (save for certain obligations preferred by mandatory provisions of applicable law). Senior Notes issued by NAB do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act 1959 of Australia (the <b>Banking Act</b> ) and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.
Status of Subordinated Notes issued by NAB:	The Term Subordinated Notes issued by NAB will be unsecured and subordinated to the claims of all Unsubordinated Creditors of NAB in right of payment with respect to the assets of NAB in the event of a Winding-Up of NAB as defined and further described in Condition 3.2 and are liable to be mandatorily converted into Ordinary Shares or written off where this is determined by APRA to be necessary on the grounds that NAB would otherwise become non-viable as further described in Condition 10A. Subordinated Notes issued by NAB do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.
Status of Subordinated Notes issued by Clydesdale:	The Term Subordinated Notes issued by Clydesdale will be unsecured and subordinated to the claims of all Unsubordinated Creditors of Clydesdale in right of repayment with respect to the assets of Clydesdale in the event of a Winding Up of Clydesdale as defined and further

described in Condition 3.3. Undated Subordinated Notes issued by Clydesdale will be unsecured and subordinated to the claims of all Unsubordinated Creditors and Term Subordinated Creditors of Clydesdale. Subordinated Notes issued by Clydesdale do not constitute deposit liabilities of NAB, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.

Status of the Guarantee &  
Guaranteed Notes:

Only Notes issued by BNZ-IF will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of BNZ-IF and the Guarantor under the Guaranteed Notes will:

- (i) in the case of Guaranteed Senior Notes, constitute unsubordinated, direct and unsecured obligations of BNZ-IF and the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of BNZ-IF and the Guarantor (save for certain obligations required to be preferred by law);
- (ii) in the case of Guaranteed Term Subordinated Notes, be unsecured and subordinated to the claims of all Unsubordinated Creditors of BNZ-IF and the Guarantor in right of payment with respect to the assets of BNZ-IF and the Guarantor in the event of a Winding Up of BNZ-IF or, as the case may be, the Guarantor, as defined and further described in Condition 3.4; and
- (iii) in the case of Guaranteed Undated Subordinated Notes, be unsecured and subordinated to the claims of all Unsubordinated Creditors and Term Subordinated Creditors of BNZ-IF and the Guarantor in right of payment with respect to the assets of BNZ-IF and the Guarantor in the event of a winding up of BNZ-IF or, as the case may be, the Guarantor, as defined and further described in Condition 3.4.

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

Rating:

See page 60 for further information on ratings.

A rating is not a recommendation to buy, sell or hold any Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

Any credit rating in respect of any Notes or any Issuer is for distribution only to persons who are not a "retail client" within the meaning of section

761G of the Corporations Act 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 the Offering Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.

Listing and admission to trading:

Application has been made to:

- (i) the Competent Authority to approve this Offering Circular in connection with (a) the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) (the **PD Notes**) and (b) in the case of NAB only, the issue by NAB of certain Tranches of Non-Exempt PD Notes (as defined above), in each case, to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with Directive 2003/71/EC (the Prospectus Directive); and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) (the **Exempt Notes**) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market (the **Euro MTF Market**).

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

Risk Factors:

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

Governing Law:

The Notes and any non-contractual obligations (other than any non-contractual obligations in respect of any Tranche of Notes represented in whole or in part by a Rule 144A Global Note on the issue date thereof) arising out of or in connection with them will be governed by, and construed in accordance with, English law save that (a) in the case of Notes issued by NAB, Conditions 3.2, 10A and the conversion mechanisms set out in the Schedule to the Conditions will be governed by

and construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia, and (b) in the case of Guaranteed Notes, Condition 3.4 will be governed by and construed in accordance with the laws of New Zealand.

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 "*Subscription and Sale and Transfer and Selling Restrictions*".

United States Selling Restrictions:

Regulation S, Rule 144A, TEFRA D unless otherwise specified in the applicable Final Terms.

## FORM OF THE NOTES

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

### **Bearer Notes**

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

- (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

*It is anticipated that only Bearer Notes issued by Clydesdale under the Programme will be issued in NGN form and deposited with the Common Safekeeper, because Bearer Notes issued by Clydesdale (as opposed to Bearer Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.*

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

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

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to

such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

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

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

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

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

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

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

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

### **Registered Notes**

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

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

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**); (ii) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or (iii) be deposited with a common depository or, in the case of Notes issued by Clydesdale only, a common safekeeper, for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or, in the case of Notes issued by Clydesdale only, in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

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

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

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is



available or (iv) the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories of the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

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

### **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note or, as the case may be, the Trustee shall be treated by the relevant Issuer, the Guarantor and the Agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed, the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

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

## FORM OF FINAL TERMS

### APPLICABLE FINAL TERMS IN RESPECT OF NON-EXEMPT PD NOTES

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

[Date]

**National Australia Bank Limited**  
**(ABN 12 004 044 937)**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$100,000,000,000  
Global Medium Term Note Programme**

Any person making or intending to make an offer of the Notes may only do so:

- (i) in those Public Offer Jurisdictions mentioned in Paragraph 3 of Part B below, provided such person is of a kind specified in that Paragraph and that the offer is made during the Offer Period specified in that Paragraph; or
- (ii) otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 14 December 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the

Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 14 December 2012 [and the supplement[s] to it dated [date] [and date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

1. (a) Series Number: [ ]
  - (b) Tranche Number: [ ]
  - (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in Paragraph 21 below, which is expected to occur on or about [date]] [Not Applicable]
  2. Specified Currency or Currencies: [ ]
  3. Aggregate Nominal Amount:
    - (a) Series: [ ]
    - (b) Tranche: [ ]
  4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
  5. (a) Specified Denominations: [ ]
  - (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: [ ]
  - (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon*

Notes.)

7. Maturity Date: [Fixed rate-specify date]/[Undated]  
[Floating rate-Interest Payment Date falling in or nearest to [specify month and year]]/ [Undated]
- (NB: The Maturity Date [should not be/may need to be not] less than one year after the Issue Date)
8. Interest Basis: [[ ] per cent. per annum Fixed Rate]  
[[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR] +/- [ ] per cent. per annum Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis: [Specify details of any provision for change of Notes into another Interest Basis cross refer Paragraphs 13 and 14 below if details are included there] [Not Applicable]
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
12. (a) Status of the Notes: Senior
- (b) [Date [Board] approval for [ ] [and [ ]], respectively]  
issuance of Notes obtained:

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes.)

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

13. Fixed Rate Note Provisions: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this Paragraph)
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date. (Amend appropriately in the case of irregular coupons]
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form)

- (d) Broken Amount(s): (*Applicable to Notes in definitive form*) [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)] [RBA Bond Basis/Australian Bond Basis]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- Adjusted: [Applicable/Not Applicable]
  - Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centres: [ ]
- (h) Determination Date(s): [[ ] in each year] [Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

14. Floating Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR].  
Relevant Time: [ ]  
Relevant Financial Centre: [London/Brussels/Sydney/Auckland and Wellington/Hong Kong/Toronto/Singapore/Oslo]

- Interest Determination Date(s): [     ]
- Relevant Screen Page: [     ]

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

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

(g) ISDA Determination:

- Floating Rate Option: [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]

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

(h) Margin(s): [+/-] [     ] per cent. per annum

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

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

(k) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond basis]  
30E/360 (ISDA)  
RBA Bond Basis  
Australian Bond Basis]  
*(See Condition 5.6 for alternatives)*

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

15. Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Accrual Yield: [     ] per cent. per annum

(b) Reference Price: [     ]

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]

[Actual/360]

[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

16. Notice periods for Condition 7.2: Minimum period: [●] days

Maximum period: [●] days

17. Issuer Call: [Applicable/Not Applicable]

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

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

(b) Optional Redemption Amount: [[ ] per Calculation Amount

(c) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(d) Notice periods: Minimum period: [ ] days

Maximum period: [ ] days

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

18. Investor Put: [Applicable/Not Applicable]

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

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

(b) Optional Redemption Amount: [ ] per Calculation Amount

(c) Notice periods: Minimum period: [●] days

Maximum period: [●] days

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



19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

21. (a) Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- [Registered Notes:
- Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (and held under the NSS)] (specify nominal amounts)]
- [It is anticipated that only Registered Notes issued by Clydesdale under the Programme will be registered in the name of the Common Safekeeper for Euroclear and Clearstream, Luxembourg, because Registered Notes issued by Clydesdale (as opposed to Registered Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves.)*
- (b) New Global Note: [Yes] [No]

*[It is anticipated that only Bearer Notes issued by Clydesdale under the Programme will be issued in NGN*

*form and deposited with the Common Safekeeper, because Bearer Notes issued by Clydesdale (as opposed to Bearer Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

22. Additional Financial Centre(s): [ ] [*If there are Financial Centre(s) applicable to the Notes by operation of the Conditions which are not referenced here, add the following: "For the avoidance of doubt, in accordance with the Conditions these Additional Financial Centres are in addition to [ ]"*]

*(Note that this item relates to the place of payment and not Interest Period end dates to which sub paragraph 14(c) relates)*

23. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]/[No]

**[THIRD PARTY INFORMATION]**

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

Signed on behalf of National Australia Bank Limited:

By: .....

*Duly authorised*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

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

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [●] by [●].] [Not Applicable]

### 3. TERMS AND CONDITIONS OF THE OFFER

(i) Non-exempt Offer: An offer of the Notes may be made by the Managers and, [insert names of financial intermediaries receiving consent (specific consent)] (the **Initial Authorised Offerors**) [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Offering Circular in connection with the Non-exempt Offer and who are identified on the Issuer's website at *www.nab.com.au/* as an Authorised Offeror (together, being persons to whom NAB has given consent, the **Authorised Offerors**) other than pursuant to Article 3(2) of the Prospectus Directive in [[Luxembourg,][Austria,][Belgium,][France,][Germany,][Ireland,][Italy,][The Netherlands][and][The United Kingdom]] (the **Public Offer Jurisdictions**) during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the **Offer Period**).

General Consent: [Not Applicable][Applicable]

Other conditions to consent: [Not Applicable][Add here any other conditions to which the consent given is subject]

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)*

(ii) Offer Period: [The period from [[●] until [●]/[the Issue Date]]/[the

date which falls [●] Business Days thereafter]] [●]

- (iii) Offer Price: [The Offer Price shall, on the Issue Date, be equal to the Issue Price. The offer price of the Notes thereafter will, for subsequent re-offers of the Notes, be determined by the seller and purchaser of such Notes in accordance with market conditions then prevailing, including supply and demand for the Notes and other similar securities (and within a range of 90 per cent. to 110 per cent. of the principal amount of the Notes).] [●]
- (iv) Conditions to which the offer is subject: [Offers of the Notes are conditional on their issue. As between the Financial Intermediaries and their customers, offers of the Notes are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.] [●]
- (v) The time period, including any possible amendments, during which the offer will be open and description of the application process: [A prospective Noteholder should contact the applicable Financial Intermediary in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Financial Intermediary and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with NAB in connection with the subscription of the Notes.] [●]
- (vi) Details of the minimum and/or maximum amount of application: [There are no pre-identified allotment criteria. The Financial Intermediaries will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations. ] [●]
- (vii) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable. The terms of the offers of the Notes do not provide for any reductions of subscriptions] [●]
- (viii) Details of the method and time limits for paying up and delivering the Notes: [Investors will be notified by the relevant Financial Intermediary of their allocations of Notes and the settlement arrangements in respect thereof. The Notes will be issued on the Issue Date against payment to NAB of the net subscription moneys.] [●]
- (ix) Manner and date in which results of the offer are to be made public: [Investors will be notified by the applicable Financial Intermediary of their allocations of Notes and the settlement procedures in respect thereof.] [●]
- (x) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable. The terms of the offers of the Notes do not provide for a procedure for the exercise of any right of pre-emption or negotiability of subscription rights.] [●]

- |        |   |  |
|--------|---|--|
| (xi)   | Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:       | [Offers may be made by the Financial Intermediaries in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the Managers pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes by the Financial Intermediaries will be made in compliance with all applicable laws and regulations.] [●] |
| (xii)  | Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [A prospective Noteholder will receive 100 per cent. of the amount of the Notes allocated to it during the Offer Period. Prospective Noteholders will be notified by the applicable Financial Intermediary in accordance with the arrangements in place between such Financial Intermediary and the prospective Noteholders. No dealings in the Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC may take place prior to the Issue Date.] [●]                             |
| (xiii) | Amount of any expenses and taxes specifically charged to the subscriber or purchaser:   | [Not Applicable. The terms of the offers of the Notes do not provide for any expenses and/or taxes to be charged to any subscriber and/or purchaser of the Notes.] [●]   |
| (xiv)  | Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.        | [None] [●]   |

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

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

*[When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

**5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)] Reasons for the offer: [ ]

*(See "Use of Proceeds" wording in Offering Circular—if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

[(ii)] Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses: [ ] *(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses.")*

6. **YIELD** *(Fixed Rate Notes only)*

Indication of yield: [ ]  
[Calculated as *[include specific 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.

7. **HISTORIC INTEREST RATES** *(Floating Rate Notes only)*

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR] rates can be obtained from [ ].

8. **OPERATIONAL INFORMATION**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

*(insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly)*

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Name(s) and address(es) of additional Paying Agent(s) (if any): [ ]

(vi) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg or DTC, as applicable.

(vii) Intended to be held in a manner which would allow Eurosystem [Yes] [No]

eligibility:

[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [*include this text for Registered Notes*] will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Notes will be deposited initially upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met] [*include this text if "yes" selected in which case the Bearer Notes must be issued in NGN form and the Registered Notes must be registered in the name of the nominee of one of the ICSDs acting as Common Safekeeper*]

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

## 9. DISTRIBUTION

- (i) Name(s) and address(es) of Manager(s) / relevant Dealer and underwriting commitment(s): [Not Applicable/*give name(s), address(es) and underwriting commitment(s)*]

*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (ii) Date of Subscription Agreement: [     ]
- (iii) Total commission and concession: [     ] per cent. of the Aggregate Nominal Amount

- (iv) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

## SUMMARY OF THE NOTES

I

I



## APPLICABLE FINAL TERMS IN RESPECT OF PD NOTES

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

[Date]

[National Australia Bank Limited (ABN 12 004 044 937)/Clydesdale Bank PLC/  
BNZ International Funding Limited, acting through its London Branch]

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

### Global Medium Term Note Programme

#### PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 14 December 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] [and the supplement[s] thereto dated [date[s]]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 14 December 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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

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

[If the Notes are Term Subordinated Notes issued by Clydesdale, such Notes shall have a minimum maturity of five years.]

1. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in Paragraph 21 below, which is expected to occur on or about *[date]*][Not Applicable]
2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount:  
(a) Series: [ ]  
(b) Tranche: [ ]
4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
5. (a) Specified Denominations: [ ]

*(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))*

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

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

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

6. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [*Specify*/Issue Date/Not Applicable]
7. Maturity Date: [*Fixed rate—Specify date/undated*]  
  
*[Floating rate—Interest Payment Date falling in or nearest to [Specify month and year]]/[Undated]*

8. Interest Basis: [[ ] per cent. per annum Fixed Rate]  
 [[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-  
 CDOR/SIBOR/NIBOR] +/- [ ] per cent. per annum  
 Floating Rate]  
 [Zero Coupon]  
 (further particulars specified below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
10. Change of Interest Basis: [*Specify details of any provision for change of Notes into another Interest Basis or cross refer Paragraphs 13 and 14 below if details are included there*] [Not Applicable]
11. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
12. (a) Status of the Notes: [Senior]/[Term Subordinated]/[Undated Subordinated]
- (b) [Status of the Guarantee: [Senior]/[Term Subordinated]/[Undated Subordinated]]
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ]], respectively]]  
 (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)

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

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining subparagraphs of this Paragraph*)
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date. (*Amend appropriately in the case of irregular coupons*)
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
 (*Applicable to Notes in definitive form*)
- (d) Broken Amount(s): (*Applicable to Notes in definitive form*) [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)] [RBA Bond Basis/Australian Bond Basis]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day]

Convention/Preceding Business Day Convention]

- Adjusted: [Applicable/Not Applicable]

- Non-Adjusted: [Applicable/Not Applicable]

(g) Additional Business Centres: [ ]

(h) Determination Date(s): [[ ] in each year] [Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

14. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*

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

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(c) Additional Business Centre(s): [ ]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]

(f) Screen Rate Determination:

- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month  
[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR].

Relevant Time: [ ]

Relevant Financial Centre:  
[London/Brussels/Sydney/Auckland and Wellington/Hong Kong/Toronto/Singapore/Oslo]

- Interest Determination Date(s): [ ]

- Relevant Screen Page: [ ]

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

(g) ISDA Determination:

- Floating Rate Option: [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]

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

(h) Margin(s): [ +/- ] [     ] per cent. per annum

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

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

(k) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)  
RBA Bond Basis  
Australian Bond Basis]  
*(See Condition 5.6 for alternatives)*

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

15. Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Accrual Yield: [     ] per cent. per annum

(b) Reference Price: [     ]

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## **PROVISIONS RELATING TO REDEMPTION**

16. Notice periods for Condition 7.2: Minimum period: [●] days

Maximum period: [●] days

17. Issuer Call: [Applicable/Not Applicable]

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

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

(b) Optional Redemption Amount [[ ]] per Calculation Amount and method, if any, of calculation of such amount(s):

(c) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(d) Notice periods: Minimum period: [●] days

Maximum period: [●] days

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

18. Investor Put: [Applicable/Not Applicable]

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

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

(b) Optional Redemption Amount: [ ] per Calculation Amount

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

(c) Notice periods: Minimum period: [●] days

Maximum period: [●] days

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

19. Final Redemption Amount: [ ] per Calculation Amount

20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. (a) Form of Notes:

[Bearer Notes:

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

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

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

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

[Registered Notes:

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

*[It is anticipated that only Registered Notes issued by Clydesdale under the Programme will be registered in the name of a common safekeeper for Euroclear and Clearstream, Luxembourg, because Registered Notes issued by Clydesdale (as opposed to Registered Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange event upon*

*notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for a Definitive Note.)*

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

*[It is anticipated that only Bearer Notes issued by Clydesdale under the Programme will be issued in NGN form and deposited with the Common Safekeeper, because Bearer Notes issued by Clydesdale (as opposed to Bearer Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

22. Additional Financial Centre(s): [ ]

*(Note that this Paragraph relates to the place of payment and not Interest Period end dates to which subparagraph 14(c) relates.)*

23. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

**[THIRD PARTY INFORMATION]**

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

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

[Signed on behalf of Bank of New Zealand:

By: .....

By: .....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*



## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

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

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

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [●] by [●].] [Not Applicable]

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

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

*[When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

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

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. HISTORIC INTEREST RATES *(Floating Rate Notes only)*

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR] rates can be obtained from [ ].

### 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]

- (ii) Common Code: [     ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and DTC and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Name(s) and address(es) of additional Paying Agent(s) (if any): [     ]
- (v) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg or DTC, as applicable.
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] [*include this text for Registered Notes*] will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Notes will be deposited initially upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met] [*include this text if "yes" selected in which case the Bearer Notes must be issued in NGN form and the Registered Notes must be registered in the name of the nominee of one of the ICSDs acting as Common Safekeeper*]
- [Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] [*include this text if "no" selected*]

7. **U.S. SELLING RESTRICTIONS**

U.S. Selling Restrictions:

Reg. S Compliance Category [1/2/3];  
[TEFRA D/TEFRA C/TEFRA not applicable]

## APPLICABLE FINAL TERMS IN RESPECT OF EXEMPT NOTES

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

[Date]

[National Australia Bank Limited (ABN 12 004 044 937)/Clydesdale Bank PLC/  
BNZ International Funding Limited, acting through its London Branch]

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

### Global Medium Term Note Programme

#### PART A—CONTRACTUAL TERMS

This document constitutes the Final Terms of the Notes described herein. This document must be read in conjunction with the Offering Circular dated 14 December 2012 [as supplemented by the supplement[s] to it dated [date[s]]] (the **Offering Circular**). Full information on the Issuer and the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Copies of the Offering Circular may be obtained free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date] and attached hereto]. *[Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date]*

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

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

*[If the Notes are Term Subordinated Notes issued by Clydesdale, such Notes shall have a minimum maturity of five years.]*

1. (a) Issuer: [National Australia Bank Limited/Clydesdale Bank PLC/BNZ International Funding Limited, acting through its London Branch]

(b) [Guarantor: Bank of New Zealand

The Notes described herein are not guaranteed by any government, government agency or compensation scheme of the Commonwealth of Australia, Her Majesty the Queen in right of New Zealand or any other jurisdiction.]

2. (a) Series Number: [ ]

(b) Tranche Number: [ ]

(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in Paragraph 26 below, which is expected to occur on or about [date]][Not Applicable]

3. Specified Currency or Currencies: [ ]

4. Aggregate Nominal Amount:

(a) Series: [ ]

(b) Tranche: [ ]

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

6. (a) Specified Denominations: [ ]

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

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

*(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the [€100,000] minimum denomination is not required.)*

(b) Calculation Amount: [ ]

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

7. (a) Issue Date: [ ]

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

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

8. Maturity Date: *[Fixed rate—[Specify date]/[Undated]  
Floating rate—Interest Payment Date falling in or nearest to  
[Specify month and year]/[Undated]*
9. Interest Basis: *[[ ] per cent. per annum Fixed Rate]*  
*[[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-  
CDOR/SIBOR/NIBOR]] +/- [ ] per cent. per annum  
Floating Rate]*  
*([Where interpolated rates for the first Interest Period use the  
following: "The ISDA Rate" in respect of the first Interest Period  
(such period for the avoidance of doubt being from (and  
including) the Interest Commencement Date to (but excluding)  
the Interest Payment Date falling in [ ] shall be determined  
through the use of straight-line interpolation by reference to two  
rates based on the Floating Rate Option, one of which shall be  
determined as if the Designated Maturity were [ ] months  
and the other of which shall be determined as if the Designated  
Maturity were [ ] months])*  
*[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[Specify other]  
(further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[Specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another  
Interest Basis or Redemption/Payment Basis] [Not Applicable]*
12. Put/Call Options: *[Investor Put]  
[Issuer Call]  
[Regulatory Event Call]  
[(further particulars specified below)]*
13. (a) Status of the Notes: *[Senior]/[Term Subordinated]/[Undated Subordinated]*  
*[(see further particulars in paragraph 14 below)]  
(N.B. Further particulars statement only relevant where the  
Issuer is NAB and "Term Subordinated" is selected)*
- (b) [Status of the Guarantee: *[Senior]/[Term Subordinated]/[Undated Subordinated]*
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] *[ ] [and [ ], respectively]]  
(N.B. Only relevant where Board (or similar) authorisation is  
required for the particular tranche of Notes or related*

obtained: *Guarantee*)

#### PROVISIONS RELATING TO SUBORDINATED NOTES

14. Subordinated Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Write-Off: [Applicable/Not Applicable]  
*(If not applicable, include the remaining sub- paragraphs of this paragraph 14)*
- (b) Conversion:
- (i) CD: [ ]
- (ii) VWAP Period: [As specified in the Schedule to the Conditions]/[[ ] Business Days]
- (iii) Issue Date [As specified in the Schedule to the Conditions]/[[ ] Business Days]  
VWAP: [ ]

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

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear on each Interest Payment Date] *(If payable other than annually, consider amending Condition 5)*
- (b) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date. *(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)* [ ] per Calculation Amount
- (d) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable] *(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA)/RBA Bond Basis/Australian Bond Basis/*Specify other*] *(See Condition 5.6 for alternatives)*
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*Specify other*]]
- Adjusted: [Applicable/Not Applicable]

- Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centres: [ ]
- (h) Determination Date(s): [[ ] in each year] [Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (i) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (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 Centre(s): [ ]
- (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): [ ]
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR/Specify other Reference Rate].
- Relevant Time: [ ]



Relevant Financial Centre: [London/Brussels/Sydney/Auckland and Wellington/Hong Kong/Toronto/Singapore/Oslo/Specify other Relevant Financial Centre]

- Interest Determination Date(s): [ ]
- Relevant Screen Page: [ ]

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

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

(g) ISDA Determination:

- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]

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

(h) Margin(s): [+/-] [ ] per cent. per annum

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

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

(k) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA) RBA Bond Basis Australian Bond Basis Other]  
*(See Condition 5.6 for alternatives)*

(l) Interest Amounts Non- [Applicable/Not Applicable]

Adjusted:

- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]

17. Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this Paragraph)*

(a) Accrual Yield: [ ] per cent. per annum

(b) Reference Price: [ ]

(c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]

(d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]

[Actual/360]

[Actual/365]

18. Index Linked Interest Note: [Applicable/Not Applicable]

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

(a) Index/Formula: [give or annex details]

(b) Calculation Agent: [give name]

(c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]

- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Specify other]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
- (k) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]

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

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

*(NB: If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes, will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

- (a) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*

reference to Rate of Exchange impossible or impracticable:

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

## PROVISIONS RELATING TO REDEMPTION

20. Notice periods for Condition 7.2: Minimum period: [●] days

Maximum period: [●] days

21. Issuer Call: [Applicable/Not Applicable]

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

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

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

(c) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(d) Notice periods: Minimum period: [●] days

Maximum period: [●] days

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

22. Regulatory Event Call: [Applicable/Not Applicable]

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

(a) Notice periods: Minimum period: [●] days

Maximum period: [●] days

23. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this Paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/see Appendix]
- (c) Notice periods: Minimum period: [●] days  
Maximum period: [●] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
24. Final Redemption Amount: [[ ] per Calculation Amount/Specify other/see Appendix]
25. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[ ] per Calculation Amount/Specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. (a) Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer].]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves.)*

[Registered Notes:

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

*[It is anticipated that only Registered Notes issued by Clydesdale under the Programme will be registered in the name of a common safekeeper for Euroclear and Clearstream, Luxembourg, because Registered Notes issued by Clydesdale (as opposed to Registered Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

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

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

*[It is anticipated that only Bearer Notes issued by Clydesdale under the Programme will be issued in NGN form and deposited with the Common Safekeeper, because Bearer Notes issued by Clydesdale (as opposed to Bearer Notes issued by NAB and/or BNZ-IF) may satisfy the ECB's Eurosystem eligibility criteria and, accordingly, be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.]*

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

*(Note that this Paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(c) relates.)*

28. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

29. Details relating to Partly Paid Notes: amount of each payment [Not Applicable/give details. N.B. A new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may

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 Issuer to forfeit the Notes and interest due on late payment: *be required for Partly Paid issues*

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

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

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

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

31. Other final terms: [Not Applicable/*give details*]

**[THIRD PARTY INFORMATION]**

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

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

[Signed on behalf of Bank of New Zealand:

By: .....

By:.....

*Duly authorised*

*Duly authorised*

By:

*Duly authorised]*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

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

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)] [Not Applicable] *(The above disclosure is only required if the ratings of the Notes are different to those stated in the Offering Circular).*

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

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

### 4. USE OF PROCEEDS

Use of Proceeds [ ]

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

### 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and DTC and the relevant identification [Not Applicable/give name(s) and number(s)]



number(s):

- (iv) Delivery: Delivery [against/free of] payment
- (v) Name(s) and [ ]  
address(es) of  
additional Paying  
Agent(s) (if any):
- (vi) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg or DTC, as applicable.
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]  
[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] *[include this text for Registered Notes]* will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Notes will be deposited initially upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met] *[include this text if "yes" selected in which case the Bearer Notes must be issued in NGN form and the Registered Notes must be registered in the name of the nominee of one of the ICSDs acting as Common Safekeeper]*  
  
[Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)]*[include this text for Registered Notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] *[include this text if "no" selected]*

## 6. DISTRIBUTION

- (i) Method of distribution: of [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Stabilising [Not Applicable/give name]

Manager(s) (if any):

- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (v) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Additional United States selling restrictions: [Not Applicable/*give details*]  
*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may, in respect of an Exempt Note, specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by National Australia Bank Limited (**NAB**), Clydesdale Bank PLC (**Clydesdale**) or BNZ International Funding Limited, acting through its London Branch (**BNZ-IF**) (each an **Issuer** and together, the **Issuers**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 17 March 2005 made between NAB as Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee). By a First Supplemental Trust Deed dated 17 October 2005 and made between NAB, Clydesdale, BNZ-IF, Bank of New Zealand as guarantor (the **Guarantor**) and the Trustee, BNZ-IF and Clydesdale became Issuers under the Programme (as defined in the Trust Deed). Senior Notes (**Guaranteed Senior Notes**), Term Subordinated Notes (**Guaranteed Term Subordinated Notes**) and Undated Subordinated Notes (**Guaranteed Undated Subordinated Notes**) and, together with the Guaranteed Term Subordinated Notes, the **Guaranteed Subordinated Notes** issued by BNZ-IF (all together, the **Guaranteed Notes**) will be unconditionally and irrevocably guaranteed by the Guarantor (in the case of Guaranteed Subordinated Notes, on a subordinated basis) under a guarantee set out in the Trust Deed (the **Guarantee**).

References herein to the **Issuer** shall be references to the party specified as Issuer in the applicable Final Terms for this Note.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 14 December 2012 and made between NAB, Clydesdale, BNZ-IF, the Guarantor, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent** or **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Trust Company Americas as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent), as registrar

(together with the other registrars named therein, the **Registrar**, which expression shall include any additional or successor registrars) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Final Terms for each Tranche of Notes will state in particular whether the Notes of that Tranche are (i) senior Notes (**Senior Notes**), (ii) term subordinated Notes (**Term Subordinated Notes**), (iii) undated subordinated Notes (**Undated Subordinated Notes**), (iv) Guaranteed Senior Notes, (v) Guaranteed Term Subordinated Notes or (vi) Guaranteed Undated Subordinated Notes. Term Subordinated Notes, Undated Subordinated Notes and Guaranteed Subordinated Notes are together referred to as **Subordinated Notes**.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the bearers for the time being of the Notes and (in the case of Registered Notes) the persons in whose name the Notes for the time being are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the bearers for the time being of the Receipts and any reference herein to **Couponholders** shall mean the bearers for the time being of the Coupons and shall, unless the context otherwise requires, include the bearers for the time being of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders in accordance with the provisions of the Trust Deed.

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

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Agent, the Registrar, the Exchange Agent and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange pursuant to Directive 2003/71/EC (the **Prospectus Directive**) or on the Luxembourg Stock Exchange's Euro MTF Market, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If this Note is an Exempt Note, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or (in the case of Guaranteed Notes) the Guarantor and the Trustee or, as the case may be, the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the

benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Guarantee (in the case of Guaranteed Notes) and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an **Exempt Note**, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor (in the case of Guaranteed Notes), the Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes), the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes), any Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes**

and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Guarantor (in the case of Guaranteed Notes), the Agent and the Trustee.

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### **(b) Transfers of Registered Notes in definitive form**

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a

like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the circumstances set out in this Condition 2(e), such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

**Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**Legended Note** means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

**QIB** means a **qualified institutional buyer** within the meaning of Rule 144A;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Note** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Note** means a Registered Global Note representing Notes sold in the United States to QIBs; and

**Securities Act** means the United States Securities Act of 1933, as amended.

### 3. STATUS OF THE SENIOR NOTES AND SUBORDINATION

The applicable Final Terms will indicate whether the Notes are Senior Notes or Term Subordinated Notes or Undated Subordinated Notes and, in the case of Term Subordinated Notes or Undated Subordinated Notes, the applicable subordination provisions.

*NAB is an "authorised deposit-taking institution" (ADI) for the purposes of the Banking Act 1959 of Australia (Banking Act) in Australia. Accordingly, but without limitation to the other mandatory priority provisions of the Banking Act or the Reserve Bank Act 1959 of Australia or to other applicable laws, section 13A of Division 2 of Part II of the Banking Act provides that, in the event NAB becomes unable to meet its obligations or suspends payment, its assets in Australia are available to meet specified liabilities in Australia in priority to all other liabilities of NAB (including Notes issued by NAB). These specified liabilities include obligations of NAB in respect of protected accounts (as defined in the Banking Act), debts due to the Reserve Bank of Australia (the RBA) and certain debts due to the Australian Prudential Regulation Authority (APRA). Certain assets, such as the assets of NAB in a cover pool for a covered bond issued by NAB, are excluded from constituting assets in Australia for the purposes of section 13A of the Banking Act and these*



*assets are subject to the prior claims of the holders of such covered bonds and certain other secured creditors in respect of the covered bonds.*

*The claims which are preferred by law to the claims of a Noteholder in respect of a Note issued by NAB, including without limitation under the Banking Act provisions referred to above, will include most deposits, will be substantial and are not limited by these Conditions. NAB's assets which are excluded from constituting assets in Australia and which are subject to prior claims in connection with covered bonds as described above may also be substantial. In addition, future changes to applicable law may extend the debts required to be preferred by law or the assets to be excluded.*

*The Notes are not deposit liabilities or protected accounts of NAB for the purposes of the Banking Act and are not insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party. Notes issued by NAB are not guaranteed by any person.*

### **3.1 Status of the Senior Notes**

The Senior Notes and any relative Receipts and Coupons are unsubordinated, direct and unsecured obligations of the Issuer and rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law including (in respect of NAB only) but not limited to those referred in Division 2 of Part II of the Banking Act 1959 of Australia (**Banking Act**) and section 86 of the Reserve Bank Act 1959 of Australia).

### **3.2 Subordination—NAB**

The provisions of, and the defined terms contained within, this Condition 3.2 only apply to Term Subordinated Notes issued by NAB.

- (a) Term Subordinated Notes issued by NAB are direct, unsecured obligations of NAB and are subordinate to the claims of all Unsubordinated Creditors (as defined below) of NAB in right of payment of principal of and interest on such Term Subordinated Notes with respect to the assets of NAB in the event of a Winding-Up of NAB in the manner provided in the Trust Deed. Accordingly, at any time prior to the Winding-Up of NAB payments by NAB of principal and interest or any other amount owing to a Noteholder or the Trustee in connection with the Term Subordinated Notes are conditional upon NAB being Solvent (as defined in Condition 10.2) at the time those payments fall due; and
- (b) NAB must not pay an amount owing to a Noteholder or the Trustee in connection with the Term Subordinated Notes except to the extent that NAB may pay such amount and still be Solvent immediately after doing so,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect hereof.

Term Subordinated Notes issued by NAB rank *pari passu* among themselves, at least *pari passu* with all Subordinated Creditors of NAB and senior to all claims expressed to rank behind Noteholders' claims for amounts owing by NAB in connection with the Term Subordinated Notes.

In a winding-up of NAB a Noteholder's claim for an amount owing by NAB in connection with a Term Subordinated Note is subordinated to the claims of Unsubordinated Creditors of NAB, in that:

- (a) all claims of Unsubordinated Creditors must be paid in full before the Noteholder's claim is paid; and
- (b) until the Unsubordinated Creditors have been paid in full, the Noteholder must not claim in the winding-up in competition with the Unsubordinated Creditors so as to diminish any distribution,

dividend or payment which, but for that claim, the Unsubordinated Creditors would have been entitled to receive.

NAB may not issue Undated Subordinated Notes.

The Term Subordinated Notes issued by NAB will not contain any limitations on the amount of senior debt, deposits or other obligations that may be hereafter incurred or assumed by NAB.

Each Noteholder irrevocably acknowledges and agrees that this Condition 3.2 is a debt subordination for the purposes of section 563C of the Corporations Act 2001 of Australia. Each Noteholder irrevocably acknowledges and agrees that the debt subordination effected by this Condition 3.2 is not affected by any act or omission of NAB or an Unsubordinated Creditor which might otherwise affect it at law or in equity.

To the fullest extent permitted by applicable law, a holder of a Term Subordinated Note issued by NAB and any related Receipts and Coupons shall not have any right to set-off any amounts owing to it by NAB in connection with that Term Subordinated Note against any amount owing by it to NAB in connection with the Term Subordinated Notes or otherwise and NAB shall not have any right to set-off any amounts owing by it to the holder in connection with that Term Subordinated Note against any amount owing by the holder to it in connection with the Term Subordinated Notes or otherwise.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the winding-up or administration of NAB to defeat the subordination in this Condition 3.2. In addition, each Noteholder irrevocably acknowledges and agrees that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding-up of NAB in connection with a Note in excess of its entitlement under this Condition 3.2.

Nothing in this Condition 3.2 shall be taken to require the consent of any Unsubordinated Creditor to any amendment of this Condition 3.2.

**Subordinated Creditors** means all Term Subordinated Creditors and all other creditors of NAB whose claims against NAB are or are expressed (i) to rank equally with the Noteholders' claims for amounts owing by NAB in respect of such Term Subordinated Notes and (ii) to be subordinated to the claims of all depositors and other Unsubordinated Creditors of NAB.

**Term Subordinated Creditors** means (i) the holders of Term Subordinated Notes issued by NAB and the related Receipts and Coupons and the Trustee in its capacity as trustee for such holders; (ii) any creditors whose claims against NAB rank, or are expressed to rank, *pari passu* with the claims of the holders of Term Subordinated Notes issued by NAB for amounts owing by NAB in connection with the Term Subordinated Notes; and (iii) all creditors, present and future, to whom NAB is indebted on terms which provide that such indebtedness will become due and payable on a specified or determinable date or at the end of a specified or determinable period, and that in the event of a winding-up of NAB, the claims of those creditors against NAB are, or are expressed to be, subordinated in right of payment to the claims of all depositors and other unsubordinated creditors of NAB.

**Unsubordinated Creditors** means all present and future creditors of NAB (including but not limited to depositors of NAB) whose claims:

- (i) would be entitled to be admitted in the winding-up of NAB; and
- (ii) are not by their terms expressed to rank equally with, or behind, the claims of holders of Term Subordinated Notes.

**Winding-Up** means:

- (i) a court order is made for the winding-up of NAB which order is not successfully appealed or permanently stayed within 60 days of the making of the order; or
- (ii) an effective resolution is passed by shareholders or members for the winding-up of NAB.

### **3.3 Subordination—Clydesdale**

The provisions of, and the defined terms contained within, this Condition 3.3 only apply to Term Subordinated Notes and Undated Subordinated Notes issued by Clydesdale.

Term Subordinated Notes issued by Clydesdale are direct, unsecured obligations of Clydesdale and are subordinate to the claims of all Unsubordinated Creditors (as defined below) of Clydesdale in right of payment of principal of and interest on such Term Subordinated Notes with respect to the assets of Clydesdale in the event of the Winding Up of Clydesdale (as defined in this Condition 3.3 below) in the manner provided in the Trust Deed. Accordingly, at any time prior to the commencement of the Winding Up of Clydesdale:

- (a) the obligations of Clydesdale to make payments of principal and interest or any other amounts owing to a Noteholder or the Trustee in respect of the Term Subordinated Notes are conditional upon Clydesdale being Solvent (as defined in Condition 10.3) at the time those payments fall due; and
- (b) no payment of any amount owing to a Noteholder or the Trustee shall be made in respect of the Term Subordinated Notes except to the extent that Clydesdale may pay such amount and still be Solvent (as defined in Condition 10.3) immediately after doing so,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect hereof.

Term Subordinated Notes issued by Clydesdale rank *pari passu* among themselves, at least *pari passu* with all other Subordinated Creditors of Clydesdale and senior to all Undated Subordinated Notes of Clydesdale and all claims expressed to rank behind Noteholders' claims for amounts owing by Clydesdale in connection with Term Subordinated Notes.

Undated Subordinated Notes issued by Clydesdale are subordinate to the claims of all Unsubordinated Creditors and Term Subordinated Creditors in right of payment of principal of and interest on such Undated Subordinated Notes with respect to the assets of Clydesdale in the event of the Winding Up of Clydesdale in the manner provided in the Trust Deed. Undated Subordinated Notes rank *pari passu* among themselves.

The Subordinated Notes issued by Clydesdale will not contain any limitations on the amount of senior debt, deposits or other obligations that may hereafter be incurred or assumed by Clydesdale.

**Subordinated Creditors** means all Term Subordinated Creditors of Clydesdale and all other creditors of Clydesdale whose claims against Clydesdale are or are expressed (i) to rank equally with the Noteholders' claims for amounts owing by Clydesdale in respect of such Term Subordinated Notes and (ii) to be subordinated to the claims of all depositors and other Unsubordinated Creditors of Clydesdale.

**Term Subordinated Creditors** means (i) the holders of Term Subordinated Notes issued by Clydesdale and the related Receipts and Coupons and the Trustee in its capacity as the trustee for such holders; (ii) any creditors whose claims against Clydesdale rank, or are expressed to rank, *pari passu* with the claims of the holders of Term Subordinated Notes issued by Clydesdale for amounts owing by Clydesdale in connection with the Term Subordinated Notes; and (iii) all creditors, present and future to whom Clydesdale is indebted on terms which provide that such indebtedness will become due and payable on a specified or determinable date or at the end of a specified or determinable period, and that in the event of a Winding Up of Clydesdale, the claims of those creditors against Clydesdale are, or are expressed to be, subordinated in right of payment

to the claims of all depositors and other unsubordinated creditors of Clydesdale but senior to the claims of all holders of Undated Subordinated Notes issued by Clydesdale.

**Unsubordinated Creditors** means all present and future creditors of Clydesdale (including but not limited to depositors of Clydesdale) whose claims:

- (i) would be entitled to be admitted in the Winding Up of Clydesdale; and
- (ii) are not by their terms expressed to rank equally with, or behind, the claims of holders of Term Subordinated Notes.

In the case only of Clydesdale, **Winding Up of Clydesdale** means:

- (i) a court order is made for the winding-up of Clydesdale; or
- (ii) an effective resolution is passed by shareholders or members for the winding-up of Clydesdale.

To the fullest extent permitted by applicable law, a holder of a Subordinated Note issued by Clydesdale and any related Receipts and Coupons shall not have the right to set-off any amounts owing to it by Clydesdale in connection with that Subordinated Note against any amount owing by it to Clydesdale in connection with the Subordinated Notes or otherwise.

In a Winding Up of Clydesdale a Noteholder's claim for an amount owing by Clydesdale in connection with a Term Subordinated Note is subordinated to the claims of Unsubordinated Creditors of Clydesdale, in that:

- (a) all claims of Unsubordinated Creditors must be paid in full before the Noteholder's claim is paid; and
- (b) until the Unsubordinated Creditors have been paid in full, the Noteholder must not claim in the Winding Up in competition with the Unsubordinated Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Unsubordinated Creditors would have been entitled to receive.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of Clydesdale to defeat the subordination in this Condition 3.3. In addition, each Noteholder irrevocably acknowledges and agrees that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding Up of Clydesdale in connection with a Note in excess of its entitlement under this Condition 3.3.

Nothing in this Condition 3.3 shall be taken to require the consent of any Unsubordinated Creditor to any amendment of this Condition 3.3.

### **3.4 Status of Guaranteed Subordinated Notes and Subordinated Guarantee—BNZ-IF**

The provisions of, and the defined terms contained within, this Condition 3.4 only apply to Guaranteed Subordinated Notes issued by BNZ-IF.

- (a) **Subordinated Guarantee:** The Guarantor has in the Trust Deed irrevocably and (subject as provided in Condition 3.4(b) in the case of Guaranteed Term Subordinated Notes and Condition 3.4(c) in the case of Guaranteed Undated Subordinated Notes) unconditionally guaranteed on a subordinated basis the payment by BNZ-IF of all principal and interest and other amounts expressed to be payable by BNZ-IF under the Trust Deed in relation to the Guaranteed Subordinated Notes and the related Receipts and Coupons.
- (b) **Guaranteed Term Subordinated Notes:** Guaranteed Term Subordinated Notes issued by BNZ-IF are direct, unsecured obligations of BNZ-IF and the Guarantor and are subordinate to the claims of

all Unsubordinated Creditors (as defined below) of BNZ-IF and the Guarantor respectively in right of payment of principal of, and interest, on such Guaranteed Term Subordinated Notes with respect to the assets of BNZ-IF and the Guarantor in the event of a Winding Up (as defined in this Condition 3.4) of BNZ-IF or the Guarantor (as applicable) in the manner provided in the Trust Deed. Accordingly, at any time prior to the commencement of the Winding Up of BNZ-IF or the Guarantor (as applicable):

- (a) the obligations of BNZ-IF and the Guarantor to make payments of principal and interest or any other amount owing to a Noteholder or the Trustee in respect of the Guaranteed Term Subordinated Notes are conditional upon BNZ-IF and the Guarantor and the BNZ Group being Solvent (as defined in Condition 10.2) at the time those payments fall due; and
- (b) no payment of any amount owing to a Noteholder or the Trustee shall be made in respect of the Guaranteed Term Subordinated Notes except to the extent that BNZ-IF and the Guarantor, as the case may be, may pay such amount and still be Solvent immediately after doing so and the BNZ Group would be Solvent immediately after such payment is made,

provided that this provision shall not affect or prejudice the payment of costs, charges, expenses, liabilities, indemnities or remuneration of or to the Trustee or the rights and remedies of the Trustee in respect hereof.

Guaranteed Term Subordinated Notes issued by BNZ-IF rank *pari passu* among themselves, at least *pari passu* with all other Subordinated Creditors of BNZ-IF and the Guarantor respectively and senior to all Guaranteed Undated Subordinated Notes of BNZ-IF and all claims expressed to rank behind Noteholders' claims for amounts owing by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes.

- (c) **Guaranteed Undated Subordinated Notes:** Guaranteed Undated Subordinated Notes issued by BNZ-IF are unsecured obligations of BNZ-IF and the Guarantor and are subordinate to the claims of all Unsubordinated Creditors and Term Subordinated Creditors of BNZ-IF and the Guarantor respectively in right of payment of principal of, and interest on, such Guaranteed Undated Subordinated Notes with respect to the assets of BNZ-IF and the Guarantor in the event of a Winding Up of BNZ-IF or the Guarantor (as applicable) in the manner provided in the Trust Deed. Guaranteed Undated Subordinated Notes rank *pari passu* among themselves.
- (d) **No limitations on senior debt:** The Guaranteed Subordinated Notes will not contain any limitations on the amount of senior debt, deposits or other obligations that may be hereafter incurred or assumed by BNZ-IF or the Guarantor or the BNZ Group.
- (e) **Section 313(3) priority:** By purchasing a Guaranteed Subordinated Note, the holder thereof and the holder of any Receipt or Coupon relating thereto agrees that (1) in accordance with section 313(3) of the Companies Act 1993 of New Zealand (the **NZ Companies Act**), it is accepting a lower priority in respect of the debt represented by such Note, Receipt or Coupon than that which it would otherwise have under section 313 and (2) nothing in section 313 of the NZ Companies Act will prevent the conditions of the Notes from having effect according to their terms.
- (f) To the fullest extent permitted by applicable law, a holder of a Guaranteed Subordinated Note and any related Receipts and Coupons shall not have any right to set-off any amounts owing to it by BNZ-IF or the Guarantor in connection with that Guaranteed Subordinated Note, as the case may be, against any amount owing by it to BNZ-IF or the Guarantor, as the case may be, in connection with the Guaranteed Subordinated Notes or otherwise.
- (g) Defined terms:

**BNZ Group** means the Guarantor and its subsidiaries as specified in the Guarantor's latest audited consolidated financial statements.

**Subordinated Creditors** means all Term Subordinated Creditors of BNZ-IF or the Guarantor and all other creditors of BNZ-IF or the Guarantor (as applicable) whose claims against BNZ-IF or the Guarantor, as the case may be, are or are expressed (i) to rank equally with the Noteholders' claims for amounts owing by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes and (ii) to be subordinated to the claims of all depositors and other Unsubordinated Creditors of BNZ-IF or the Guarantor (as applicable).

**Term Subordinated Creditors** means (i) the holders of Guaranteed Term Subordinated Notes issued by BNZ-IF and the related Receipts and Coupons and the Trustee in its capacity as trustee for such holders; (ii) any creditors whose claims against BNZ-IF or the Guarantor (as applicable) rank, or are expressed to rank, *pari passu* with the claims of the holders of Guaranteed Term Subordinated Notes for amounts owing by BNZ-IF or the Guarantor in connection with the Guaranteed Term Subordinated Notes; and (iii) all creditors, present and future, to whom BNZ-IF or the Guarantor (as applicable) is indebted on terms which provide that such indebtedness will become due and payable on a specified or determinable date or at the end of a specified or determinable period, and that in the event of a Winding Up of BNZ-IF or the Guarantor (as applicable), the claims of those creditors against BNZ-IF or the Guarantor are, or are expressed to be, subordinated in right of payment to the claims of all depositors and other Unsubordinated Creditors of BNZ-IF or the Guarantor but senior to the claims of all holders of Guaranteed Undated Subordinated Notes.

**Unsubordinated Creditors** means all present and future creditors of BNZ-IF or the Guarantor (as applicable) (including but not limited to depositors of BNZ-IF and the Guarantor) whose claims:

- (i) would be entitled to be admitted in the Winding-Up of BNZ-IF or the Guarantor (as applicable); and
- (ii) are not by their terms expressed to rank equally with, or behind, the claims of holders of Guaranteed Term Subordinated Notes.

**Winding Up** means:

- (i) a court order is made for the appointment of a liquidator of BNZ-IF or the Guarantor (as applicable); or
- (ii) the board of BNZ-IF or the Guarantor (as applicable), on the occurrence of an event specified in BNZ-IF's or the Guarantor's (as applicable) constitution appoints a liquidator; or
- (iii) an effective resolution is passed by shareholders or members for the appointment of a liquidator of BNZ-IF or the Guarantor (as applicable).

In a Winding Up of BNZ-IF or the Guarantor (as applicable), a Noteholder's claim for an amount owing by BNZ-IF or the Guarantor, as the case may be, in connection with a Guaranteed Term Subordinated Note is subordinated to the claims of Unsubordinated Creditors of BNZ-IF or the Guarantor, as the case may be, in that:

- (a) all claims of Unsubordinated Creditors must be paid in full before the Noteholder's claim is paid; and
- (b) until the Unsubordinated Creditors have been paid in full, the Noteholder must not claim in the Winding Up in competition with the Unsubordinated Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Unsubordinated Creditors would have been entitled to receive.

Each Noteholder must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of BNZ-IF or the Guarantor (as applicable) to defeat the subordination in this Condition 3.4.

In addition, each Noteholder irrevocably acknowledges and agrees that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding Up of BNZ-IF or the Guarantor in connection with a Note in excess of its entitlement under this Condition 3.4.

Nothing in this Condition 3.4 shall be taken to require the consent of any Unsubordinated Creditor to any amendment of this Condition 3.4.

### **3.5 Status of the Senior Guarantee**

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment by BNZ-IF of the principal of, and interest on, the Guaranteed Senior Notes issued by BNZ-IF and all other amounts payable under or pursuant to the Trust Deed. In the case of Guaranteed Senior Notes, the obligations of the Guarantor under the Guarantee constitute unsubordinated, direct and unsecured obligations of the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor (other than any obligation preferred by mandatory provisions of applicable law).

4. [This paragraph is no longer applicable]

### **5. INTEREST**

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or, in the case of Exempt Notes, whether a different interest basis applies.

#### **5.1 Interest on Fixed Rate Notes**

This Condition 5.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, and subject to the immediately succeeding paragraph, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If "Business Day Convention—Adjusted" is specified in the applicable Final Terms, (a) any Interest Payment Date otherwise falling on a day which is not a Business Day (as defined in Condition 5.6 below) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and (b) the amount of interest payable on such Interest Payment Date will be adjusted accordingly and the provisions of subparagraphs (d) (excluding the determination and notification of the Rate of Interest) and (e) of Condition 5.2 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 Final Terms, any Interest Payment Date otherwise falling on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as

described below) and there will be no corresponding adjustment of the amount of interest 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 Final Terms, 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 Interest on Floating Rate Notes**

This Condition 5.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

### **(a) Interest Payment Dates**

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

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any



Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2 above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

**(i) ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

**(ii) Screen Rate Determination for Floating Rate Notes**

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

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In these Conditions:

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (**LIBOR**) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (**EURIBOR**), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Australian Bank Bill Swap Rate (**BBSW**), the first day of each Interest Period;
- (v) if the Reference Rate is the New Zealand Bank Bill reference rate (**BKBM**) interbank offered rate, the first day of each Interest Period;
- (vi) if the Reference Rate is the Hong Kong interbank offered rate (**HIBOR**), the first day of each Interest Period;
- (vii) if the Reference Rate is the Toronto inter-bank offered rate (**BA-CDOR**), the first day of each Interest Period;
- (viii) if the Reference Rate is the Singapore interbank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period;
- (ix) if the Reference Rate is the Norwegian interbank offered rate (**NIBOR**), the second Oslo business day prior to the start of each Interest Period.

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR, (iii) BBSW, (iv) BKBM, (v) HIBOR, (vi) BA-CDOR, (vii) SIBOR or (viii) NIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

**Relevant Financial Centre** shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Sydney, in the case of a determination of BBSW, Auckland and

Wellington, in the case of a determination of BKBM, Hong Kong, in the case of a determination of HIBOR, Toronto, in the case of a determination of BA-CDOR, Singapore, in the case of a determination of SIBOR and Oslo, in the case of a determination of NIBOR, as specified in the applicable Final Terms.

**Relevant Time** shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of BBSW, 10.30 a.m., (iv) in the case of BKBM, 10.45 a.m., (v) in the case of HIBOR 11.00 a.m., (vi) in the case of BA-CDOR, 10.00 a.m., (vii) in the case of SIBOR, 11.00 a.m., (viii) in the case of NIBOR, 12.00 noon, each as specified in the applicable Final Terms.

The 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 (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In the case of Exempt Notes, if the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR, EURIBOR, BBSW, BKBM, HIBOR, BA-CDOR, SIBOR, NIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The 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.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate 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 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 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 in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If "Interest Amounts Non-Adjusted" is specified in the applicable Final Terms then notwithstanding the bringing forward or postponement (as applicable) of an Interest Payment Date as a result of the application of the Business Day Convention set out in the applicable Final Terms, the Interest Amount in respect of the relevant Interest Period and each subsequent Interest Period shall be calculated as aforesaid on the basis of the original Interest Payment Dates without adjustment in accordance with the applicable Business Day Convention.

**(e) Notification of Rate of Interest and Interest Amounts**

The 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 (i) in the case of notification to any stock exchange on which the relevant Floating Rate Notes are for the time being listed, the first day of the relevant Interest Period or, to the extent the nature of such Notes makes this impossible, the relevant Interest Payment Date; and (ii) in the case of notification to the Issuer and the Trustee and publication of a notice thereof in accordance with Condition 14, the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee 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 of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee 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 Agent.

**(g) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Agent shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error or proven error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**5.3 Exempt Notes**

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Final Terms, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5.2 shall, save to the extent amended in the applicable Final Terms, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

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

#### **5.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

#### **5.5 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent or the Registrar or the Trustee, as the case may be, and notice to that effect has been given to the Noteholders as provided in the Trust Deed.

#### **5.6 Definitions**

In these Conditions:

**Accrual Period** means, for the purposes of the definition of the applicable Day Count Fraction, the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.

**Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) 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 centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) 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 Condition 5:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms in the case of Fixed Rate Notes:
  - (i) in the case of Notes where the number of days in the Accrual Period is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in

such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "30/360" is specified in the applicable Final Terms in the case of Fixed Rate Notes, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (d) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (e) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (f) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (g) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms in the case of Floating Rate Notes or Index Linked Interest Notes, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (h) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (i) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (j) if "RBA Bond Basis" or "Australian Bond Basis" is specified in the applicable Final Terms:
  - (A) for amounts paid and/or calculated in respect of Interest Payment Dates, one divided by the number of Interest Payment Dates in a year; and
  - (B) for amounts paid and/or calculated in respect of dates other than Interest Payment Dates, Actual/Actual (ICMA).

In respect of Fixed Rate Notes only, references in the Day Count Fractions specified above to "Interest Period" or "Interest Periods", as the case may be, shall be deemed to be references to "Fixed Interest Period" or "Fixed Interest Periods", as the context requires.

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 6. PAYMENTS

### 6.1 Method and Conditions of Payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and, in the case of a Term Subordinated Note, to Condition 3.2 or 3.3 (as applicable) and (in the case of Term Subordinated Notes issued by NAB) to Condition 10A and, in the case of a Guaranteed Term Subordinated Note, to Condition 3.4(b) but without prejudice to the provisions of Condition 8.

For the avoidance of doubt, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.



## **6.2 Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

## **6.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

## **6.4 Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account

(as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his 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 Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in

the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his 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 Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

## **6.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor, to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and (if applicable) the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## 6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms;
- (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 centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be (i) Sydney or (ii) Auckland or Wellington, respectively) 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 Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

## 6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised 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 Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled (or, in the case of Term Subordinated Notes issued by NAB, converted or written off) as specified below, each Note which is not an Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms. If the Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 7 or Condition 10.

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

Subject to Condition 7.5, the Notes may be redeemed (subject to (i) the prior written approval of APRA if the Notes are Term Subordinated Notes issued by NAB, (ii)(a) the prior consent of the United Kingdom Financial Services Authority (the FSA) and the prior written approval of APRA in the case of redemption of the Subordinated Notes issued by Clydesdale pursuant to (a) below prior to the fifth anniversary of the date of issue of the Subordinated Notes (for so long as such consent is required), and (ii)(b) notice having been given to the FSA of, and the FSA not having objected to, such redemption after the fifth anniversary of the date of issue of the Subordinated Notes and the prior written approval of APRA, (iii) the satisfaction of Condition 3.4 and the prior written approval of APRA if the Notes are Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes, and (iv) in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes, a direction from the Guarantor to BNZ-IF requiring it to redeem those Notes) at the option of the Issuer in whole or in part at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (ii) (in the case of Guaranteed Notes) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to (A) the laws or regulations of Australia (if the Issuer is NAB), the United Kingdom (if the Issuer is Clydesdale) or New Zealand (if the Issuer is BNZ-IF) or in all cases any political sub-division thereof or any authority thereof or therein or (in all cases) any Tax Jurisdiction (as defined in Condition 8) or (B) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer (if the Issuer is BNZ-IF) or, as the case may be, the Guarantor, paying (if it is not already doing so) New Zealand approved issuer levy at a rate not exceeding 2 per cent. of the relevant payment; or
- (b) (in the case of Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes only) on the occasion of the next Interest Payment Date due under the Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes, as the case may be, the payment of interest in respect of such Notes would be treated, for reasons outside the control of the Issuer and the Guarantor, as a "distribution" within the meaning of section 2 of the Companies Act 1993 of New Zealand; or
- (c) (in the case of Term Subordinated Notes issued by NAB only) any payment due under such Notes is not or may not be, in each case in the opinion of counsel of international repute appointed by the Issuer and approved by the Trustee, allowed as a deduction for Australian income tax purposes; and

- (d) (in the case of each of (a), (b) and (c) above) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking any other reasonable measures available to it,

provided that (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due, and (ii) (in the case of Term Subordinated Notes issued by NAB) NAB does not as at the date of issue of the Term Subordinated Notes expect that an event described in this Condition 7.2 will occur.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment or, as the case may be, the payment of Interest would be treated as a "distribution" as aforesaid and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Term Subordinated Notes in accordance with this Condition 7.2 only if it is satisfied that either (i) the Term Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Tier 2 Capital (as defined by APRA from time to time) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB's capital position will remain adequate after NAB elects to redeem the Term Subordinated Notes.

*Noteholders should not expect that APRA's approval will be given for any redemption of the Notes.*

#### **7.2A Redemption for a Regulatory Event**

This Condition 7.2A shall apply only to Term Subordinated Notes issued by NAB and references to "Notes" shall be construed accordingly.

If a Regulatory Event Call is specified in the applicable Final Terms, Notes may be redeemed, subject to the prior written approval of APRA at the option of the Issuer in whole or in part at any time, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if a Regulatory Event occurs.

*Noteholders should not expect that APRA's approval will be given for any redemption of the Notes.*

For the purpose of this Condition 7.2A:

**Regulatory Event** means a determination by the Directors of the Issuer that the Issuer is not or will not be entitled to treat all of the Notes as Tier 2 Capital, except where the reason the Issuer is not entitled to treat all of the Notes as Tier 2 Capital is because the Issuer has exceeded a limit on the recognition of Tier 2 Capital which was in effect on the Issue Date or because of a limit set out in Table 1 of Attachment K to APS 111, provided that the Issuer does not expect that matters giving rise to the Regulatory Event will occur at the time of issue of Notes;

**APS 111** means the prudential standard of that name published by APRA on 28 September 2012; and

**Tier 2 Capital** means:

- (a) prior to 1 January 2013, "Lower Tier 2 capital" as defined by APRA from time to time; and
- (b) on and from 1 January 2013, "Tier 2 capital" as defined by APRA from time to time.

Notes redeemed pursuant to this Condition 7.2A will be redeemed at their Early Redemption Amount referred to in Condition 7.5 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

NAB may elect to redeem any Notes under this Condition 7.2A only if it is satisfied that either (i) the Notes the subject of the redemption are replaced concurrently or beforehand with Tier 2 Capital (as defined by APRA from time to time) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB's capital position will remain adequate after NAB elects to redeem the Notes.

*Noteholders should not expect that APRA's approval will be given for any redemption of Notes.*

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

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an Issuer Call. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject, (i) in the case of Term Subordinated Notes issued by NAB, to the prior written approval of APRA, (ii) in the case of Subordinated Notes issued by Clydesdale, to notice having been given to the FSA of, and the FSA not having objected to, such redemption and the prior written approval of APRA (if required under APRA prudential standards), (iii) to the satisfaction of Condition 3.4 and the prior written approval of APRA (if required under APRA prudential standards) if the Notes are Guaranteed Term Subordinated Notes or Guaranteed Undated Subordinated Notes and (iv) in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes, in addition subject always to a direction from the Guarantor to BNZ-IF requiring it to redeem those Notes), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem, in whole or in part, the Notes then outstanding on any Optional Redemption Date (in the case of Subordinated Notes, such date being at least five years after the Issue Date) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in normal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will

be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

NAB may elect to redeem any Term Subordinated Notes under this Condition 7.3 only if it is satisfied that either (i) the Term Subordinated Notes the subject of the redemption are replaced concurrently or beforehand with Tier 2 Capital (as defined by APRA from time to time) of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for NAB's income capacity, or (ii) NAB's capital position will remain adequate after NAB elects to redeem the Term Subordinated Notes.

*Noteholders should not expect that APRA's approval will be given for any redemption of the Notes.*

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

This Condition 7.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

This Condition 7.4 shall apply only to Senior Notes and references to "Notes" shall be construed accordingly.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.



Any Put Notice given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

## 7.5 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.2A above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised 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 the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360 or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 7.6 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Final Terms. For the purposes of Condition 7.6, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Final Terms.

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

### **7.7 Purchases**

The Issuer, the Guarantor or any subsidiary of the Issuer or the Guarantor may (subject, in the case of Term Subordinated Notes issued by NAB to any prior written approval of APRA or, in the case of Subordinated Notes issued by Clydesdale, to the FSA's prior written agreement and any necessary prior written approval of APRA and subject to any necessary prior written approval of APRA and the satisfaction of Condition 3.4(b) if the Notes are Guaranteed Term Subordinated Notes or Condition 3.4(c) if the Notes are Guaranteed Undated Subordinated Notes and in the case of Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes, subject to a direction from the Guarantor to BNZ-IF requiring it to redeem those Notes) at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or (in the case of Guaranteed Notes) the Guarantor, surrendered to the Paying Agent for cancellation.

### **7.8 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

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

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **8. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or by the Guarantor (in the case of Guaranteed Notes) will be made without withholding or deduction for or on account of any present or future taxes, assessments, other governmental charges or duties of whatever nature imposed or levied by or on behalf of Australia (if the Issuer is NAB), the United Kingdom (if the Issuer is Clydesdale) or New Zealand (in the case of Guaranteed Notes) or any political sub-division thereof or any authority thereof or therein and any Tax Jurisdiction having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as shall be necessary in order that the amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that the foregoing obligation to pay additional amounts shall not apply to any such tax, assessment, governmental charge or duty:

- (a) which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Note, Receipt or Coupon;
- (b) which is payable (other than in respect of New Zealand resident withholding tax) by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner having, or having had, some personal or business connection with Australia (if the Issuer is NAB), the United Kingdom (if the Issuer is Clydesdale), New Zealand (in the case of Guaranteed Notes) or (in all cases) a Tax Jurisdiction (other than mere ownership of or receipt of payment under the Notes, Receipts or Coupon or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, Australia (if the Issuer is NAB), the United Kingdom (if the Issuer is Clydesdale), New Zealand (in the case of Guaranteed Notes), or (in all cases) a Tax Jurisdiction);
- (c) which is payable solely by reason of the Noteholder's, Receiptholder's or Couponholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, connection with taxing jurisdiction of the Noteholder, Receiptholder or Couponholder or other beneficial owner of such Note;
- (d) which is payable by reason of a change in law that becomes effective more than thirty days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6);
- (e) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge;
- (f) which is payable, if the Issuer is NAB, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note being an associate of the Issuer for purposes of Section 128F of the Income Tax Assessment Act 1936 of Australia (the **Australian Tax Act**);
- (g) which is payable, in the case of Guaranteed Notes, by reason of the Noteholder, Receiptholder or Couponholder or beneficial owner of such Note, Receipt or Coupon being associated with the Issuer or the Guarantor, or deriving interest jointly with a New Zealand resident, for the purposes of the approved issuer levy and non-resident withholding tax rules in the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof;
- (h) which, if the Issuer is BNZ-IF, is payable solely by reason of the relevant Note, Receipt or Coupon being presented for payment in New Zealand;
- (i) which, if the Issuer is NAB, is imposed or withheld as a consequence of a determination having been made under Part IVA of the Australian Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (j) which, in the case of Guaranteed Notes, is imposed or withheld as a consequence of the New Zealand Inland Revenue Department applying section BG 1 of the Income Tax Act 2007 of New Zealand (or any modification or equivalent thereof) with the consequence that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the application of such provision;
- (k) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (l) (in the case of Guaranteed Notes) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (m) which is payable on the Notes, Receipts and Coupons presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (n) with respect to any payment of principal of or interest (including original issue discount) on the Notes, Receipts and Coupons by the Issuer (or the Guarantor, as the case may be) to any Noteholder, Receiptholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or any other beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Notes, Receipts and Coupons; or
- (o) any combination of (a) through (n) above.

As used herein:

- (i) **Tax Jurisdiction** means (a) in relation to any Tranche of Notes issued by BNZ-IF, the United Kingdom and (b) in relation to any Tranche of Notes issued by a borrowing office of NAB or Clydesdale, as the case may be, which (in respect of NAB) is not located in Australia or (in respect of Clydesdale) is not located in the United Kingdom, the jurisdiction, in which such borrowing office is located; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

For the avoidance of doubt, any amounts to be paid on the Notes, Receipts and Coupons will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The remaining provisions of this Condition 8 only apply to BNZ-IF, where BNZ-IF is the Issuer, and to the Guarantor. Where used in the remaining provisions of this Condition 8, **interest** means interest (as defined under the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof) for withholding tax purposes, which currently includes the excess of the redemption amount over the issue price of any Note, as well as interest paid on such Note.

BNZ-IF and the Guarantor are required by law to deduct New Zealand resident withholding tax from the payment of interest to a Noteholder, Receiptholder or Couponholder, if:

- (a) the Noteholder, Receiptholder or Couponholder, as the case may be, is a resident of New Zealand for income tax purposes or is engaged in business in New Zealand through a fixed establishment in New Zealand (a **New Zealand Noteholder**); and
- (b) at the time of such payment, the New Zealand Noteholder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any date on which interest is payable or the Maturity Date, any New Zealand Noteholder:

- (A) must notify BNZ-IF or, as the case may be, the Guarantor or any Paying Agent, that the New Zealand Noteholder is the holder of a Note, Receipt or Coupon; and
- (B) must notify BNZ-IF or, as the case may be, the Guarantor or a Paying Agent, of any circumstances, and provide BNZ-IF or, as the case may be, the Guarantor or the relevant Paying Agent, with any information that may enable BNZ-IF or, as the case may be, the Guarantor, to make payment of interest to the New Zealand Noteholder without deduction on account of New Zealand resident withholding tax.

The New Zealand Noteholder must notify BNZ-IF or, as the case may be, the Guarantor, prior to any date on which interest is payable, of any change in the New Zealand Noteholder's circumstances from those previously notified that could affect the payment or withholding obligations of BNZ-IF or, as the case may be, the Guarantor, in respect of this Note, Receipt or Coupon. By accepting payment of the full face amount of a Note, Receipt or Coupon, as the case may be or any interest thereon, the New Zealand Noteholder indemnifies BNZ-IF or, as the case may be, the Guarantor, for all purposes in respect of any liability BNZ-IF or, as the case may be, the Guarantor may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Noteholder will be obliged to make the notification referred to above and no other holder will be required to make any certification that it is not a New Zealand Noteholder.

## **9. PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

### **10.1 Events of Default relating to Senior Notes**

This Condition 10.1 shall apply only to Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (c), (d), (e), (f), (h), (i), (j) or (k) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor (in the case of Guaranteed Notes) that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer and the Guarantor (in the case of Guaranteed Notes), that the Notes are, and the Notes shall, unless such event shall have been cured by the Issuer or the Guarantor (in the case of Guaranteed Notes) prior to the Issuer's and, in the case of Guaranteed Notes, the Guarantor's receipt of the notice in writing from the Trustee, thereupon immediately become, due and repayable at their Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) default by the Issuer and (in the case of Guaranteed Notes) the Guarantor, in any payment when due of principal on the Notes or any of them and the default continues for a period of seven days;

- (b) default by the Issuer and (in the case of Guaranteed Notes) the Guarantor, in payment when due of any instalment of interest on the Notes or any of them and the default continues for a period of 30 days;
- (c) a failure by the Issuer or (in the case of Guaranteed Notes) the Guarantor to perform or observe any of its other obligations under the Conditions or the Trust Deed and the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied;
- (d) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;
- (e) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) (other than in respect of monies borrowed or raised on a non-recourse basis);
- (f) the Issuer or the Guarantor (in the case of Guaranteed Notes) (i) becomes insolvent or is unable to pay its debts as they mature; or (ii) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or the Guarantor (in the case of Guaranteed Notes) or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in the case of Guaranteed Notes) (other than in respect of monies borrowed or raised on a non-recourse basis); or (iii) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;
- (g) an order is made or an effective resolution passed for a Winding Up (as defined in Condition 3.2 in respect of NAB, Condition 3.3 in respect of Clydesdale and Condition 3.4 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Notes) other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency;
- (h) a moratorium shall be agreed or declared in respect of any indebtedness of the Issuer or the Guarantor (in the case of Guaranteed Notes), or any governmental authority or agency shall have condemned, seized or compulsorily purchased or expropriated all or a substantial part of the assets of or capital of the Issuer or the Guarantor (in the case of Guaranteed Notes); or
- (i) (where the Issuer is NAB) the Issuer (i) ceases to carry on a banking business in Australia, or the Issuer's authority under the Banking Act or any amendment or re-enactment thereof to carry on banking business in Australia is revoked; or (ii) enters into an arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (ii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes, Receipts and Coupons pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution;
- (j) (where the Issuer is Clydesdale), (i) the Issuer ceases to carry on general banking business in the United Kingdom; or (ii) the Issuer ceases to be authorised by the Financial Services Authority in the United Kingdom; or (iii) the Issuer enters into any arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (iii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Notes, Receipts and Coupons pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution;

- (k) (where the Issuer is BNZ-IF), (i) the Guarantor ceases to carry on general banking business in New Zealand; or (ii) the Guarantor ceases to be registered as a bank in New Zealand; or (iii) the Issuer or the Guarantor enters into any arrangement or agreement for any sale or disposal of the whole of its respective business by amalgamation or otherwise other than, in the case of (iii) only, (a) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which, in the case of BNZ-IF, results in a substitution of the principal debtor under the Notes, Receipts and Coupons or, in the case of the Guarantor, results in a substitution of the guarantor of Notes issued by BNZ-IF under the Trust Deed, in each case pursuant to Condition 15; or (b) with the consent of the Noteholders by Extraordinary Resolution; and
- (l) (where the Issuer is BNZ-IF) the Guarantee is terminated or shall cease to be in full force and effect.

Notwithstanding any other provision of this Condition 10.1, no Event of Default (other than Condition 10.1(g)) in respect of the Notes shall occur solely on account of any failure by the Issuer or the Guarantor (in the case of Guaranteed Senior Notes) to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital (as defined by APRA from time to time).

## **10.2 Events of Default relating to Subordinated Notes issued by NAB or BNZ-IF**

This Condition 10.2 shall apply only to Subordinated Notes issued by NAB and BNZ-IF and references to "Notes" shall be construed accordingly.

The following are Events of Default in relation to Notes:

- (a) a Winding Up (as defined in Condition 3.2 in respect of NAB and Condition 3.4 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) occurs and is continuing other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the Issuer or the Guarantor (in the case of Guaranteed Notes) or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of the Issuer under the Notes or (in the case of a Winding Up of the Guarantor) the Guarantor under the Subordinated Guarantee; and
- (b) the Issuer and (in the case of Guaranteed Subordinated Notes) the Guarantor fails to pay any amount of principal or interest in respect of the Notes when scheduled to be paid and the default continues for a period of seven days (in respect of a payment of principal) or 30 days (in respect of a payment of interest) unless (in the case of Term Subordinated Notes issued by NAB or Guaranteed Term Subordinated Notes issued by BNZ-IF only) the failure is the result of NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF or the Guarantor not being Solvent at the time of that payment or NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF or the Guarantor would not be Solvent as a result of making that payment (except to the extent that NAB or (in the case of Guaranteed Term Subordinated Notes) BNZ-IF and the Guarantor can make such payment and remain Solvent thereafter and the BNZ Group would be Solvent immediately thereafter).

To the extent that a payment is not required to be made due to Condition 3.2 in the case of NAB, or Condition 3.4 in the case of BNZ-IF, the amount is not due and payable and failure to pay such amount does not give rise to an Event of Default.

**Solvent** means, in the case of NAB, that each of the following is the case:

- (a) that NAB can pay its debts as they fall due; and
- (b) its Assets exceed its Liabilities.

A certificate as to whether NAB is Solvent (at any particular time or throughout any particular period) signed by two Directors of NAB or the auditors of NAB or, on a winding up of NAB, its liquidator, will, in the absence of manifest error, be conclusive evidence against and binding on NAB, the Trustee, the Noteholders, Couponholders and Receiptholders in respect of the matters certified. In the absence of such certificate, the Trustee and any holder of Subordinated Notes is entitled to assume (unless the contrary is proved) that NAB is, and will be after any payment, Solvent and the Trustee shall incur no liability by reason of acting in reliance upon such assumption.

**Assets** means, in respect of NAB, its total non-consolidated gross assets as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

**Liabilities** means, in respect of NAB, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

**Solvent** means, in the case of BNZ-IF, the Guarantor and the BNZ Group, BNZ-IF, the Guarantor and the BNZ Group satisfying the solvency test contained in section 4 of the NZ Companies Act. In interpreting this definition, the solvency test:

- (i) shall be applied to a company which is not registered under the NZ Companies Act as if it were so registered; and
- (ii) shall be applied to the BNZ Group as if the BNZ Group were a single entity and due account will be taken of the ability and willingness of the members of the BNZ Group to meet the debts of other members of the BNZ Group.

The Directors of BNZ-IF and the Guarantor shall, if they are required to establish that BNZ-IF and the Guarantor and the BNZ Group are Solvent:

- (a) prepare a statement as to whether or not BNZ-IF and the Guarantor and the BNZ Group are or would be, in the circumstances contemplated by Condition 3.4, Solvent; and
- (b) procure that BNZ-IF's and the Guarantor's Auditors (as defined in the Trust Deed) give to them a report in writing (based on the most recent audited consolidated financial statements of the BNZ Group and the most recent audited financial statements of BNZ-IF and the Guarantor and such other information as the Auditors may request BNZ-IF and the Guarantor to make available to them) as to whether anything has come to the Auditors' attention which would cause them to believe that the statement described in paragraph (a) above has not been properly compiled and, in the absence of manifest error, such report shall be treated and accepted by BNZ-IF, the Guarantor, the Trustee, Noteholders, the Couponholders and Receiptholders as correct and sufficient evidence of such fact.

Provided that (i) the statement specified in paragraph (a) above affirms that BNZ-IF and the Guarantor and the BNZ Group are Solvent and (ii) the requirements of paragraph (b) above have been satisfied, it shall be assumed that BNZ-IF, the Guarantor and the BNZ Group are and will after any payment hereunder be Solvent for such purposes.

No events other than those outlined at Condition 10.2(a) and Condition 10.2(b) shall constitute Events of Default in relation to Term Subordinated Notes issued by NAB and Guaranteed Subordinated Notes issued by BNZ-IF.



### **10.3 Events of Default relating to Subordinated Notes issued by Clydesdale**

This Condition 10.3 shall apply only to Subordinated Notes issued by Clydesdale and references to "Notes" in this Condition 10.3 shall be construed accordingly.

The following are Events of Default in relation to Notes:

- (a) a Winding Up of Clydesdale (as defined in Condition 3.3) occurs other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of Clydesdale or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of Clydesdale under the Notes; and
- (b) Clydesdale fails to pay any amount of principal or interest in respect of the Notes when scheduled to be paid and the default continues for a period of seven days (in respect of a payment of principal) or 30 days (in respect of a payment of interest) unless (in the case of Term Subordinated Notes issued by Clydesdale only) the failure is the result of Clydesdale not being Solvent at the time of that payment or Clydesdale would not be Solvent as a result of making that payment (except to the extent that Clydesdale can make such payment and remain Solvent thereafter).

To the extent that a payment is not required to be made due to Condition 3.3, the amount is not due and payable and failure to pay such amount does not give rise to an Event of Default.

**Solvent** means, in the case of Clydesdale, that each of the following is the case:

- (a) that Clydesdale can pay its debts as they fall due; and
- (b) its Assets exceed its Liabilities.

A certificate as to whether Clydesdale is Solvent (at any particular time or throughout any particular period) signed by two Directors of Clydesdale or the auditors of Clydesdale or, on a winding up of Clydesdale, its liquidator, will, in the absence of manifest error, be conclusive evidence against and binding on Clydesdale, the Trustee, the Noteholders, Couponholders and Receiptholders in respect of the matters certified. In the absence of such certificate, the Trustee and any holder of Subordinated Notes is entitled to assume (unless the contrary is proved) that Clydesdale is, and will be after any payment, Solvent and the Trustee shall incur no liability by reason of acting in reliance upon such assumption.

No events other than those outlined at Condition 10.3(a) and Condition 10.3(b) shall constitute Events of Default in relation to Subordinated Notes issued by Clydesdale.

**Assets** means, in respect of Clydesdale, its total non-consolidated gross assets as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

**Liabilities** means, in respect of Clydesdale, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its Directors, its auditors or its liquidator may determine to be appropriate.

### **10.4 Consequences of an Event of Default relating to Term Subordinated Notes issued by NAB**

This Condition 10.4 shall apply only to Term Subordinated Notes issued by NAB and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 10.4(b) below), and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to NAB that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.2 and the provisions of the Trust Deed) prove in the winding-up of NAB.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.2(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), take action:
  - (i) to recover the amount that NAB has so failed to pay, provided that (in the case of Term Subordinated Notes) the Issuer may only be compelled to pay that amount to the extent that it is, and after the payment would remain, Solvent; or
  - (ii) to obtain an order for specific performance of any other obligation in respect of the Notes; or
  - (iii) for the Winding Up of NAB.

Any amount not paid due to Condition 3.2, Condition 10.4(b)(i) or because under Condition 10.2(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by the Issuer until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Term Subordinated Notes nor the Trustee on their behalf has any right to accelerate payment or any other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.4.

**10.5 Consequences of an Event of Default relating to Guaranteed Subordinated Notes issued by BNZ-IF**

This Condition 10.5 shall apply only to Guaranteed Subordinated Notes issued by BNZ-IF and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 10.5(b) below), and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to BNZ-IF and the Guarantor that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.4 and the provisions of the Trust Deed) prove in the Winding Up (as defined in Condition 3.4) of BNZ-IF and/or the Guarantor, as the case may be.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.2(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), take action:
  - (i) (subject to Condition 3.4 and the provisions of the Trust Deed) to recover the amount that BNZ-IF and the Guarantor have so failed to pay provided that (in the case of Term Subordinated Notes) BNZ-IF and the Guarantor may only be compelled to pay that amount

to the extent that each of BNZ-IF, the Guarantor and the BNZ Group are and, after the payment, would remain Solvent (as defined in Condition 3.4); or

- (ii) to obtain an order for specific performance of any other obligation in respect of the Notes; or
- (iii) for the Winding Up of BNZ-IF and/or the Guarantor.

Any amount not paid due to Condition 3.4, Condition 10.5(b)(i) or because under Condition 10.2(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by BNZ-IF and the Guarantor until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Guaranteed Subordinated Notes nor the Trustee on their behalf has any right to accelerate payment or any other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.5.

#### **10.6 Consequences of an Event of Default relating to Subordinated Notes issued by Clydesdale**

This Condition 10.6 shall apply only to Subordinated Notes issued by Clydesdale and references to "Notes" shall be construed accordingly.

- (a) Only in the case of the occurrence of the Event of Default specified in Condition 10.3(a) above, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) give notice in writing to Clydesdale that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and/or (ii) (subject to Condition 3.3 and the provisions of the Trust Deed) prove in the Winding Up of Clydesdale.
- (b) In the case of the occurrence of an Event of Default specified in Condition 10.3(b), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) take action (i) for the Winding Up of Clydesdale and/or (ii) (subject to Condition 3.3 and the provisions of the Trust Deed) to prove in the Winding Up (as defined in Condition 3.3) of Clydesdale.

Any amount not paid due to Condition 3.3 or because under Condition 10.3(b) the failure to pay that amount does not give rise to an Event of Default remains a debt owing to the holder by Clydesdale until it is paid and shall be payable on the first date on which the relevant Condition would no longer apply (whether or not such date is otherwise a payment date).

Neither holders of Subordinated Notes issued by Clydesdale nor the Trustee on their behalf has any right to accelerate payment or other remedy (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default other than as set out in this Condition 10.6.

#### **10.7 Enforcement**

##### **(a) Senior Notes**

This Condition 10.7(a) shall apply only to Senior Notes and references to "Notes" shall be construed accordingly.

The Trustee may at any time, at its discretion and without notice, take such proceedings or any action against the Issuer and/or the Guarantor (in the case of Guaranteed Notes) as it may think fit to enforce the provisions

of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action under or in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

**(b) Subordinated Notes**

This Condition 10.7(b) shall apply only to Subordinated Notes and references to "Notes" shall be construed accordingly.

The Trustee may at its discretion and shall if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) institute such proceedings or take any action against the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) as it may think fit to enforce any obligation, condition or provision binding on the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes) under the Trust Deed or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes) provided that neither the Issuer nor the Guarantor (in the case of Guaranteed Subordinated Notes) shall by virtue of any such proceedings or such action (save for any proceedings for the Winding Up (as defined in Condition 3.2 in respect of NAB, Condition 3.3 in respect of Clydesdale and Condition 3.4 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Subordinated Notes)) be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it or (ii) any damages (save in respect of the Trustee's fees and expenses incurred by it in its personal capacity).

**(c) General**

No Noteholder, Receiptholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or the Guarantor (in the case of Guaranteed Notes) or prove in the Winding Up (as defined in Condition 3.2 in respect of NAB, Condition 3.3 in respect of Clydesdale and Condition 3.4 in respect of BNZ-IF and the Guarantor) of the Issuer or the Guarantor (in the case of Guaranteed Notes) unless the Trustee, having become bound so to do fails to do so within a reasonable period and such failure is continuing, in which event any Noteholder, Receiptholder or Couponholder may, on giving an indemnity and/or security satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute such proceedings and/or prove in the Winding Up of the Issuer and/or the Guarantor (in the case of Guaranteed Notes) to the same extent and in the same jurisdiction (but not further or otherwise than the Trustee would have been entitled to do so in respect of the Notes, Receipts and Coupons and/or the Trust Deed).

**10A. CONVERSION OR WRITE-OFF OF TERM SUBORDINATED NOTES ON NON-VIABILITY OF NAB**

This Condition 10A applies only to Term Subordinated Notes issued by NAB. The Schedule to these Conditions (including the defined terms therein) shall be deemed to form part of, and be incorporated in, this Condition 10A.

**10A.1 Non-Viability Trigger Event**

A **Non-Viability Trigger Event** occurs when APRA has provided a written determination (**Non-Viability Determination**) to NAB that the conversion or write-off of Relevant Capital Instruments of NAB is necessary because (i) without the conversion or write-off, APRA considers that NAB would become non-viable or (ii) without a public sector injection of capital into, or equivalent capital support with respect to, NAB, APRA considers that NAB would become non-viable. The Non-Viability Determination may specify that all Relevant Capital Instruments then outstanding be converted or written off, or that NAB must convert

or write off Relevant Capital Instruments having an aggregate face value determined by NAB to be at least sufficient to satisfy APRA that NAB would not become non-viable (the amount as so determined being the **Non-Viability Amount**).

#### **10A.2 Relevant Tier 1 Capital Instruments to be converted or written off first where permitted**

On the date on which a Non-Viability Trigger Event occurs (**Conversion Date**), NAB must convert or write off Relevant Capital Instruments (including the Term Subordinated Notes in accordance with this Condition 10A.2), in accordance with the Non-Viability Determination.

Where the Non-Viability Amount as determined in accordance with the Non-Viability Determination is less than the aggregate nominal amount of Relevant Capital Instruments then outstanding:

- (a) before Relevant Tier 2 Capital Instruments (including the Term Subordinated Notes) are converted or written off, NAB must convert or write off all Relevant Tier 1 Capital Instruments;
- (b) to the extent the Non-Viability Amount exceeds the aggregate nominal amount of Relevant Tier 1 Capital Instruments, NAB must convert or write off Relevant Tier 2 Capital Instruments (including Term Subordinated Notes in accordance with either Condition 10A.3 or Condition 10A.10 (whichever is applicable)), in an aggregate nominal amount equal to the amount of that excess; and
- (c) immediately on receipt of the Non-Viability Determination, and where required having determined the Non-Viability Amount, NAB must determine (i) the aggregate nominal amount of the Term Subordinated Notes that will convert or be written off in accordance with either Condition 10A.3 or Condition 10A.10 (whichever is applicable) and (ii) the aggregate nominal amount of other Relevant Tier 2 Capital Instruments which will convert or be written off. NAB must endeavour to treat Noteholders and holders of any other Relevant Tier 2 Capital Instruments on an approximately proportionate basis or such other basis as is consistent and reasonable.

#### **10A.3 Conversion of Term Subordinated Notes**

Unless "Write-Off – Applicable" is specified in the applicable Final Terms, this Condition 10A.3 and Conditions 10A.4, 10A.5, 10A.7, 10A.8 and 10A.9 shall apply to the Term Subordinated Notes.

Notwithstanding any other provision in these Conditions, on the Conversion Date the relevant nominal amount (as determined under Condition 10A.2) of the Term Subordinated Notes will convert immediately and irrevocably. The conversion will occur in accordance with the terms set out in the Schedule to these Conditions (the **Conversion** and **Convert** and **Converted** when used herein have corresponding meanings).

#### **10A.4 Noteholder acknowledgements relating to Conversion and Write-Off**

Each Holder irrevocably:

- (a) consents to becoming a member of NAB upon the Conversion of Term Subordinated Notes as required by Condition 10A.3 and agrees to be bound by the constitution of NAB, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of the Term Subordinated Notes including:
  - (i) any change in the financial position of NAB since the issue of the Term Subordinated Notes;
  - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or

- (iii) any breach by NAB of any obligation in connection with the Term Subordinated Notes;
- (c) acknowledges and agrees that where Condition 10A.2 applies:
  - (i) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 10A.1;
  - (ii) Conversion must occur immediately on the Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Term Subordinated Notes;
  - (iii) it will not have any rights to vote in respect of any Conversion; and
  - (iv) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (d) acknowledges and agrees that where Condition 10A.5 or Condition 10A.10 applies, no other conditions or events will affect the operation of that Condition and the Noteholder will not have any rights to vote in respect of any write-off under that clause;
- (e) acknowledges and agrees that a Noteholder has no right to request a Conversion of any Term Subordinated Notes or to determine whether (or in what circumstances) the Term Subordinated Notes are Converted; and
- (f) acknowledges and agrees that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the Term Subordinated Notes:
  - (i) any failure to or delay in the conversion or write-off of other Relevant Tier 2 Capital Instruments;
  - (ii) any failure or delay in giving a Non-Viability Trigger Event Conversion Notice; and
  - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion.

#### **10A.5 Write-off due to Inability Event**

If a nominal amount of Term Subordinated Notes held by a Noteholder is required to convert under Condition 10A.3 and, on the Conversion Date, NAB is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of NAB) or any other reason from converting that nominal amount of Term Subordinated Notes (an **Inability Event**) and Conversion has not been effected within five Business Days after the Conversion Date, to the extent the Inability Event prevents NAB from converting the nominal amount of Term Subordinated Notes of the Noteholder which, but for this Condition 10A.5, would be Converted, then, notwithstanding any other provisions of these Conditions or the applicable Final Terms, Conversion on account of the Non-Viability Trigger Event will not occur and the rights of the Noteholder (including to payment of any principal or interest) in relation to such nominal amount of Term Subordinated Notes are written off and immediately and irrevocably terminated (and **Write-Off** and **Written Off** when used herein have corresponding meanings).

#### **10A.6 Non-Viability Trigger Event Conversion Notice**

As soon as practicable after the occurrence of a Non-Viability Trigger Event and no later than five Business Days after the occurrence of the Non-Viability Trigger Event, NAB must give notice of the Non-Viability Trigger Event (a **Non-Viability Trigger Event Conversion Notice**) to the Trustee and the Noteholders which states the Conversion Date, the aggregate nominal amount of Term Subordinated Notes converted or written off and the aggregate nominal amount of Relevant Tier 2 Capital Instruments converted or written off.

### 10A.7 Provision of information

Where a nominal amount of Term Subordinated Notes held by a Noteholder is required to be converted under Condition 10A.3, a Noteholder wishing to receive Ordinary Shares must, no later than the Conversion Date, have provided to NAB (i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares (ii) the Noteholder's security account details in CHES (being the Clearing House Electronic Subregister System operated by ASX or its affiliates) or such other account to which the Ordinary Shares may be credited and (iii) such other information as is reasonably requested by NAB for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Noteholder.

If for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required to be provided by the Noteholder under this Condition 10A.7 by the time such information is required in order for Ordinary Shares to be issued on the Conversion Date, NAB will issue the Ordinary Shares in respect of that Noteholder to a nominee in accordance with Condition 10A.9 and the provisions of Condition 10A.9 shall apply, *mutatis mutandis*, to such Ordinary Shares.

### 10A.8 Failure to convert

Subject to Condition 10A.5 and Condition 10A.9, if, in respect of a Conversion of Term Subordinated Notes, NAB fails to issue, within five Business Days after the Conversion Date, the Conversion Number of Ordinary Shares in respect of the nominal amount of Term Subordinated Notes to, or in accordance with the instructions of, the relevant Noteholder on the Conversion Date or to the Trustee or any other nominee where Condition 10A.9 applies, the nominal amount of that Term Subordinated Note which would otherwise be subject to Conversion remains, for the purposes of these Conditions, on issue until:

- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, the Noteholder; or
- (ii) the Term Subordinated Note is redeemed in accordance with these Conditions;

provided, however, that the sole right of the Noteholder in respect of the Term Subordinated Notes is its right to be issued the Ordinary Shares (subject to its compliance with Condition 10A.7) and the remedy of a Noteholder in respect of NAB's failure to issue the Ordinary Shares is limited to seeking an order for specific performance of NAB's obligation to issue the Ordinary Shares.

This Condition 10A.8 does not affect the obligation of NAB to issue the Ordinary Shares when required in accordance with these Conditions.

### 10A.9 Issue to nominee

If any Term Subordinated Notes are required to be Converted under Condition 10A.3 and:

- (a) the Noteholder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Conversion Date;
- (b) the Term Subordinated Notes are held by a person NAB believes in good faith may not be a resident of Australia (a **Foreign Holder**); or
- (c) if for any reason (whether or not due to the fault of a Noteholder) NAB has not received any information required by it in accordance with these Conditions in accordance with Condition 10A.7 so as to impede NAB issuing the Ordinary Shares to a Noteholder on the Conversion Date; or

then, on the Conversion Date,

- (d) where subparagraph (a) or (b) applies, NAB is obliged to issue the Ordinary Shares to the Noteholder only to the extent (if at all) that:
- (i) where subparagraph (a) applies, the Noteholder wishes to receive them;
  - (ii) where subparagraph (b) applies, NAB is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Ordinary Shares to the Foreign Holder (but as to which NAB is not bound to enquire), either unconditionally or after compliance with conditions which NAB, in its absolute discretion, regards as acceptable and not unduly onerous;
- and to the extent NAB is not obliged to issue Ordinary Shares to the Noteholder, NAB will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (e) of this Condition 10A.9; and
- (e) otherwise, subject to applicable law, NAB will issue the balance of Ordinary Shares in respect of that Noteholder to a nominee appointed by NAB (which nominee may not be NAB or a controlled entity of NAB) and subject to applicable law which will sell the Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Noteholder. The issue of Ordinary Shares to such nominee will satisfy all obligations of NAB in connection with the Conversion, the Term Subordinated Notes will be deemed Converted and on and from the issue of Ordinary Shares the rights of a Noteholder the subject of this Condition 10A.9 are limited to its rights in respect of the Ordinary Shares or their net cash proceeds as provided in this Condition; and
- (f) nothing in this Condition 10A.9 shall affect the Conversion of the Term Subordinated Notes of a Noteholder which is not a person to which any of subparagraphs (a) to (c) (inclusive) applies.

#### **10A.10 Write-Off of Term Subordinated Notes**

If "Write-Off - Applicable" is specified in the applicable Final Terms, then this Condition 10A.10 shall apply to the Term Subordinated Notes and, for the avoidance of doubt, Condition 10A.3 and Conditions 10A.4, 10A.5, 10A.7, 10A.8 and 10A.9 shall not apply to the Term Subordinated Notes.

On the Conversion Date the rights of Noteholders (including to payment of any principal or interest) in relation to the nominal amount of the Term Subordinated Notes are Written Off.

#### **10A.11 Ordinary Shares issued upon Conversion**

Each Ordinary Share issued to a relevant Noteholder upon Conversion will rank equally with all other fully paid Ordinary Shares from the date of such issue.

#### **10A.12 Substitution of Approved NOHC as issuer of Ordinary Shares**

Where:

- (a) either of the following occurs:
  - (i) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional, all regulatory approvals necessary for the acquisition to occur have been obtained and either:
    - (A) the bidder has at any time during the offer period, a relevant interest in more than 50 per cent. of the Ordinary Shares on issue; or



- (B) the directors of NAB, acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
- (ii) a court orders the holding of meeting(s) to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50 per cent. of the Ordinary Shares that will be on issue after the scheme is implemented and:
  - (A) all classes of members of NAB pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
  - (B) all conditions to the implementation of the scheme, including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived; and
- (b) the bidder or the person having a relevant interest in the Ordinary Shares in NAB after the scheme is implemented (or any entity that Controls the bidder or the person having the relevant interest) is an Approved NOHC,

then NAB and the Trustee without the further authority, assent or approval of Noteholders may:

- (c) amend the Schedule such that, unless APRA otherwise agrees, on the date Term Subordinated Notes are to be Converted:
  - (i) each Term Subordinated Note that is being Converted will be automatically transferred by each Noteholder free from encumbrance to the Approved NOHC (or another related entity of NAB) (the **Transferee**) on the date the Conversion is to occur;
  - (ii) each Noteholder will be issued a number of ordinary shares in the capital of the Approved NOHC determined as if references in the Schedule to NAB were references to the Approved NOHC and the Ordinary Shares were to ordinary shares in the capital of NOHC (**Approved NOHC Ordinary Shares**); and
  - (iii) as between NAB and the Transferee, each Term Subordinated Note held by the Transferee as a result of the transfer will be automatically converted into a number of Ordinary Shares which equals the number of Approved NOHC Ordinary Shares to be issued on Conversion; and
- (d) make such other amendments as in NAB's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the issuer of the ordinary shares on Conversion in the manner contemplated by these Conditions.

#### **10A.13 Further substitutions**

After a substitution under Condition 10A.12, the Approved NOHC and the Trustee may, without the authority, approval or assent of the Noteholders, effect a further substitution in accordance with Condition 10A.12 (with necessary changes).

#### **10A.14 Notice to Noteholders**

NAB or the Approved NOHC must notify the Noteholders of the particulars of any substitution according to Condition 10A.12 or Condition 10A.13 in writing as soon as practicable after the substitution.

### **10A.15 Acknowledgement of Noteholders**

Each Noteholder irrevocably acknowledges and agrees that an Approved NOHC may in accordance with these Conditions be substituted for NAB as issuer of the Ordinary Shares on Conversion and that if such a substitution is effected, the Noteholder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares in NAB.

### **10A.16 Definitions**

**Approved NOHC** means an entity which:

- (a) is a non-operating holding company within the meaning of the Banking Act; and
- (b) has agreed for the benefit of Noteholders:
  - (i) to issue fully paid ordinary shares in its capital under all circumstances when NAB would otherwise have been required to Convert a nominal amount of Notes, subject to the same terms and conditions as set out in these Conditions (with all necessary modifications); and
  - (ii) to use all reasonable endeavours to procure quotation of Approved NOHC Ordinary Shares issued upon Conversion of Relevant Subordinated Notes on ASX.

**Control** has the meaning given in the Corporations Act.

**Relevant Capital Instruments** means each of:

- (a) Relevant Tier 1 Capital Instruments; and
- (b) Relevant Tier 2 Capital Instruments.

**Relevant Tier 1 Capital Instrument** means a Tier 1 Capital Instrument that in accordance with its terms or by operation of law is capable of being written off or converted when a Non-Viability Determination is made.

**Relevant Tier 2 Capital Instrument** means a Tier 2 Capital Instrument that in accordance with its terms or by operation of law is capable of being written off or converted when a Non-Viability Determination is made.

**Tier 1 Capital Instrument** means a share, note or other security or instrument constituting Tier 1 Capital (as defined by APRA from time to time).

**Tier 2 Capital Instrument** means a share, note or other security or instrument constituting Tier 2 Capital (as defined by APRA from time to time).

## **11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer and (in the case of Guaranteed Notes) the Guarantor are entitled, with the prior written approval of the Trustee (not to be unreasonably withheld), to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (d) each of the Issuer and (in the case of Guaranteed Notes) the Guarantor undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and (in the case of Guaranteed Notes) the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## 13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## 14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Bearer Notes are admitted to trading on, and listed on the Regulated Market of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such newspaper publication will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant

authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes. Notwithstanding the foregoing provisions of this paragraph, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or 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 Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, DETERMINATION AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of, or waiver with respect to, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed, subject, in the case of modifications of, or waivers with respect to, the Subordinated Notes, Receipts and Coupons to any required prior written approval of APRA (if NAB is the Issuer) or the FSA and APRA (if Clydesdale is the Issuer) or The Reserve Bank of New Zealand and APRA (if BNZ-IF is the Issuer) which may be required. Subject to the above, such a meeting may be convened by the Issuer, the Guarantor (in the case of Guaranteed Notes) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-

third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by or on behalf of the Noteholder(s) of not less than three-fourths of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Noteholder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and (unless the Trustee otherwise agrees) shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter. In relation to any amendments to be made to these Conditions pursuant to Condition 10A.12, the Trustee may act or rely on the advice or opinion of NAB or any certificate, report or information (whether addressed to the Trustee or not) obtained from NAB and shall not be responsible for any liability occasioned by so acting or relying.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation or determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (in the case of Guaranteed Notes), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trust Deed provides that, in respect of Senior Notes only, the Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders agree with the Issuer and (where applicable) the Guarantor, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Senior Notes and the relative Receipts, any Coupons and the Trust Deed of another company, being a subsidiary of the Issuer or, in the case of Guaranteed Senior Notes, the Guarantor, subject to (a) (where the Issuer is NAB or Clydesdale) the Senior Notes being unconditionally and irrevocably guaranteed by such Issuer or (where the Issuer is BNZ-IF) the Senior Notes continuing to be guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

The Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer or, as the case may be, the Guarantor not involving the bankruptcy or insolvency of the Issuer or, as the case may be, the Guarantor and (A) where the Issuer or, as the case may be, the Guarantor does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be, will be disposed of to or succeeded to by another entity (whether by

operation of law or otherwise), the Trustee shall, in the case of Senior Notes only if requested by the Issuer and (where applicable) the Guarantor (in each case in its sole discretion), without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer and (where applicable) the Guarantor to (i) the substitution in place of the Issuer as the principal debtor under the Senior Notes and the relative Receipts, any Coupons and the Trust Deed; or (ii) the substitution in place of the Guarantor (in the case of Guaranteed Senior Notes) as guarantor of Guaranteed Senior Notes issued by BNZ-IF, of another company (the **Substituted Debtor**) being the entity with and into which the Issuer or the Guarantor, as the case may be, amalgamates or the entity to which all or substantially all of the business and assets of the Issuer or the Guarantor is transferred, or succeeded to, pursuant to such scheme of amalgamation or reconstruction (whether by operation of law or otherwise), subject to:

- (i) the Substituted Debtor entering into a supplemental trust deed in form and manner satisfactory to the Trustee agreeing to be bound by the Trust Deed with any consequential amendments which the Trustee may deem appropriate as fully as if the Substituted Debtor had been named in the Trust Deed as principal debtor or guarantor of the Senior Notes in place of the Issuer or the Guarantor, as the case may be;
- (ii) the Substituted Debtor acquiring or succeeding to pursuant to such scheme of amalgamation or reconstruction all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be;
- (iii) (in the case of the substitution of BNZ-IF) the obligations of the Substituted Debtor being or remaining guaranteed by the Guarantor on the terms set out in the Trust Deed;
- (iv) confirmations being received by the Trustee from each of Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. (**Standard and Poor's**) that the substitution will not adversely affect the rating of the Senior Notes; and
- (v) the Issuer, the Guarantor (where relevant) and the Substituted Debtor complying with such other requirements as the Trustee may reasonably require in order to give effect to the mandatory substitution envisaged in this Condition 15.

For the purposes of this Condition 15, a modification or waiver of the Notes will require APRA's prior written approval only if the modification or waiver affects the eligibility of the Notes to continue to be treated as Tier 2 Capital (as defined by APRA from time to time). Any provisions in these Conditions of the Notes requiring APRA approval for a particular course of action do not and should not imply that APRA has given its consent or approval as at the Issue Date.

## **16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with each Issuer, the Guarantor and/or any of their respective subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, any Issuer, the Guarantor and/or any of their respective subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further securities (the **Fungible Notes**) having terms and conditions the same as the Notes or the same in all respects save for the amount 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 the U.S. federal income tax laws), either (i) not issued with original issue discount or are issued with a de minimis amount of original issue discount as defined in U.S. Treasury Regulations Section 1.1273-1(d) or (ii) issued in a “qualified reopening” or are otherwise considered part of the same issue for U.S. federal tax purposes, 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.

## **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **19.1 Governing law**

The Trust Deed, the Notes, the Receipts and the Coupons and any non-contractual obligations (other than any non-contractual obligations in respect of any Tranche of Notes represented in whole or in part by a Rule 144A Global Note on the issue date thereof) arising out of or in connection with them shall be governed by and construed in accordance with, English law, except for (i) the subordination provisions of the Trust Deed and the Notes, (ii) Condition 10A of the Notes and (iii) the conversion mechanisms set out in the Schedule to these Conditions, which are governed by, and shall be construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia (where the Issuer is NAB), English law (where the Issuer is Clydesdale) or the laws of New Zealand (where the Issuer is BNZ-IF). The Agency Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

### **19.2 Submission to jurisdiction**

Each Issuer and the Guarantor irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations, but excluding any dispute relating to non-contractual obligations in respect of any Tranche of Notes represented in whole or in part by a Rule 144A Global Note on the issue date thereof) which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons and accordingly submits to the exclusive jurisdiction of the English courts.

Each Issuer and the Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons, but excluding proceedings related to non-contractual obligations in respect of any Tranche of Notes represented in whole or in part by a Rule 144A Global Note on the issue date thereof) (together referred to as **Proceedings**), against it in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### **19.3 Appointment of Process Agent**

NAB and Clydesdale appoint National Australia Bank Limited, London Branch, at its office at 88 Wood Street, London EC2V 7QQ as their respective agent for service of process and BNZ-IF and the Guarantor appoint BNZ-IF, London Branch, at 88 Wood Street, London EC2V 7QQ as their respective agent for service of process. Each of NAB, Clydesdale, BNZ-IF and the Guarantor undertakes that, in the event of National Australia Bank Limited, London Branch or BNZ-IF, London Branch, as the case may be, ceasing so to act or ceasing to be registered in England, NAB, Clydesdale, BNZ-IF and the Guarantor as the case may be will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

### **19.4 Other documents**

Each Issuer and (in the case of Guaranteed Notes) the Guarantor has in the Trust Deed, the Agency Agreement and the Guarantee (as applicable) submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.



## SCHEDULE

### SUBORDINATED NOTE CONVERSION MECHANISMS

#### 1.1 Conversion

If NAB must convert a nominal amount of Term Subordinated Notes in accordance with Condition 10A (a **Relevant Subordinated Note**), then the following provisions shall apply:

- (a) on the Conversion Date, NAB will, for each Relevant Subordinated Note held by the Noteholder, allot and issue that number of fully paid ordinary shares in the capital of NAB (**Ordinary Shares**) which is the lesser of the number calculated according to the following formula and the Maximum Conversion Number:

$$\frac{\text{Nominal Amount}}{(1 - \text{CD}) \times \text{VWAP during the VWAP Period}}$$

(the **Conversion Number**)

where:

**Nominal Amount** means the nominal amount of the Relevant Subordinated Note required to be Converted;

**CD** means the Conversion Discount specified in the applicable Final Terms;

**Maximum Conversion Number** means in respect of the Nominal Amount of a Relevant Subordinated Note the number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Nominal Amount}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

**VWAP** means, subject to any adjustments under clause 1.2 of this Schedule, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the VWAP Period or on the relevant days (and, where the Specified Currency of the Nominal Amount in respect of the Relevant Subordinated Note is not Australian dollars, with each such daily price converted into the Specified Currency on the basis of the spot rate for the sale of the Australian dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by NAB on the relevant day of calculation) but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares;

**VWAP Period** means the latest period of five Business Days (or such other period specified in the applicable Final Terms) on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date;

**Relevant Fraction** means 0.2;

**Issue Date VWAP** means the VWAP during the period of 20 Business Days or such other period specified in the applicable Final Terms on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Notes of the Series of which the Relevant

Subordinated Notes forms part were issued (the **Issue Date VWAP Date**), as adjusted in accordance with clauses 1.4 to 1.7 (inclusive) of this Schedule;

- (b) if the total number of additional Ordinary Shares to be allotted to a Noteholder in respect of the aggregate nominal amount of its holding of Relevant Subordinated Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (c) on the Conversion Date NAB will:
  - (i) redeem the Nominal Amount of each Relevant Subordinated Note held by the Noteholder;
  - (ii) apply the proceeds of the redemption of the Nominal Amount of each Relevant Subordinated Note on behalf of the Noteholder in subscription for the Conversion Number of Ordinary Shares; and
  - (iii) issue to the relevant Noteholder, in respect of the Nominal Amount of each Relevant Subordinated Note held by that Noteholder, a number of Ordinary Shares that is equal to the Conversion Number.

The Noteholder irrevocably directs NAB to take all such action in accordance with the above provisions as is necessary to immediately effect Conversion accordingly and NAB will take all steps, including updating any register, required to record the Conversion.

Nothing in this clause creates any obligation to pay any amount in respect of the redemption of the Nominal Amount of any Relevant Subordinated Note except by way of paying the subscription price for the Conversion Number of Ordinary Shares.

## **1.2 Adjustments to VWAP**

For the purposes of calculating the VWAP in this Schedule:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and a nominal amount of Relevant Subordinated Notes will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
  - (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Income Tax Assessment Acts 1936 and 1997 of Australia;
  - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 1.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
  - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors of NAB (or a committee authorised by them); and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and a nominal amount of

Relevant Subordinated Notes will convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

### 1.3 Adjustments to VWAP for divisions and similar transactions

Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a subdivision, consolidation or reclassification of NAB's share capital not involving any cash payment or other distribution to or by the holders of Ordinary Shares (**Reorganisation**), in calculating the VWAP for that VWAP Period the VWAP on each Business Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

**B** means the aggregate number of Ordinary Shares immediately after the Reorganisation.

### 1.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP in respect of a Relevant Subordinated Note, adjustments to the VWAP will be made in accordance with clauses 1.2 and 1.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date VWAP Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 1.5 to 1.7 (inclusive); and
- (b) if so made, will cause an adjustment to the Maximum Conversion Number by operation of the formula in clause 1.1(a).

### 1.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 1.5(b), if after the Issue Date VWAP Date in respect of a Relevant Subordinated Note, NAB makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP in respect of the Relevant Subordinated Notes will be adjusted in accordance with the following formula:

$$V = V_0 \times \frac{RD}{RD + RN}$$

where:

**V** means the Issue Date VWAP applicable to the Relevant Subordinated Notes immediately after the application of this formula;

**V<sub>0</sub>** means the Issue Date VWAP applicable to the Relevant Subordinated Notes immediately prior to the application of this formula;

**RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

**RN** means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 1.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of clause 1.5(a), an issue will be regarded as a pro rata issue notwithstanding that NAB does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing NAB is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 1.5 for any offer of Ordinary Shares not covered by clause 1.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 1.5(a) shall not in any way restrict NAB from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Noteholders or otherwise requiring any consent or concurrence.

#### **1.6 Adjustment to Issue Date VWAP for divisions and similar transactions**

- (a) If at any time after the Issue Date VWAP Date in respect of the Relevant Subordinated Notes there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, NAB shall adjust the Issue Date VWAP applicable to the Relevant Subordinated Notes by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

**B** means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Each Noteholder acknowledges that NAB may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Noteholders or otherwise requiring any consent or concurrence.

#### **1.7 No adjustment to Issue Date VWAP in certain circumstances**

Despite the provisions of clauses 1.5 and 1.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent. of the Issue Date VWAP then in effect.

#### **1.8 Effect and announcement of adjustments**

Any adjustment made by NAB to the VWAP or the Issue Date VWAP under this Schedule is effective and binding on the Trustee and the Noteholders and these Conditions will be construed accordingly. NAB will notify the Trustee and the Noteholders of any adjustment to the VWAP or the Issue Date VWAP under this Schedule within 10 Business Days of NAB determining the adjustment.

## 1.9 Listing Ordinary Shares issued on Conversion

NAB shall use all reasonable endeavours to procure a quotation of the Ordinary Shares issued upon Conversion of a nominal amount of Relevant Subordinated Notes on ASX.

### 1.10 Definitions

(a) In this Schedule:

**Business Day** means a day which is both (i) a day on which banks are open for general banking business in Melbourne and Sydney (not being a Saturday, Sunday or public holiday in that place) and (ii) a day which is a business day for the purposes of the ASX Listing Rules;

**ASX** means ASX Limited or the securities market operated by it, as the context requires, or any successor;

**ASX Listing Rules** means the listing rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time;

**ASX Operating Rules** means the market operating rules of ASX as amended, varied or waived (whether in respect of NAB or generally) from time to time.

(b) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires, a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the general purposes of the relevant Issuer (which include making a profit) and its subsidiaries and, in the case of Notes issued by BNZ-IF, the Guarantor and its subsidiaries. If, in respect of an issue of Notes which are derivative securities for the purposes of Article 15 Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF NAB

### INFORMATION ABOUT NAB

#### *History and development of NAB*

The legal name of NAB is National Australia Bank Limited and it trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".

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

NAB was incorporated on 23 June 1893.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 of Australia (the **Corporations Act**). Its registered office is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8634 2345).

### BUSINESS OVERVIEW

#### *Principal activities*

The NAB Group is an international financial services group, providing a comprehensive and integrated range of financial products and services.

The principal activities of the NAB Group 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.

The NAB Group structure includes the following business units:

- *Business Banking* provides a diverse range of commercial banking services to business customers, ranging from small businesses through to Australia's largest corporations including many of the ASX Top 200 listed companies. Business Banking also provides specialist industry expertise in the Agribusiness, Property, Healthcare, Natural Resources, Education and Government sectors.
- *Personal Banking* provides quality products and services to five million retail and small business customers. These products and services are delivered through a range of distribution channels and brands including NAB, Homeside, UBank and a variety of broker and 'mortgage manager' brands operated by the Advantedge business.
- *Wholesale Banking* has seven key lines of business: Corporate & Business Sales, Fixed Interest, Currencies and Commodities (FICC), Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 2,800 employees in Australia, New Zealand, Asia, the United Kingdom and the U.S.
- *UK Banking* operates under the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and business customers through retail branches, business and private banking centres, direct banking and brokers. As announced on 30 April 2012, UK Banking has undertaken a strategic review in response to the challenging economic and operating conditions in the region. These conditions have included further deterioration in the commercial real estate market and credit rating downgrades across the banking sector. Both of these issues have had a material impact on UK Banking's financial performance. The main outcomes of the strategic review

were to simplify the business model to focus on retail operations and Small and Medium Enterprises (SME) business lending in Scotland and Northern England, improve the balance sheet structure by transferring the vast majority of UK Banking's commercial real estate assets to NAB in the first half of the 2013 financial year and place the transferred portfolio into run-off to be managed separately. This transfer took place on 5 October 2012. Delivery of the strategic outcomes is progressing.

- *NZ Banking* comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises in New Zealand, operating under the BNZ brand. It excludes BNZ's Wholesale Banking operations.
- *NAB Wealth* provides superannuation, investments, insurance and private wealth solutions to retail, corporate and institutional clients. NAB Wealth operates one of the largest networks of retail financial advisers in Australia.
- *Great Western Bank (GWB)* offers a range of traditional banking and wealth management products delivered in a community banking model with over 180 locations across the Midwestern United States. GWB maintains a fully deposit funded position. GWB's lending portfolio includes Agribusiness, small and medium-sized business, commercial property, and consumer product offerings.

On 22 June 2012, GWB finalised the acquisition of First Federal Savings Bank of Iowa (**First Federal**). The First Federal franchise contributed over US\$400 million in assets and 11 bank branches to the GWB footprint in the Iowa market, helping GWB surpass US\$9 billion in total assets.

- *Specialised Group Assets*: the Specialised Group Assets (SGA) portfolios comprise non-franchise assets with approximately \$7.2 billion of Credit Risk Weighted Assets. This represents a reduction of \$18.1 billion since September 2009, of which \$7.8 billion was achieved during the year to September 2012, largely resulting from the removal of economic risk relating to the remaining synthetic collateralised debt obligation assets, the continued run-down of credit exposures and a change in the treatment of the Credit Wrapped ABS.

The portfolio of assets, which is primarily domiciled in the United Kingdom and the United States is as follows:

- Structured Asset Management (SAM)
  - Structured Asset Management
  - Credit Wrapped Bonds
- Private Portfolio USA
  - Private Equity & Real Estate Investment Funds USA
  - Infrastructure Finance USA
  - Corporate Lending USA
- Corporate UK
  - Corporate & NBFI Lending UK
  - Commercial Property UK
- Leveraged Finance UK



- Structured Asset Finance UK
- *Corporate Functions and Other* includes NAB's operations in Asia and functions that support all businesses, including Group Funding and Other Corporate Functions activities.

### ***Principal markets***

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

## **ORGANISATIONAL STRUCTURE**

NAB is the holding company for the NAB Group, as well as being the main operating company. As at the date of this Offering Circular, NAB had four wholly owned main operating subsidiaries: the Guarantor, MLC Limited, Clydesdale and Great Western Bank.

The NAB Group has examined the possibility of adopting a non-operating holding company (**NOHC**) structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision on whether to proceed to a NOHC structure has yet been taken.

## **TREND INFORMATION**

There has been no material adverse change in the prospects of NAB since 30 September 2012.

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 NAB's Annual Reports (as incorporated by reference in this Offering Circular) and the contingent liabilities described under "*Legal and arbitration proceedings*" below.

## **PROFIT FORECASTS OR ESTIMATES**

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

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name and function of each of the Directors of NAB are listed below. Unless otherwise stated, the business address of each Director is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia.

- **Cameron A Clyne**  
Managing Director and Group Chief Executive Officer.
- **Mark A Joiner**  
Executive Director, Finance. Other appointments: Director, Aurora Vineyard Limited.
- **Michael A Chaney**  
Non-Executive Director & Chairman and Chairman of the Nomination Committee. Other appointments: Chairman, Woodside Petroleum Ltd and Gresham Partners Holdings Limited. Director, Centre for Independent Studies. Chancellor of University of Western Australia. Member, JP Morgan International Advisory Council.

- **Patricia A Cross**

Non-Executive Director, Chairman of the Remuneration Committee, a member of the Risk Committee and a member of the Nomination Committee and a Director of JBWere Pty Ltd (a subsidiary of NAB). Other appointments: Director, Qantas Airways Limited and Grattan Institute.

- **Daniel T Gilbert**

Non-Executive Director, a member of the Remuneration Committee and a member of the Nomination Committee. Other appointments: Chairman, National Museum of Australia, University of Western Sydney Foundation and Review on Aboriginal Culture and Heritage Reform in NSW.

- **Dr. Kenneth R Henry**

Non-Executive Director, a member of the Audit Committee and a member of the Nomination Committee. Other appointments: Chairman, Advisory Council of the SMART Infrastructure Facility, University of Wollongong and The Institute of Public Policy, ANU. Member, Board of Reconciliation Australia, Sir Roland Wilson Foundation, ANU and the Advisory Board of the Australian Demographic and Social Research Institute (ADSRI), ANU.

- **Paul J Rizzo**

Non-Executive Director, Chairman of the Risk Committee, a member of the Audit Committee and a member of the Nomination Committee. Other appointments: Chairman, Defence Audit and Risk Committee for the Australian Government Department of Defence and The Rizzo Report Implementation Committee for Defence. Deputy Chairman, Defence Strategic Reform Advisory Board.

- **Jillian S Segal**

Non-Executive Director, a member of the Risk Committee, a member of the Audit Committee and a member of the Nomination Committee. Other appointments: Chairman, General Sir John Monash Foundation. Director, The Garvan Institute of Medical Research, ASX Limited and ASX Compliance Pty Limited. Member, Australian Government's Remuneration Tribunal. Deputy Chancellor, University of New South Wales Council.

- **John G Thorn**

Non-Executive Director, Chairman of the Audit Committee and a member of the Nomination Committee. Other appointments: Director, Amcor Limited, Caltex Australia Limited and Salmat Limited.

- **Geoffrey A Tomlinson**

Non-Executive Director, a member of the Nomination Committee and a member of the Remuneration Committee, Chairman of National Wealth Management Holdings Limited and MLC Wealth Management Limited and Director of MLC Limited, MLC Holdings Limited, MLC Investments Limited, MLC Lifetime Company Limited, WM Life Australia Ltd and Navigator Australia Ltd (each a subsidiary of NAB). Other appointments: Director, Calibre Global Limited.

- **John A Waller**

Non-Executive Director, a member of the Audit Committee, a member of the Risk Committee and a member of the Nomination Committee and Chairman of the Guarantor. Other appointments: Chairman, Eden Park Trust Board. Director, Alliance Group Limited, Direct Property Fund Limited,

Direct Property Fund No. 2 Limited, Direct Property Fund No. 3 Limited, Direct Property Fund No. 4 Limited, Donaghys Limited, Fonterra Co-Operative Group Limited, Haydn & Rollett Limited, JAW Advisory Limited, Sky Network Television Limited, and Yealands Wine Group Limited.

- **Anthony KT Yuen**

Non-Executive Director, a member of the Risk Committee, a member of the Remuneration Committee and a member of the Nomination Committee. Other appointments: Member, Supervisory Committee, ABF Hong Kong Bond Index Fund.

There are no conflicts of interest between any duties of these people to NAB and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

NAB is a public limited company. As at 30 November 2012, the following shareholders each held more than 1 per cent. of the issued share capital of NAB:

- HSBC Custody Nominees (16.70 per cent.)
- JP Morgan Nominees Australia Limited (13.06 per cent.)
- National Nominees Ltd (10.11 per cent.)
- Citicorp Nominees Pty Limited (3.34 per cent.)
- BNP Paribas Nominees Pty Ltd <Master Cust DRP> (1.70 per cent.)
- Citicorp Nominees Pty Limited <Colonial First State Inv A/C> (1.48 per cent.)
- National Australia Trustees (1.18 per cent.)
- JP Morgan Nominees Australia Limited <Cash Income A/C> (1.07 per cent.)

There are several provisions of Australian law that are relevant to the ability of any person to gain control of NAB.

Mergers, acquisitions and divestments of Australian public companies listed on the Australian Securities Exchange (such as NAB) are regulated by detailed and comprehensive legislation and the rules and regulations of the Australian Securities Exchange.

In summary, under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person's or someone else's voting power in the company increases from 20 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20 per cent. in an Australian listed company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia, in a state, in a territory or in a region of Australia.

Acquisitions of certain interests in Australian companies by foreign interests are also subject to review and approval by the Treasurer of the Commonwealth of Australia (**Australian Treasurer**).

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 per cent. of the voting power of the financial sector company without first obtaining the Australian Treasurer's approval. Even if a person has less than 15 per cent. of the voting power, the Australian Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia may require the person to relinquish that control. The definition of a financial sector company includes banks such as NAB.

As disclosed on page 177 hereof under "*Organisational Structure*", there are no arrangements in place within the NAB Group the operation of which may result in a change of control of NAB.

## **FINANCIAL INFORMATION CONCERNING NAB'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information in relation to NAB for its financial years ended 30 September 2011 and 30 September 2012 is contained in its Annual Reports for the years ending 30 September 2011 and 30 September 2012 which are incorporated by reference into this Offering Circular. The financial statements referred to above contain both NAB's own statements and consolidated statements for the NAB Group. See further "*Documents Incorporated by Reference*" above.

### ***Auditing of historical annual financial information***

The historical financial information referred to above has been audited. Please see the Auditors' statements at page 162-163 of the Annual Report for the year ended 30 September 2011 and at pages 163-164 of the Annual Report for the year ended 30 September 2012.

### ***Legal and arbitration proceedings***

#### ***Overview***

Except as listed below and as described in the documents incorporated by reference (see cross-reference table on page 59), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NAB is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of NAB and/or that of the NAB Group.

#### ***Class actions***

On 16 December 2011 Steven Farey and Others commenced a class action proceeding against the NAB Group in relation to the payment of exception fees, along with similar proceedings against several other financial institutions. The quantum of the claim against the NAB Group has not yet been identified in the proceeding. The NAB Group has not been required to file a defence as the proceeding has been stayed until 7 June 2013. The proceeding will be vigorously defended.

#### ***United Kingdom Financial Services Compensation Scheme***

The United Kingdom (UK) Financial Services Compensation Scheme (**FSCS**) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions in the UK, claims have been triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits. The principal of these borrowings is anticipated to be repaid from the realisation of the assets of the

institutions. The FSCS has estimated levies due to 31 March 2013 and an accrual of \$12 million (£8 million) is held for the NAB Group's calculated liability to 31 March 2013. The ultimate FSCS levy as a result of the failures is uncertain and cannot be estimated reliably beyond 31 March 2013 at this stage.

*Claims related to Payment Protection Insurance sales in the UK*

Market wide issues relating to the UK banking industry payment protection insurance (**PPI**) matter are ongoing. A provision of \$168 million (£108 million) is held for this matter. The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of factors that remain uncertain, including how many PPI claims will be made against Clydesdale, for what value, and the prospects of mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain. The NAB Group continues to keep the matter under review.

*Review and redress of sales of certain interest rate derivative products*

On 29 June 2012 the UK Financial Services Authority (FSA) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate derivative products to small and medium businesses.

Clydesdale Bank PLC agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a program to identify small and medium sized customers that may have been affected. The exercise voluntarily incorporates certain of the Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice.

The total cost of this exercise is uncertain. A provision of \$75 million (£48 million) for customer redress, including the interest rate derivative products review, is held and reflects management's best estimate of the probable outflow of funds as at 30 September 2012.

***Significant change in the financial or trading position of NAB***

There has been no significant change in the financial or trading position of the NAB Group since 30 September 2012.

## DESCRIPTION OF CLYDESDALE

### INFORMATION ABOUT CLYDESDALE

#### *History and development of Clydesdale*

Clydesdale Bank PLC is a subsidiary of National Australia Group Europe Limited and is the regulated legal entity in the United Kingdom. Clydesdale Bank PLC is registered in Scotland (company number SC001111). 'Yorkshire Bank' is a trading name of Clydesdale Bank PLC. Banking operations in the United Kingdom are carried out under the Clydesdale Bank and Yorkshire Bank brands.

Clydesdale was established in 1838 before being incorporated as an unlimited company on 23 December 1862 as The Clydesdale Banking Company, before being incorporated as a Limited Company on 3 April 1882 as The Clydesdale Bank Limited. NAB assumed control of Clydesdale in 1987. Yorkshire was incorporated as a Limited Company on 25 August 1911 as The Yorkshire Penny Bank Limited. NAB assumed control of Yorkshire in 1990. In December 2004, Yorkshire merged with Clydesdale pursuant to the National Australia Group Europe Act 2001, a United Kingdom private Act of Parliament (the **Merger**). As a result of the Merger, Clydesdale assumed all of the assets, rights, liabilities and obligations of Yorkshire on and from 1 December 2004. The business carried on by Yorkshire prior to the Merger is now carried on by Clydesdale under the "Yorkshire Bank" brand.

Clydesdale was re-registered as a public limited company on 11 January 1982 and operates under United Kingdom legislation including the Companies Acts and the Financial Services and Markets Act 2000. Its registered office is 30 St Vincent Place, Glasgow G1 2HL (telephone number +44 (0) 141 248 7070).

### BUSINESS OVERVIEW

#### *Principal activities*

Clydesdale, under its Clydesdale Bank and Yorkshire Bank brands, offers access to a comprehensive range of banking and other related services through 333 retail branches in the United Kingdom as at 30 September 2012. Clydesdale also offers integrated business and private banking services to small-medium sized and mid-tier corporate business customers. There are 71 Business & Private Banking Centres throughout the United Kingdom as at 30 September 2012.

During the year to 30 September 2012, average gross loans and acceptances (loans and advances to customers, loans designated at fair value through profit or loss and amounts due from customers on acceptances) were £33.6 billion and average retail deposit volumes (current accounts, savings accounts, term deposits and business retail deposits) were £24.6 billion.

### ORGANISATIONAL STRUCTURE

The ultimate parent company of Clydesdale is NAB. Clydesdale is a wholly-owned subsidiary of National Australia Group Europe Limited. In turn, National Australia Group Europe Limited is a wholly-owned subsidiary of National Equities Limited (which is registered in Australia). National Equities Limited is a wholly-owned subsidiary of NAB.

Clydesdale receives certain shared-group services from a service company, National Australia Group Europe Services Limited, itself a wholly-owned subsidiary of National Australia Group Europe Limited. This service company operates on a full cost-recovery basis. The service company was established to assist with the co-ordination of certain common services such as information technology and other head office activities. Certain shared-group services are also provided by National Australia Group Europe Limited itself.

Clydesdale is also dependent on NAB for certain shared-group services and has access to NAB and to National Australia Group Europe Limited for general funding requirements and for subordinated debt capital funding, respectively, as well as to the global capital markets which Clydesdale continues to access on an ongoing basis.

## **TREND INFORMATION**

There has been no material adverse change in the prospects of Clydesdale since 30 September 2012.

## **PROFIT FORECASTS OR ESTIMATES**

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

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name and function of each of the Directors of Clydesdale are listed below. Unless otherwise stated, the business address of each Director is 88 Wood Street, London EC2V 7QQ.

- **David Allvey**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Audit Committee and European Boards' Risk Committee. Other appointments: Senior Independent Director and Chair of Audit Committee of Friends Life Group plc and Chairman (Non Executive) of Costain Group plc.

- **David Browne**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Audit Committee and European Boards' Risk Committee. Director of Blue Island Residents Association Limited, London Youth Rowing Limited and Pinnacle Partners Limited.

- **Cameron Clyne**

Executive Director and Chairman of Clydesdale and National Australia Group Europe Limited.

- **Richard Gregory OBE**

Senior Independent Director of Clydesdale and National Australia Group Europe Limited and Chairman of the European Boards' Risk Committee and member of the European Boards' Audit Committee. Other appointments: Chairman, Science City York and Chesterfield Royal Hospital NHS Foundation Trust. Director, Richard Gregory Consulting Limited, Member of the national board, The Foundation Trust Network.

- **John Hooper**

Executive Director of Clydesdale and National Australia Group Europe Limited.

- **Mark Joiner**

Executive Director of Clydesdale and National Australia Group Europe Limited.

- **James Pettigrew**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and Chairman of the European Boards' Audit Committee. Other appointments: Director of The Edinburgh Investment Trust Public Limited Company, Hermes Fund Managers Limited, Aberdeen Asset Management PLC and AON UK Limited.

- **Barbara Ridpath**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee. Other appointments: Director of the International Centre for Financial Regulation (in voluntary liquidation).

- **Richard Sawers**

Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee.

- **Alexander Shapland**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee.

- **David Thorburn**

Executive Director and Chief Executive Officer of the Issuer (Clydesdale Bank Exchange, 20 Waterloo Street, Glasgow G2 6DB) and Executive Director of National Australia Group Europe Limited and member of the European Boards' Risk Committee.

There are no conflicts of interest between any duties of these people to Clydesdale and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

Clydesdale is indirectly wholly owned and controlled by NAB; see "*Organisational Structure*" above.

Save as disclosed on page 177 under "*Description of NAB – Organisational Structure*", there are no arrangements in place the operation of which may result in a change of control of Clydesdale.

## **FINANCIAL INFORMATION CONCERNING CLYDESDALE'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The Annual Report and Consolidated Financial Statements of Clydesdale (the **Clydesdale Annual Report**) for the year ended 30 September 2012 has been prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union in line with the treatment adopted for the first time in the Clydesdale Annual Report for the year ended 30 September 2006.

The financial information in relation to Clydesdale for its financial years ending 30 September 2011 and 30 September 2012 is contained in the Clydesdale Annual Reports which are incorporated by reference into this Offering Circular. The financial statements are consolidated financial statements. See further "*Documents Incorporated by Reference*" above.



### *Auditing of historical annual financial information*

The historical financial information referred to above has been audited; please see the Reports of the Independent Auditors, at pages 16 and 17 of its Annual Report to 30 September 2011 and pages 20 and 21 of its Annual Report to 30 September 2012.

### ***Legal and arbitration proceedings***

Except as described below and as described in the documents incorporated by reference (see cross-reference table on page 59), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Clydesdale is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of Clydesdale.

### **Financial Services Compensation Scheme contributions**

Clydesdale pays levies based on its share of protected depositors to the FSCS in respect of claims against the FSCS (as further described in "*Risk Factors - Financial Services Compensation Scheme*" on page 36). Clydesdale may from time to time be required to pay further amounts to the FSCS in respect of the compensation to eligible depositors of other authorised financial services firms unable to pay claims against them.

### **Payment Protection Insurance**

Following the investigation by the United Kingdom Competition Commission into the sale of Payment Protection Insurance (**PPI**), a report was published on 29 January 2009 which concluded that a lack of competition existed in the United Kingdom market as a result of various factors, including a lack of transparency and barriers to entry for stand-alone providers. A range of remedies to address the issue have been imposed. Separately, on 10 August 2010, the FSA issued a policy statement in relation to redress for customers who allege that they were sold a PPI policy in circumstances where such a sale was inappropriate. The FSA requires firms to identify whether an unfair sales practice affected customers who have not complained or whose complaints have been rejected and to award redress to them.

On 8 October 2010, the BBA filed papers with the High Court asking for a review of proposals by the FSA contained in new rules that are due to be implemented at the end of 2011. These proceedings were also brought against the Financial Ombudsman Service (the **Ombudsman**). On behalf of the industry, the BBA alleged that the rules require banks to apply sales standards retrospectively to a period before their introduction. The judgment on the judicial review proceedings was announced on 20 April 2011 in favour of the FSA and the Ombudsman. On 9 May 2011, the BBA announced that it would not participate in any application for permission to appeal against the judgment.

As at 30 September 2012, Clydesdale held a provision of £108 million to cover potential customer claims for refunds of premiums associated to the mis-selling of PPI policies. The provision is based upon known pipeline cases and expectations of future claims. It is management's current best estimate of expected costs. During the year to 30 September 2012, the provision was increased by an additional £120 million. This reflected a marked increase in the level of complaints received and the impact on the estimate for future complaints that may ultimately be received.

The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of uncertain factors, including how many PPI claims will be made against Clydesdale, for what value, and the prospect of the mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain.

### **Provision for customer redress and other provisions**

A provision for customer redress is held in those instances where Clydesdale has agreed to make payments to customers whether on an ex-gratia or compensatory basis. Provisions can arise as a result of legal or regulatory action and incorporate the costs of skilled persons, and where appropriate other elements of administration.

On 29 June 2012, the FSA announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on certain interest rate hedging products that were offered to small and medium sized entities.

Clydesdale agreed to participate in this exercise as announced by the FSA on 23 July 2012 and has embarked on a structured programme to identify those small and medium sized customers that may have been affected. The exercise voluntarily incorporates certain of Clydesdale's tailored business loan products as well as the stand alone hedging products identified in the FSA's notice.

The total cost of this exercise is uncertain and subject to a number of estimates, many of which require agreement with the FSA.

A provision of £48 million for customer redress including the interest rate hedging review has been raised and reflects management's best estimate of this and a number of other ongoing matters as at 30 September 2012.

#### ***Recent events***

On 5 October 2012, Clydesdale transferred the vast majority of its commercial real estate assets (£5.6 billion) to NAB to be managed separately and run-off.

There are no recent events particular to Clydesdale that are, to a material extent, relevant to the evaluation of its solvency.

#### ***Significant change in the financial or trading position of Clydesdale***

Other than as set out in Note 44 (Events after the balance sheet date) under "Notes to the Consolidated Financial Statements" for the financial year ended 30 September 2012, there has been no significant change in the financial or trading position of Clydesdale which has occurred since 30 September 2012.

## DESCRIPTION OF BNZ-IF

### INFORMATION ABOUT BNZ-IF

#### *History and development of BNZ-IF*

The legal and commercial name of BNZ-IF is BNZ International Funding Limited.

BNZ-IF is registered in New Zealand with registration number 1635202 and in England & Wales under branch number BR008377 and company number FC026206. For the purposes of the Programme, it is acting through its London Branch (**London Branch**).

BNZ-IF was incorporated on 2 June 2005.

BNZ-IF is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland, New Zealand (telephone number +64 9 976 5403) and the address of the London Branch is 88 Wood Street, London EC2V 7QQ, United Kingdom (telephone number +44 20 7710 2952).

### BUSINESS OVERVIEW

#### *Principal activities*

BNZ-IF has been established to carry on various funding and other related activities.

The London Branch has prime responsibility for carrying out the Guarantor's offshore wholesale funding arising from the issuance of debt securities. In addition to its role as an Issuer under the Programme, the London Branch also issues short term debt securities via a global commercial paper programme and a United States commercial paper programme and covered bonds via a covered bond programme (as discussed in more detail at page 191 below, under "*Description of the Guarantor – Covered Bonds*"). BNZ-IF has also established a United States extendible note programme.

Funds raised by the London Branch are on-lent to the Guarantor on terms and conditions which match the terms and conditions of the original funding (including the same principal amount, currency, term and interest rate basis, and with corresponding redemption events and status (except that the funds on-lent to the Guarantor will not be guaranteed)).

The Constitution of BNZ-IF contains a provision to the effect that if BNZ-IF issues any debt securities which are guaranteed by the Guarantor, BNZ-IF must on-lend to the Guarantor an amount equal to the proceeds raised by that debt issue, on terms and conditions which match the terms and conditions of that debt issue.

### ORGANISATIONAL STRUCTURE

BNZ-IF is a wholly-owned subsidiary of the Guarantor. In turn, the Guarantor is ultimately a wholly-owned subsidiary of NAB, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of the Guarantor) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

BNZ-IF is dependent upon the guarantee of the Guarantor to enable it to carry out its fund-raising activities. As all funds raised by BNZ-IF will be on-lent to the Guarantor, the ability of BNZ-IF to fund its debt obligations will be dependent on the ability of the Guarantor to fund its debt obligations to BNZ-IF. The Guarantor will also fund the income of BNZ-IF.

NAB and/or the Guarantor also supply settlement, accounting, tax, regulatory compliance and legal services and seconded staff, as required.

## **TREND INFORMATION**

There has been no material adverse change in the prospects of BNZ-IF since 30 September 2012.

## **PROFIT FORECASTS OR ESTIMATES**

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

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The Board of Directors of BNZ-IF manage and exercise control of BNZ-IF from New Zealand. The Board of Directors is comprised of the following, all of whom have a business address of Level 4, 80 Queen Street, Auckland, New Zealand:

- Craig McLaren Brant, Head of Risk Analytics of the Guarantor
- Vanessa Jane Blanchard, Head of Kaizen of the Guarantor
- Timothy John Main, New Zealand Treasurer of the Guarantor
- Graeme David Liddell, Head of Wholesale Banking of the Guarantor

The Guarantor's governance and control framework apply to BNZ-IF and London Branch.

There are no conflicts of interest between any duties of these people to BNZ-IF and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

BNZ-IF is directly wholly-owned and controlled by the Guarantor.

Save as disclosed on page 177 under "*Description of NAB – Organisational Structure*", there are no arrangements in place the operation of which may result in a change of control of BNZ-IF.

## **FINANCIAL INFORMATION CONCERNING BNZ-IF'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information relating to BNZ-IF contained in this Offering Circular has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**New Zealand GAAP**). In relation to BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2011 and 30 September 2012, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable financial reporting standards and interpretations as appropriate for profit-orientated entities.

The financial information in relation to BNZ-IF for the financial years ended 30 September 2011 and 30 September 2012 is contained in its Annual Report and Financial Statements for such financial periods which are both incorporated by reference into this Offering Circular. See further "*Documents Incorporated by Reference*" above.

### ***Auditing of historical annual financial information***

The historical financial information described above has been audited; please see the *Auditors' Report* attached to the Annual Report and Financial Statements of BNZ-IF for the financial years ended 30

September 2011 and 30 September 2012, respectively, both as incorporated by reference into this Offering Circular.

No other information in this Offering Circular has been audited by the auditors of BNZ-IF.

***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ-IF is aware) since the date of incorporation of BNZ-IF which may have, or have had in the recent past, significant effects on BNZ-IF's financial position or profitability.

***Recent events***

There are no recent events particular to BNZ-IF that are, to a material extent, relevant to the evaluation of its solvency.

***Significant change in the financial or trading position of BNZ-IF***

BNZ-IF's directors have approved a dividend of NZ\$18,000,000 to be paid to the Guarantor on 18 December 2012. There has been no other significant change in the financial or trading position of BNZ-IF since 30 September 2012.

## DESCRIPTION OF THE GUARANTOR

### INFORMATION ABOUT THE GUARANTOR

#### *History and development of the Guarantor*

The legal name of the Guarantor is Bank of New Zealand and it trades commercially as "Bank of New Zealand" and, particularly within New Zealand, as "BNZ".

The Guarantor is registered in New Zealand with registration number 428849, and is a registered bank under the Reserve Bank of New Zealand Act 1989.

The Guarantor was incorporated on 29 July 1861, under the New Zealand Bank Act 1861. The Bank of New Zealand Act 1945 enabled the Government of New Zealand to acquire all privately owned shares in the Guarantor. From 1945 to 1987, the Guarantor was a trading bank and statutory corporation, wholly-owned, but not guaranteed, by the Government of New Zealand. Legislation was passed in 1986 to facilitate a public minority shareholding. In March 1989, the Bank of New Zealand Act 1988 became effective, resulting in a complete sale of the Government's interest in the Guarantor, and the incorporation of the Guarantor as a limited liability company under the New Zealand Companies Act 1955. In March 1997, the Guarantor was re-registered under the New Zealand Companies Act 1993. NAB assumed control of the Guarantor and the group of companies of which it is the parent company (**BNZ Group**) on 1 October 1992.

The Guarantor is a company with limited liability incorporated in New Zealand and it operates under the New Zealand Companies Act 1993. Its registered office is Level 4, 80 Queen Street, Auckland, New Zealand (telephone number +64 9 976 5403).

### BUSINESS OVERVIEW

#### *Principal activities*

The Guarantor is a full service bank incorporating retail and business banking, plus corporate and institutional banking.

The BNZ Group's business is organised into the following operating segments: Retail, BNZ Partners and BNZ Wholesale. The business units are supported by the specialist units of Products & Operations, Marketing & Corporate Affairs, Office of the CEO, Finance, Risk Management and People & Communications. The Guarantor raises offshore funding through BNZ-IF.

#### *Retail*

Retail provides financial services and products to retail customers, including housing loans and credit cards. Retail also sells insurance products on behalf of the Guarantor's related entities.

#### *BNZ Partners*

The Guarantor's relationships with business, agribusiness and corporate customers are managed through BNZ Partners.

#### *BNZ Wholesale*

BNZ Wholesale is responsible for the BNZ Group's wholesale and markets operations.

## *BNZ-IF*

BNZ-IF raises external offshore funding for the BNZ Group through the issuance of commercial paper, covered bonds and medium term notes under this Programme.

### **Covered Bonds**

In June 2010, the Guarantor established a covered bond programme under which the Guarantor or BNZ-IF is able to issue covered bonds from time to time. Covered bonds are debt securities in which investors have full recourse to the issuer and also to a pool of assets that "cover" the issuer's obligations. The pool of cover assets, in the case of the Guarantor's covered bond programme, is established by the Guarantor selling mortgage loans originated in the ordinary course of the Guarantor's business to a bankruptcy-remote trustee company that guarantees BNZ-IF's and the Guarantor's obligations in the event of a default. While the transfer of these mortgage loans is a true sale (meaning creditors of the Guarantor (including holders of Guaranteed Notes) will have no recourse to those mortgage loans in a liquidation of the Guarantor), the transferred mortgage loans are not derecognised from the Guarantor's financial statements as the Guarantor retains substantially all of the risks and rewards of ownership. The aggregate value of mortgage loans to be transferred by the Guarantor under the covered bond programme will not exceed the limits prescribed by the Reserve Bank of New Zealand from time to time. The Guarantor does not consider that the issue of covered bonds under the Guarantor's covered bond programme will adversely impact the Guarantor's ability to meet its obligations in respect of Guaranteed Notes.

### **ORGANISATIONAL STRUCTURE**

NAB is the ultimate parent company of the Guarantor, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of the Guarantor) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

### **TREND INFORMATION**

There has been no material adverse change in the prospects of the Guarantor since 30 September 2012.

### **PROFIT FORECASTS OR ESTIMATES**

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

### **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name, occupation and country of residence of each Director of the Guarantor as at the date of this Offering Circular are listed below. Unless otherwise indicated, the business address of each Director is Level 4, 80 Queen Street, Auckland, New Zealand.

#### **Non-Executive Director, Chairman**

John Anthony Waller, Company Director, New Zealand. Other appointments: Chairman, Eden Park Trust Board. Director, Alliance Group Limited, BNZ Investments Limited, Direct Property Fund Limited, Direct Property Fund No. 1 Limited, Donaghys Limited, Fonterra Co-Operative Group Limited, Haydn & Rollett Limited, JAW Advisory Limited, National Australia Bank Limited, National Equities Limited, Rugby Accommodation 2011 Limited, Rugby Sales New Zealand Limited, Sky Network Television Limited, and Yealands Wine Group Limited.

## **Executive Director**

Andrew Gregory Thorburn, Managing Director and Chief Executive Officer, Bank of New Zealand, New Zealand. Other appointments: Director, Great Western Bancorporation Inc, Great Western Bank, National Americas Holdings LLC, National Wealth Management New Zealand Holdings Limited and New Zealand Initiative Limited.

## **Non-Executive Directors**

Gavin Slater, Director and Group Executive, Group Business Services, NAB, Australia (Business address: National Australia Bank Limited, Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia).

Cameron Anthony Clyne, Director and Group Chief Executive Officer, NAB, Australia (Business address: National Australia Bank Limited, Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia). Other appointments: Director, Camel Nominees Pty Limited, Clydesdale Bank Plc, Melcam Pty Limited, National Australia Bank Limited, National Equities Limited, National Australia Group Europe Limited and Serv Co Pty Limited.

## **Independent Non-Executive Directors**

Edwin Gilmour Johnson, Company Director, New Zealand. Other appointments: Chairman, Fulton Hogan Limited, Fulton Hogan Pty Limited (Australia), Goldpine Group Limited, Goldpine Industries Limited, Goldpine Properties Limited, Indevin Group Limited, Port Marlborough New Zealand Limited and Wine Export Partners New Zealand Limited. Director, Chalmers Properties Limited, Fiordland Pilot Services Limited, Marlborough Sounds Maritime Pilots Limited, National Institute of Water and Atmospheric Research Limited, NIWA Vessel Management Limited, Perpetual Property Limited, PMNZ Marina Holdings Limited, Port Otago Limited, Stone Farm Holdings Limited, Stone Farm Olives Limited and Waikawa Marina Trustee Limited.

Dr. Susan Carrel Macken, Company Director, New Zealand. Other appointments: Director, Blossom Bear Limited, ESR Limited, Fertility Associates Limited, Fertility Associates Holdings Limited, Fertility Associates Trustee Limited, Institute of Environmental Science and Research Limited, STG Limited and UCG Investments Limited. Non-Executive Board Member of the Treasury.

Dr Andrew John Pearce, Company Director, New Zealand. Other appointments: Director, Christchurch City Holdings Limited, Focus Genetics Management Limited, Hawke's Bay Regional Investment Company Limited and Seon Pearce & Associates Limited.

Stephen John Moir, Company Director, New Zealand. Other appointments: Director, BNZ Insurance Services Limited, BNZ Life Insurance Limited and Ijap Limited.

Prudence Mary Flacks, Company Director, New Zealand. Other appointments: Director, BNZ Insurance Services Limited, BNZ Life Insurance Limited, BBULL Family Trust Limited, Mighty River Power Limited, Planboe Limited and Chorus Limited.

The policy and current practice of the Board of Directors of the Guarantor for avoiding or dealing with conflicts of interest which may arise from one or more of the personal, professional or business interests of the Directors, is that where a Director's judgement could potentially be impaired due to a conflict of these interests, that Director must declare that the conflict exists and leave the meeting for the duration of the Board's discussion and voting on the relevant matter.

According to the Constitution of the Guarantor, a Director may not, when exercising powers or performing duties as a Director, act other than in what he/she believes is in the best interests of the Guarantor.



At the date of this Offering Circular, there are no conflicts of interest between any duties of these Directors to the Guarantor and their private interests or their other duties.

## **MAJOR SHAREHOLDERS**

The Guarantor is wholly-owned by National Australia Group (NZ) Limited and the Guarantor is ultimately owned and controlled by NAB.

National Australia Group (NZ) Limited, NAB and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) are the only holders of a direct or indirect qualifying interest in the voting securities of the Guarantor. National Australia Group (NZ) Limited is the registered and beneficial holder of all the Guarantor's voting securities.

Save as disclosed on page 177 under "*Description of NAB – Organisational Structure*", the Guarantor is not aware of any arrangements that are in place the operation of which may result in a change of control of the Guarantor.

## **FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The financial information relating to the Guarantor contained in this Offering Circular has been prepared in accordance with New Zealand GAAP. In relation to the Guarantor's Disclosure Statements for the financial years ended 30 September 2011 and 30 September 2012, which are incorporated by reference in this Offering Circular, New Zealand GAAP comprises NZ IFRS and other applicable financial reporting standards and interpretations as appropriate for profit-orientated entities.

The financial information in relation to the Guarantor for its financial years ended 30 September 2011 and 30 September 2012 is contained in its Disclosure Statements for these financial periods, which are both incorporated by reference in this Offering Circular. Such financial statements contain information about the Guarantor and consolidated information about the BNZ Group. See further "*Documents Incorporated by Reference and Credit Ratings*" above.

### ***Auditing of historical annual financial information***

The historical financial information described above has been audited; please see the "*Auditors' Report*" at pages 93 and 94 of the Disclosure Statement for the year ended 30 September 2011 and at pages 91 and 92 of the Disclosure Statement for the year ended 30 September 2012 of the Guarantor, both incorporated by reference in this Offering Circular.

No other information in this Offering Circular has been audited by the auditors of the Guarantor.

### ***Legal and arbitration proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Guarantor or BNZ Group.

### ***Recent events***

There are no recent events particular to the Guarantor that are, to a material extent, relevant to the evaluation of its solvency.

### ***Significant change in the financial or trading position of the Guarantor***

There has been no significant change in the financial or trading position of the BNZ Group which has occurred since 30 September 2012.

### **NEW ZEALAND GOVERNMENT GUARANTEE**

Guaranteed Notes issued by BNZ-IF under the Programme will not be guaranteed under the NZ Deed of Government Guarantee (as described below).

#### ***New Zealand Retail Deposit Guarantee Scheme***

On 12 October 2008 the Minister of Finance of New Zealand, in order to maintain depositor confidence in the New Zealand financial sector, announced the establishment of an opt-in retail deposit scheme (**NZ Retail Deposit Scheme**).

Her Majesty the Queen in right of New Zealand (**NZ Government Guarantor**) entered into a deed of guarantee with the Guarantor on 5 November 2008 (**NZ Retail Government Guarantee**), and the Guarantor signed a revised deed of guarantee dated 14 December 2009 (**Revised Guarantee**).

The NZ Retail Government Guarantee was available for the period commencing at 12.01 am on 12 October 2008 and expiring at 12.01 am on 12 October 2010. On 25 August 2009, the New Zealand Government announced that it would extend the NZ Retail Deposit Scheme to 31 December 2011 and change some of its terms and conditions. The Guarantor did not take up the option to join the extended scheme so the NZ Retail Government Guarantee and the Revised Guarantee are no longer applicable to the Guarantor.

Guaranteed Notes issued by BNZ-IF under the Programme are not guaranteed under the NZ Retail Deposit Scheme.

#### ***Crown Wholesale Guarantee Scheme***

On 1 November 2008 the Minister of Finance of New Zealand, in the interests of maintaining the stability of the New Zealand financial system, announced the establishment of a wholesale funding guarantee facility (**NZ Wholesale Guarantee Scheme**). With effect from 30 April 2010, the NZ Wholesale Guarantee Scheme is no longer available for further debt securities issued or guaranteed by the Guarantor.

The Guarantor applied to join the NZ Wholesale Guarantee Scheme on 27 November 2008. The Guarantor's application was accepted on 19 December 2008, and on that date the Guarantor entered into a Crown Wholesale Funding Guarantee Facility Deed with the NZ Government Guarantor (**NZ Wholesale Guarantee Facility**). Under the NZ Wholesale Guarantee Facility, the NZ Government Guarantor executed a deed of guarantee dated 19 December 2008 in respect of the eligible liabilities of the Guarantor (as amended or supplemented from time to time, **NZ Deed of Government Guarantee**). Copies of the NZ Wholesale Guarantee Facility, the NZ Deed of Government Guarantee and each Guarantee Eligibility Certificate issued by the NZ Government Guarantor are available for inspection at [www.treasury.govt.nz/economy/guarantee/wholesale](http://www.treasury.govt.nz/economy/guarantee/wholesale).

Securities already issued by BNZ-IF before the date of this Offering Circular which have the benefit of the NZ Deed of Government Guarantee will continue to do so in accordance with the terms of the NZ Deed of Government Guarantee.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that each of the Issuers and the Guarantor believes to be reliable, but none of the Issuers, the Guarantor, the Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised each of the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (**Direct Participants**) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect

access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

*United States IRS Circular 230 Notice: To ensure compliance with the United States IRS Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offering Circular or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.*

### United States Taxation

This section describes the material United States federal income tax consequences of owning the Notes the Issuer is offering. It applies only to investors who acquire Notes in the initial offering and hold the Notes as capital assets for tax purposes. This section does not apply to investors who are members 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 its securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- an individual retirement account or other tax-deferred account,
- a person that 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 purchases or sells Notes as part of a wash sale for tax purposes,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes, 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 the applicable Final Terms. In particular, the United States federal tax consequences of owning Undated Subordinated Notes, which may be treated as equity for United States federal tax purposes, will be discussed in the applicable Final Terms. In addition, this section deals only with Notes that are issued in registered form for United States federal income tax purposes. The United States federal income tax consequences of owning Notes that are issued in bearer form will be discussed in the applicable Final Terms. This section is based on the Internal Revenue Code of 1986, as amended (the **Code**), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

**If a partnership holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a**

**partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the notes.**

*Holders should consult their own tax advisors concerning the consequences of owning these Notes in their particular circumstances under the Code and the laws of any other taxing jurisdiction.*

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

The applicable Final Terms will discuss any special United States federal income tax rules with respect to (i) Notes the payments on which are determined by reference to any index or are denominated in, or determined by reference to, more than one currency, (ii) other Notes that are subject to the rules governing contingent payment obligations, and (iii) any extendible and instalment Notes.

### **United States Holders**

This subsection describes the tax consequences to a United States holder. A United States holder is a beneficial owner of a Note that is:

- 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 authorised to control all substantial decisions of the trust.

This subsection does not apply to holders who are not United States holders, and they should refer to "*United States Alien Holders*" below.

Bearer Notes are not being offered to United States holders. A United States holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

### ***Payments of Interest***

Except as described below in the case of interest on a discount Note that is not qualified stated interest, each as defined below under "*Original Issue Discount-General*", a holder will be taxed on any interest on the Note, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time the holder receives the interest or when it accrues, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes, original issue discount, if any, accrued with respect to the Notes (as described below under **Original Issue Discount**) and any additional amounts paid with respect to withholding tax on the notes, including withholding tax on payments of such additional amounts (**additional amounts**) constitutes income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a United States holder. Interest, original issue discount and additional amounts paid or accrued will, depending on the circumstances, be either "passive category" or "general category" income for purposes of computing the foreign tax credit allowable to a United States holder.

### ***Cash Basis Taxpayers***

A taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and receives an interest payment that is denominated in, or determined by reference to, a foreign currency, must recognise



income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the holder actually converts the payment into U.S. dollars.

### *Accrual Basis Taxpayers*

A taxpayer that uses an accrual method of accounting for tax purposes may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, a holder 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.

Under the second method, a holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if a holder receives a payment of interest within five business days of the last day of the accrual period or taxable year, the holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment. If a holder elects the second method it will apply to all debt instruments it holds at the beginning of the first taxable year to which the election applies and to all debt instruments that it subsequently acquires. A holder may not revoke this election without the consent of the IRS.

When a holder actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of the Note, denominated in, or determined by reference to, a foreign currency for which the holder accrued an amount of income, it will recognise U.S. source ordinary income or loss measured by the difference, if any, between the exchange rate used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the holder actually converts the payment into U.S. dollars.

### *Original Issue Discount*

#### *General*

If a holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as a discount Note issued with 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 under "*Variable Rate Notes*".

In general, a Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of 1 per cent. of its stated redemption price at maturity multiplied by the number of complete years to its maturity. A Note will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If the Note has *de minimis* OID, a holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "*Election to Treat All Interest as Original Issue Discount*". The includible amount with respect to each such payment can be determined by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to:

- the amount of the principal payment made, divided by:

- the stated principal amount of the Note.

Generally, if the discount Note matures more than one year from its date of issue, the holder must include OID in income before it receives cash attributable to that income. The amount of OID that a holder must include in income is calculated using a constant-yield method, and generally a holder will include increasingly greater amounts of OID in income over the life of the Note, unless the Note is a self-amortising original issue discount note. More specifically, the amount of OID included in income can be calculated by adding the daily portions of OID with respect to the discount Note for each day during the taxable year or portion of the taxable year that a holder holds the discount Note. The daily portion can be calculated by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A holder may select an accrual period of any length with respect to the discount Note and may vary the length of each accrual period over the term of the discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

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

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

A holder must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a holder determines the discount Note's adjusted issue price at the beginning of any accrual period by:

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

If an interval between payments of qualified stated interest on the discount Note contains more than one accrual period, then, when a holder determines the amount of OID allocable to an accrual period, the holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of the Note, other than any payment of qualified stated interest, and
- the Note's adjusted issue price as of the beginning of the final accrual period.

#### *Acquisition Premium*

If a holder purchases the Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the Note after the purchase date but is greater than the amount of the Note's adjusted issue price, as determined above under "*General*", the excess is acquisition premium. If a

holder does not make the election described below under "*Election to Treat All Interest as Original Issue Discount*", then the holder must reduce the daily portions of OID by a fraction equal to:

- the excess of the holder's adjusted basis in the 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 Note's adjusted issue price.

#### *Pre-Issuance Accrued Interest*

An election may be made to decrease the issue price of the Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of the Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on the Note is to be made within one year of the Note's issue date, and
- that payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note. If an election is not made, the U.S. federal income tax treatment of any pre-issuance accrued interest is not entirely clear. United States holders should consult their own tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

#### *Notes Subject to Contingencies Including Optional Redemption*

The Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, a holder must determine the yield and maturity of the Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a holder must include income on the Note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if the Note is subject to contingencies, and either the holder or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on the Note, and
- in the case of an option or options that the holder may exercise, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on the Note.

If both the holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A holder may determine the yield on the Note for the purposes of those calculations by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on the date that the holder chooses in accordance with the terms of the Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a holder must re-determine the yield and maturity of the Note by treating the Note as having been retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

#### *Election to Treat All Interest as Original Issue Discount*

A holder may elect to include in gross income all interest that accrues on the Note using the constant- yield method described above under "*General*", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* 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 a holder makes this election for the Note, then, when the holder applies the constant-yield method:

- the issue price of the Note will equal the cost,
- the issue date of the Note will be the date the holder acquired it, and
- no payments on the Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which the holder makes it; however, if the Note has amortizable bond premium, a holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that the holder holds as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if a holder makes this election for a market discount Note, the holder will be treated as having made the election discussed below under "*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that a holder acquires on or after the first day of the first taxable year to which the election applies. A holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortisable bond premium or market discount Notes without the consent of the IRS.

#### *Variable Rate Notes*

The Note will be a variable rate note if:

- the Note's issue price does not exceed the total non-contingent principal payments by more than the lesser of:
  1. 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date, or
  2. 15 per cent. of the total non-contingent principal payments; and
- the Note provides for stated interest, compounded or paid at least annually, only at:
  1. one or more qualified floating rates,

2. a single fixed rate and one or more qualified floating rates,
  3. a single objective rate, or
  4. a single fixed rate and a single objective rate that is a qualified inverse floating rate; and
- it does not provide for any principal payments that are contingent (other than as described in above).

The Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or
- the rate is equal to such a rate multiplied by either:
  1. a fixed multiple that is greater than 0.65 but not more than 1.35 or
  2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If the Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

The Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

The Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- 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, and
- the value of the rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

The Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

The Note will also have a single qualified floating rate or an objective rate if interest on the Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points, or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if the variable rate Note provides for stated interest at a single qualified floating rate or objective rate or one of those rates after a single fixed rate for an initial period, all stated interest on the note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the note.

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

- determining a fixed rate substitute for each variable rate provided under the variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a holder determines the fixed rate substitute for each variable rate provided under the variable rate Note, a holder generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Note.

If the variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, the variable rate Note will be treated, for purposes of the first three steps of the determination, as if the Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

#### *Short-Term Notes*

In general, if a holder is an individual or other cash basis United States holder of a short-term note, it is not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless the holder elects to do so (although it is possible that the holder may be required to include any stated interest in income as it receives it). This election will apply to all obligations with a maturity of one year or less acquired by the holder on or after the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. If the holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, it will be required to accrue OID on short-term notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If the holder is not required and does not elect to include OID in income currently, any gain it realises on the sale or retirement of the short-term note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless the holder makes an

election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if the holder is not required and does not elect to accrue OID on the short-term Notes, it will be required to defer deductions for interest on borrowings allocable to the short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

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

#### *Foreign Currency Discount Notes*

If the discount Note is denominated in, or determined by reference to, a foreign currency, a holder must determine OID for any accrual period on the 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 under "*—United States Holders—Payments of Interest*". A holder may recognise U.S. source ordinary income or loss when it receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of the Note.

#### **Market Discount**

A holder will be treated as if it purchased the Note, other than a short-term note, at a market discount, and the Note will be a market discount Note if:

- the holder purchases the Note for less than its issue price as determined above under "*—Original Issue Discount—General*" and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price the holder paid for the Note is equal to or greater than 1/4 of 1 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity. To determine the revised issue price of the Note for these purposes, a holder generally adds any OID that has accrued on the Note to its issue price.

If the Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price a holder paid for the Note by less than 1/4 of 1 per cent. multiplied by the number of complete years to the Note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable.

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

A holder will accrue market discount on the market discount Note on a straight-line basis unless it elects to accrue market discount using a constant-yield method. If a holder makes this election, it will apply only to the Note with respect to which it is made and the holder may not revoke it. However, accrued market discount would not be included in income unless an election is made to do so as described above.

#### **Notes Purchased at a Premium**

If a holder purchases the 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), it may elect to treat the excess as amortizable

bond premium. If a holder makes this election, it will reduce the amount required to be included in its income each year with respect to interest on the Note by the amount of amortizable bond premium allocable to that year, based on the Note's yield to maturity. If the Note is denominated in, or determined by reference to, a foreign currency, a holder will compute the amortizable bond premium in units of the foreign currency and the amortisable bond premium will reduce the interest income in units of the foreign currency. Gain or loss recognised that is attributable to changes in exchange rates between the time the amortized bond premium offsets interest income and the time of the acquisition of the Note is generally taxable as U.S. source ordinary income or loss. If the holder makes an election to amortise bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that it holds at the beginning of the first taxable year to which the election applies or that it thereafter acquires, and the holder 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***

A holder's tax basis in the Note will generally be the U.S. dollar cost, as defined below, of the Note, adjusted by:

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

If the holder purchases the Note with foreign currency, the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a holder is a cash basis taxpayer, or an accrual basis taxpayer if the holder so elects, and the Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

A holder will generally recognise U.S. source gain or loss on the sale or retirement of the Note equal to the difference between the amount realised on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and the holder's tax basis in the Note. If the Note is sold or retired for an amount in foreign currency, the amount the holder realises will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realised based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

A holder will recognise capital gain or loss when it sells or retires the Note, except to the extent:

- described above under "*—Original Issue Discount—Short-Term Notes*" or "*—Market Discount*",
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States holder is generally taxed at a preferential rate where the holder has a holding period greater than one year.

A holder must treat any portion of the gain or loss that it recognises on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, a holder takes exchange gain or loss into account only to the extent of the total gain or loss it realises on the transaction.



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

If a holder receives foreign currency as interest on the Note or on the sale or retirement of the Note, the holder's 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 the holder purchases foreign currency, it generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of the purchase. If a holder sells or disposes of a foreign currency, including if the holder uses it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognised generally will be U.S. source ordinary income or loss.

### ***Medicare Tax***

For taxable years beginning after 31 December 2012, a United States holder that is an individual or an estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8 per cent. tax on the lesser of (1) the United States holder's "net investment income" 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 will be between U.S.\$125,000 and U.S.\$250,000, depending on the individual's circumstances). A holder's net investment income will generally include 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). A United States holder that is an individual, estate or trust, is urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Notes.

### **United States Alien Holders**

This subsection describes the tax consequences to a United States alien holder. A United States alien holder is a beneficial owner of a Note that is, for United States federal income tax purposes:

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

If a holder is a United States holder, this subsection does not apply.

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a United States alien holder of a Note, interest on a Note paid to such holder is exempt from United States federal income tax, including withholding tax, whether or not such holder is engaged in a trade or business in the United States, unless:

- such holder is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- such holder both
  - (a) has an office or other fixed place of business in the United States to which the interest is attributable and
  - (b) derives the interest in the active conduct of a banking, financing or similar business within the United States, or is a corporation (for United States federal income tax purposes) with a principal business of trading in stock and securities for its own account.

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

Subject to the discussion of backup withholding and foreign account tax compliance withholding below, if a holder is a United States alien holder of a Note, such holder generally will not be subject to United States federal income tax on gain realised on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with such holder's conduct of a trade or business in the United States or
- such holder is an individual, is present in the United States for 183 or more days during the taxable year in which the gain is realised and certain other conditions exist.

In addition, 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 purposes of the United States federal estate tax as a result of the individual's death if the income on the Note would not have been effectively connected with a United States trade or business of the individual at the individual's death.

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

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a **Reportable Transaction**). Under these regulations, if the Notes 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 recognises a loss with respect to the notes that is characterised as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is U.S.\$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. A holder should consult with its tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of notes.

### **Foreign Account Tax Compliance Withholding**

A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. United States accountholders subject to such information reporting or certification requirements may include holders of certain Notes, such as those that provide exposure to U.S. equities, and the Issuers may be required to withhold on a portion of any payment made under such Notes as well as on a portion of any payment under any Note that is made to a non-U.S. financial institution or holder that has not agreed to comply with applicable information reporting or certification requirements. Such withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, Notes held through a non-compliant institution may be subject to withholding even if the holder of the Note otherwise would not be subject to withholding. Under proposed regulations, such withholding would generally not apply to payments made before 1 January 2017. Moreover, under administrative guidance, such withholding would only apply to Notes issued at least six months after the date on which final regulations implementing such rules are enacted. However, the rules for the implementation of this legislation have not yet been finalised, so it is impossible to determine at this time what impact, if any, this legislation will have on holders of the Notes.

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

If a holder is a non-corporate United States holder, information reporting requirements, on IRS Form 1099, generally will apply to:

- payments of principal and interest on a Note within the United States, including payments made by wire transfer from outside the United States to an account the holder maintains in the United States, and
- the payment of the proceeds from the sale of a Note effected at a United States office of a broker or at a non-United States office of a U.S. paying agent or U.S. intermediary.

Additionally, backup withholding will apply to such payments if the holder is a non-corporate United States holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the IRS that it has failed to report all interest and dividends required to be shown on the holder's federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

If the holder is a United States alien holder, it is generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest made to the holder outside the United States by the Issuer or another non-United States payer, and
- other payments of principal and interest and the payment of the proceeds from the sale of a note effected at a United States office of a broker or at a non-United States office of a U.S. broker, paying agent or other intermediary, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:
  - (a) the payer or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished to the payer or broker:
    - 1. an IRS Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that the holder is a non-United States person, or
    - 2. other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
  - (b) the holder otherwise establishes an exemption.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the relevant documentation requirements are met or the holder otherwise establishes an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
  - (a) one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership, or
  - (b) such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the relevant documentation requirements are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the holder is a United States person.

Any amount withheld under the backup withholding rules from a payment to such Holder will be allowed as a refund or credit against such Holder's United States federal income tax, provided the required information is timely furnished to the IRS

### **Information with Respect to Foreign Financial Assets**

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

### **Australian Taxation**

*The following is an overview of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the **Australian Tax Act**), at the date of this Offering Circular of payments of interest (as defined in the Australian Tax Act) on the "Notes" to be issued by the Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including, dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders).*

*Prospective holders of Notes should also be aware that particular terms of issue of any series of Notes may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.*

#### **1. Interest withholding tax**

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (**IWT**) is available, in respect of the Notes issued by 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 those 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) those Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Issuer is offering those Notes for issue. In summary, the five methods are:
  - offers to 10 or more unrelated financiers or securities dealers;
  - offers to 100 or more investors;
  - offers of listed Notes;
  - offers via publicly available information sources; and
  - offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods.

The issue of Notes as 'global bonds', as defined in the Australian Tax Act should also satisfy the public offer test.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test provided NAB does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in those Notes were being, or would later be, acquired, directly or indirectly, by an "associate" of NAB, except as permitted by section 128F(5) of the Australian Tax Act.

The exemption under section 128F also does not apply to interest paid in respect of a Note if, at the time of the payment of interest, NAB knows, or has reasonable grounds to suspect, that the payee is an "associate" of NAB, except as permitted by section 128F(6) of the Australian Tax Act.

#### *Associates*

An "associate" of NAB for the purposes of section 128F of the Australian Tax Act includes, when the Issuer is not a trustee (i) a person or entity which holds more than 50 per cent. of the voting shares of, or otherwise controls, the Issuer, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, NAB, (iii) a trustee of a trust where NAB is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity which is an "associate" of another person or company which is an "associate" of NAB under any of the foregoing.

However, "associate" does not include:

- (A) onshore associates (*i.e.* Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (*i.e.* Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Notes in the course of carrying on business 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 relevant Final Terms (or another relevant supplement to this Offering Circular), NAB intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

#### *Exemptions under 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,

by reducing the IWT rate to zero (interest paid under a back-to-back loan or economically equivalent arrangement will not qualify for this exemption).

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.

#### *Notes in bearer form—section 126 of the Australian Tax Act*

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on the payment of interest on Notes in bearer form if NAB fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as the Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in Notes in bearer form are held through Euroclear or Clearstream, Luxembourg, NAB intends to treat the operators of those clearing systems as the holders of those Notes for the purposes of section 126 of the Australian Tax Act.

#### *Payment of additional amounts*

As set out in more detail in the relevant Terms and Conditions for the Notes, and unless expressly provided to the contrary in the relevant Final Terms (or another relevant supplement to this Offering Circular), if NAB is at any time compelled or authorised 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 will have the option to redeem those Notes in accordance with the relevant Terms and Conditions.

## 2. Other tax matters

Under Australian laws as presently in effect:

- (a) *income tax—offshore Noteholders*—assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes; and
- (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 recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the terms and conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located; and
- (c) *gains on disposal or redemption of Notes—offshore Noteholders* - a holder of Notes who is a non-Australian resident will not be subject to Australian income tax on gains realised during that year on the sale or redemption of the Notes, provided:
  - (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; or
  - (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; and
- (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. These rules do 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; and

- (f) *stamp duty and other taxes*—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes; and
- (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 at the rate of (currently) 46.5 per cent. on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (**TFN**), (in certain circumstances) an Australian Business Number (**ABN**) or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, then the requirements of section 12-140 do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate); and
- (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 1953 of Australia (**Taxation Administration Act**); and
- (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 Issuer, nor the disposal of the Notes, would give rise to any GST liability in Australia; and
- (j) *Additional withholdings from certain payments to non-residents*—section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Offering Circular are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any regulations to the proceeds of any sale of the Notes will need to be monitored.
- (k) *Taxation of foreign exchange gains and losses*—divisions 775 and 960 of the Australian Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions.

These rules are complex and may also apply to any Noteholders who are Australian residents or non-residents that hold Notes that are not denominated in Australian dollars in the course of carrying on business in Australia. Any such Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of those Notes.

- (l) *Taxation of financial arrangements*—Division 230 of the 1997 Australian Tax Act is a code for the taxation of gains and losses in relation to "financial arrangements". The division defines a 'financial arrangement' and sets out the six methods (four of which are elective, subject to certain safeguards)



for bringing to account gains or losses on financial arrangements. These methods determine the tax-timing treatment of all financial arrangements covered by the new provisions.

The measures should not apply to Noteholders who are non-Australian residents and who do not hold their Notes in the course of carrying on business at or through a permanent establishment in Australia.

Section 230-30(1) and the associated explanatory memorandum indicates that interest payments, which are exempt from IWT as a result of the exemption in section 128F, will not be subject to tax under the new provisions.

## **New Zealand Taxation**

*The following is applicable where the Issuer is BNZ-IF and, in the case of payments made under the Guarantee, also applies to the Guarantor.*

*The comments below are of a general nature based on current New Zealand law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. The comments relate only to withholding and do not deal with any other aspect of the New Zealand taxation treatment that may be applicable to Noteholders (including, for instance, income tax). Prospective Noteholders should note that the particular terms of issue of any series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and any other series of Notes and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the relevant Issuer in accordance with Condition 15 (Meetings of Noteholders, Modification, Waiver, Determination and Substitution) of the Notes.*

*Any Noteholders who are in doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than New Zealand in respect of their acquisition, holding or disposal of Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain New Zealand taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of New Zealand.*

### **1. Resident Withholding Tax**

The Issuer or the Guarantor, as the case may be, will deduct any applicable New Zealand resident withholding tax at the rate required by law from the payment of interest (including amounts deemed to be interest) to the Noteholder, Receiptholder or Couponholder if:

- (a) the person deriving the interest is a resident of New Zealand for income tax purposes or is engaged in business in New Zealand through a fixed establishment in New Zealand (a **New Zealand Noteholder**); and
- (b) at the time of such payment the New Zealand Noteholder does not hold a valid resident withholding tax exemption certificate.

If resident withholding tax is required to be deducted from the payment of any interest by the Issuer or the Guarantor, the Issuer or the Guarantor (as the case may be) will not be obliged to pay any additional amount.

### **2. Non-Resident Withholding Tax**

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest (including amounts deemed to be interest) with a New Zealand

source to a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder. If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer, the Issuer intends to reduce the applicable rate of non-resident withholding tax to zero per cent. as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on its own account, an approved issuer levy (currently equal to 2 per cent. of such payments of interest). If non-resident withholding tax is required to be deducted from the payment of any interest by the Guarantor, the Issuer and the Guarantor intend to reduce the applicable rate of non-resident withholding tax to zero per cent. if permitted by law as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on the Guarantor's own account, the approved issuer levy.

Where the Issuer is associated with the Noteholder, Receiptholder or Couponholder under the Income Tax Act 2007, payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax. The Issuer will not pay an additional amount to the Noteholder, Receiptholder or Couponholder in respect of non-resident withholding tax deducted in that case. Under the Income Tax Act 2007, two companies will be associated if there is a group of persons holding (directly or indirectly) 50 per cent. or more of the "voting interests" or (in certain circumstances) "market value interests" in both companies ("voting interests" and "market value interests" having the meanings given in the Income Tax Act 2007) or who have control of both companies by any other means. These are not the only circumstances in which two companies will be associated; other association tests may apply in particular circumstances. For other Noteholders, Receiptholders and Couponholders (including individuals, partnerships and trusts) different association rules apply. Other exceptions to the obligation to pay an additional amount are set out in Condition 8.

Where a holder of a Note, Receipt or Coupon who is not a New Zealand Noteholder holds the Note, Receipt or Coupon jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the non-resident at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. The Issuer will not pay an additional amount to the Noteholder, Receiptholder or Couponholder in respect of non-resident withholding tax deducted in that case. Other exceptions to the obligation to pay an additional amount are set out in Condition 8.

### **3. Information**

Noteholders, Receiptholders and Couponholders should note that the New Zealand Inland Revenue Department has the power to obtain information (including the name and address of a beneficial owner of the interest) from any person in New Zealand who pays or credits interest to, or receives interest for the benefit of, a Noteholder, Receiptholder or Couponholder. Any information obtained may be exchanged by the New Zealand Inland Revenue Department with tax authorities of any other relevant jurisdiction.

#### **United Kingdom Taxation**

**The following applies only to persons who are the beneficial owners of Notes and is an overview of the Issuers' understanding of current United Kingdom tax law as applied in England and Wales and HM Revenue and Customs published practice (which may not be binding on HM Revenue and Customs) in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuers) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

**1. Interest on the Notes**

**A. *Payments of interest on the Notes issued by Clydesdale Bank PLC, by NAB's London branch (the **Bank Issuers**), or by BNZ-IF's London branch (the **Company Issuer**)***

The Bank Issuers, provided that they continue to be banks within the meaning of section 991 of the Income Tax Act 2007 (the **Act**), and provided that the interest on the Notes issued by the Bank Issuers is paid in the ordinary course of their business within the meaning of section 878 of the Act, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes issued by the Bank Issuers or by the Company Issuer may be made without deduction of or withholding on account of United Kingdom income tax (even if, in the case of payments of interest on Notes issued by the Bank Issuers, they are not paid in the ordinary course of the relevant Bank Issuer's business) provided that the Notes issued by the Bank Issuers or the Company Issuer are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. The Luxembourg Stock Exchange is a recognised stock exchange. The Notes issued by the Bank Issuers or the Company Issuer will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Luxembourg Stock Exchange. Provided, therefore, that the Notes issued by the Bank Issuers or the Company Issuer are and remain so listed, interest on those Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes issued by the Bank Issuers or the Company Issuer may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the relevant Bank Issuer or the Company Issuer reasonably believes (and any person by or through whom interest on these Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue and Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes issued by the Bank Issuers or the Company Issuer may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes issued by the Bank Issuers or the Company Issuer on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the relevant Bank Issuer or the Company Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

**B. *Payments of interest on the Notes issued by NAB (otherwise than by its London branch)***

Payments of interest on these Notes may be made without withholding on account of United Kingdom income tax.

## 2. HM Revenue and Customs' Power to Obtain Information

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder who is an individual. HMRC also has power, in certain circumstances, to obtain equivalent information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person who is an individual, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid or received on or before 5 April 2013. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained under either power may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### Luxembourg Taxation

*The following overview is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

#### (i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws, implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 35 per cent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

#### (ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Pursuant to the Law as amended by the law of 17 July 2008, Luxembourg resident individuals acting in the course of their private wealth can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a state or territory which has concluded an international agreement directly related to the Directive.

## **Austria**

*This section on taxation contains a brief overview of the Issuers' understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This overview does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.*

### *General remarks*

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### *Income taxation of the Notes*

With the passing of the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*), the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Notes from a bank deposit (*Depotentnahme*) and circumstances leading to Austria's loss of taxation right regarding the Notes vis-à-vis other countries, e.g., a relocation from Austria (Wegzug), are in general deemed to constitute a sale (cf. sec. 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25 per cent. In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25 per cent. may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives in the form of securities with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding the Notes as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25 per cent). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25 per cent). In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Notes at a rate of 25 per cent. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent., which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian

Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Notes is subject to corporate income tax of 25 per cent. Losses from the sale of the Notes can be offset against other income (and carried forward).

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as a non-business asset are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives in the form of securities. Interim tax does not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the tax period. In case of investment income with an Austrian nexus (as described above) the income is in general subject to a withholding tax of 25 per cent., which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then the withholding tax on the positive income is to be refunded, with such refund being limited with 25 per cent. of the negative income. In certain cases, the offsetting is not permissible. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

#### *EU withholding tax*

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependent or associated territories) are subject to a withholding tax of 35 per cent. if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

#### *Austrian inheritance and gift tax*

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and portfolio shares (i.e., less than 1 per cent.). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5 per cent., with a higher rate of 25 per cent. applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of

gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10 per cent. of the fair market value of the assets transferred.

Further, it should be noted that gratuitous transfers of the Notes can trigger income tax on the level of the transferor pursuant to sec. 27(6)(1) of the Austrian Income Tax Act (see above).

## **Belgian Taxation**

*Set out below is an overview of certain Belgian tax consequences of acquiring, holding and selling the Notes. This overview is not intended to be an exhaustive description of all relevant Belgian tax considerations and investors should consult their own tax advisors regarding such considerations in relation to their own particular circumstances. The description of certain Belgian taxes set out below is for general information only and does not purport to be comprehensive.*

*This overview is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.*

*Note in this respect that on 20 November 2012, a political agreement was reached on the 2013 Belgian federal budget, including a number of tax measures relevant to an investment in the Notes. Reference is made to the expected tax treatment (expectedly as from 1 January 2013) in the following sections. However, please note that (i) the political agreement does not cover all measures in detail, and (ii) these measures have not yet been implemented in Belgian law. Consequently, there is a level of uncertainty in respect of the announced tax treatment in Belgium.*

### *Belgian income tax*

For Belgian tax purposes, interest includes any interest paid on the Notes as well as any amount paid in excess of the initial issue price upon redemption or purchase by the Issuer. On any sale of the Notes to a party other than the Issuer between interest payment dates, an amount of the sale price equal to the interest accrued to the date of such sale is also taxable as interest income. For the purposes of the following paragraphs, any such gains and accrued interest are therefore referred to as interest.

For Belgian tax purposes, if interest is in a foreign currency, it is converted into euro on the date of payment or attribution.

### *Belgian resident individuals*

For individuals who are Belgian residents for tax purposes, ie, individuals who are subject to Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*) and are holding the Notes as a private investment, all interest payments will be subject to a 21 per cent. Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. If, in addition to the 21 per cent. withholding tax, those individuals opt to apply an additional levy of four per cent tax on the interest on the Notes, those withheld taxes will fully discharge them from their personal income tax liability with respect to such interest. This means that they do not have to declare the interest on the Notes in their personal income tax return.

If the abovementioned individuals do not opt to apply this additional four per cent levy on the interest on the Notes, the withholding tax of 21 per cent. does not fully discharge them from their personal income tax liability with respect to the interest. In these circumstances, the interest on the Notes will be notified to a special contact centre operated by the relevant service of the Belgian tax administration who may exchange certain information with the Belgian tax authorities, and the individuals will need to declare the interest in



their personal income tax return. The interest so declared will normally be taxed at the withholding tax rate of 21 per cent. or at the progressive personal income tax rates plus local surcharges taking into account the taxpayer's other declared income (whichever is lower).

If the gross amount of all interest and dividend income declared and/or notified to the contact centre exceeds EUR 20,020 within a specific year (threshold applicable for assessment year 2013, income year 2012), the interest declared on the Notes exceeding this threshold will be subject to an additional tax of four per cent. Certain specific categories of interest and dividends are exempt and are not taken into consideration in calculating whether the threshold has been exceeded. Some other categories of interest and dividends are exempt, but are taken into consideration in calculating whether or not the threshold has been exceeded.

If interest is declared:

- (i) the retained withholding tax; and
- (ii) if the relevant individual opted to apply the additional four per cent levy, the additional levy;

will be credited against their final tax liability and any excess can be refunded.

If the interest payment is not made through a financial institution or other intermediary established in Belgium and as a result the withholding tax is not applied, any individuals who are Belgian residents for tax purposes and who are holding the Notes as a private investment must declare the interest income in their annual tax return. The personal income tax rules applicable to such interest income will be identical to the rules set out above (ie personal income tax rate of 21 per cent or 25 per cent) or at the progressive personal income tax rate taking into account the taxpayer's other declared income (plus additional local surcharges).

Note that various tax law changes have been announced which, if adopted, would affect the tax regime of interest payments on the Notes in the following way: (i) the Belgian interest withholding tax rate would increase from 21 per cent. to 25 per cent., (ii) the four per cent. additional levy, including the system whereby certain information is communicated to a special contact centre, would be abolished and (iii) the Belgian withholding tax would constitute the final tax for Belgian resident individuals, i.e. they would not be required to report the interest income in their annual personal income tax return.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the normal management of the individual's private estate or unless the capital gains qualify as interest. In principle, any capital losses realised upon the disposal of the Notes held as non-professional investment are not tax deductible.

Different tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

#### *Belgian resident companies*

Interest paid through an intermediary established in Belgium to a Belgian company subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*) will generally be subject to Belgian withholding tax. However, an exemption may apply provided that certain formalities are complied with. For zero or capitalisation bonds, an exemption will only apply if the Belgian company and the Issuer are associated companies within the meaning of article 105, 6° of the Royal Decree of 27 August 1993 implementing the Belgian Income Tax Code of 1992. The current applicable withholding tax rate is 21 per cent. Note that an increase of the Belgian interest withholding tax rate from 21 per cent. to 25 per cent. has been announced. Belgian companies are, in principle, entitled to set off Belgian withholding tax against their corporate income tax liability provided certain conditions are fulfilled.

For any Belgian company subject to Belgian corporate income tax, all interest and any gain on a sale of the Notes will form part of that company's taxable basis. The current standard corporate income tax rate in Belgium is 33.99 per cent. If the income has been subject to a foreign withholding tax, a foreign tax credit

will be applied on the Belgian tax due. For interest income, the foreign tax credit is generally equal to a fraction where the numerator is equal to the foreign tax and the denominator is equal to 100 minus the rate of the foreign tax, up to a maximum of 15/85 of the net amount received (subject to some further limitations). Losses on the Notes are, in principle, tax deductible.

#### *Other Belgian legal entities subject to legal entities income tax*

For other Belgian legal entities subject to legal entities income tax (Rechtspersonenbelasting/Impôts des personnes morales), all interest payments will be subject to withholding tax, currently at a rate of 21 per cent. Note that an increase of the Belgian interest withholding tax rate from 21 per cent. to 25 per cent. has been announced.

If interest is paid through an intermediary established in Belgium, such intermediary must levy withholding tax, currently at the rate of 21 per cent. No other legal entities income tax will be levied on this income. If no intermediary established in Belgium is involved, the withholding tax must be declared and paid by the legal entity itself. Note that an increase of the Belgian interest withholding tax rate from 21 per cent. to 25 per cent. has been announced.

Any capital gain on a sale of the Notes to a party other than the Issuer will, in principle, be tax exempt, except for that part of the sale price attributable to the pro rata interest component. Such interest is subject to withholding tax, currently at the rate of 21 per cent. That withholding tax must be paid by the legal entity itself, unless it can demonstrate that the withholding tax will be paid at maturity. Note that an increase of the Belgian interest withholding tax rate from 21 per cent. to 25 per cent. has been announced.

#### *Tax on stock exchange transactions*

The acquisition of the Notes upon their issuance is not subject to the tax on stock exchange transactions. However, the sale and acquisition of the Notes on the secondary market will be subject to a tax on stock exchange transactions if executed in Belgium through a professional intermediary. The tax is generally due at a rate of 0.09 per cent on the Notes. This is applied separately on each sale and each acquisition, up to a maximum of EUR 650.00 per taxable transaction. Exemptions apply for certain categories of institutional investors and non-residents.

## **Germany**

At the date of this Offering Circular, there is no legal obligation for the Issuers or the Guarantor to deduct or withhold any German withholding tax (*Kapitalertragsteuer*) from payments of interest, principal and gains from the disposal, redemption, repayment or assignment of Notes or on any ongoing payments to the investors.

However, a German branch of a German or non-German bank (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*), a German securities trading company (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) holding Notes in custody directly for the investors (each a **Disbursing Agent**, *auszahlende Stelle*) may be obliged to withhold German withholding taxes on ongoing payments, on repayments of capital and on gains from the disposal, redemption, repayment or assignment of Notes or an interest coupon. Where Notes are not held in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, redemption, repayment or assignment of a Note or an interest coupon are paid by a Disbursing Agent, withholding tax generally may also apply. However, in general non-residents of Germany are not subject to the withholding tax, subject to meeting certain further requirements.

## **Ireland**

*The following is an overview of the Irish withholding tax treatment of the Notes. The overview does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes.*

The overview is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland as in effect on the date of this Offering Circular. Prospective investors in the Notes should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Notes including, in particular, the effect of any state or local law taxes, if applicable.

### *Irish Withholding Tax*

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (yearly interest is interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made for a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by companies that are resident in Ireland for the purposes of Irish tax, at the standard rate of income tax (currently 20 per cent.).

On the basis that the Issuers are not resident in Ireland for the purposes of Irish tax, nor do the Issuers operate in Ireland through a branch or agency with which the issue of the Notes is connected, nor are the Notes held in Ireland through a depository, or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Notes, such payments should not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer should not be obliged to deduct any amount on account of Irish tax from payments made in connection with the Notes.

### *Irish Encashment Tax*

Payments on any Notes paid by a paying agent in Ireland or to an agent in Ireland will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Notes entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

## **Italy**

*The statements in this Base Prospectus regarding taxation are based on the laws in force in Italy as at the date of this Programme and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### *Tax treatment of the Notes*

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree 239**), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

#### *Italian resident Noteholders*

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime — see under “*Capital gains tax*”, below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (**the Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (**the Collective Investment Fund Substitute Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of

the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

#### *Non-Italian resident Noteholders*

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

#### *Atypical securities*

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 20 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

The 20 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (b) a commercial partnership, or (c) a commercial private or public institution.

#### *Payments made by a non-Italian resident Guarantor*

With respect to payments on the Notes made to Italian resident Noteholders by a non-Italian resident Guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the non-Italian resident Guarantor could be treated, in certain circumstances, as a payment made by the relevant Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

#### *Capital gains tax*

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non-commercial partnership; (iii) a non commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must

indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Any capital gains realised by Italian resident real estate fund to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside Italy.

#### *Inheritance and gift taxes*

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November, 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

#### *Transfer tax*

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €168.00; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

#### *Stamp duty*

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.1 per cent. for the year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than €34.20 and, for the year 2012 only, it cannot exceed €1,200.

Under a preliminary interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Noteholders, to the extent that Notes are held with an Italian-based financial intermediary.

#### *Wealth Tax on securities deposited abroad*

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.1 per cent. for 2011 and 2012, and at 0.15 per cent. for subsequent years.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

#### *Implementation in Italy of the EU Savings Directive*

Italy has implemented the EC Council Directive 2003/48/EC (the **EU Savings Directive**) through Legislative Decree No. 84 of 18 April, 2005 (**Decree 84**). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by

the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **France**

*The following is an overview addressing only the French compulsory withholding tax treatment of income arising from the Notes. This overview is (i) based on the laws and regulations in full force and effect in France as at the date of this Offering Circular, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuers are not French residents for French tax purposes and are not acting from a French branch, permanent establishment or other fixed place of business in France in connection with the Notes. Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Notes.*

All payments by the Issuers in respect of the Notes will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein. However, the Finance Bill for 2013 (*projet de loi de finances pour 2013*) which is currently being discussed before the French Parliament and has not yet been enacted, provides that payments of interest (and assimilated income) received by French resident individuals as from 1 January 2013 would, subject to certain exceptions, be subject to a 24 per cent. compulsory withholding tax (which is creditable against their income tax) and to social levies.

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments has been implemented into French law under article 242 *ter* of the French tax code (*Code général des impôts*), which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners resident in another Member State, including, the identity and address of the beneficial owner and a detailed list of different categories of interest paid to the beneficial owner.

## **The Netherlands**

Payments of interest on Notes may be made free from withholding or deduction of Dutch tax.

## **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or to or for certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.



## UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**) and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation 29 CFR Section 2510.3-101 as modified by Section 3(42) of ERISA (a **Plan**), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also **Plans**), from engaging in certain transactions involving "Plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code (**Parties in Interest**) with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (**Non-ERISA Arrangements**) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (**Similar Laws**).

The acquisition of the Notes by a Plan with respect to which any of the Issuers, the Guarantor or certain of NAB's affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued certain prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. Included among these exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the **Service Provider Exemption**).

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes that it either (1) is not a Plan and is not purchasing those Notes on behalf of or with "plan assets" of any Plan or (2) with respect to the purchase or holding is eligible for the exemptive relief

available under any of the PTCEs listed above, the Service Provider Exemption or another applicable exemption. In addition, any purchaser or holder of Notes or any interest therein which is a Non-ERISA Arrangement will be deemed to have represented by its purchase or holding of the notes that its holding will not violate the provisions of any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement consult with their counsel regarding, among other things, the availability of exemptive relief under any of the PTCEs listed above, the Service Provider Exemption or any purchase or other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel. Moreover, each such fiduciary should determine whether it is eligible to purchase Notes, and whether, under the general fiduciary standards of investment prudence and diversification, an investment in Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan, the composition of the Plan's investment portfolio, and the risk/return characteristics of the Notes.

The sale of Notes to a Plan is in no respect a representation by the Issuers, the Guarantor or any of NAB's affiliates that its investment meets all relevant legal requirements with respect to investments by Plans generally or by a particular Plan, or that this investment is appropriate for Plans generally or any particular Plan.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 14 December 2012 (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) agreed with each Issuer and (in the case of Guaranteed Notes) the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuers (failing which, the Guarantor (in the case of Guaranteed Notes)) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Transfer Restrictions

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes or a beneficial interest therein within the United States, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (i) that it is a qualified institutional buyer (**QIB**), purchasing (or holding) the Notes for its own account or for the account of one or more QIBs for whom it is authorised to act and it is aware that any sale to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, if in the future it decides to offer, resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the relevant Issuer or any subsidiary thereof, (b) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act covering the Notes, in each case in accordance with any applicable securities laws of the states of the United States and any other jurisdiction;
- (iv) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes;
- (vi) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING SUCH NOTES (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND OTHER THAN (1) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT AND THE TRUST DEED REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE REGISTERED HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (vii) that, before any interest in Registered Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Regulation S Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and
- (viii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by it are no longer

accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of Notes or a beneficial interest therein outside of the United States and each subsequent purchaser of such Notes or a beneficial interest therein in resales prior to the expiration of the Distribution Compliance Period will, by its acceptance at purchase thereof, be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) that it is located outside the United States and is not a U.S. person and is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;
- (ii) that it understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (iv) that if it should offer, resell, pledge or otherwise transfer the Notes or any beneficial interest in the Notes prior to the expiration of the Distribution Compliance Period, it will do so only (a) (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and (b) in accordance with any applicable state securities law of the states of the United States and any other jurisdiction;
- (v) that the Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

- (vi) that, prior to the expiration of the Distribution Compliance Period, before any interest in Registered Notes represented by a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Notes represented by a Rule 144A Global Note, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and
- (vii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such

acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## **Selling Restrictions**

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To the extent that the relevant Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

## Public Offer Selling Restrictions under the Prospectus Directive

In relation to each 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 Programme 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 Circular as completed by the final terms 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) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 Issuer for any such offer; or
- (d) 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 (b) to (d) above shall require the Issuer 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 Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

## United Kingdom

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

- (a) in relation to any Notes issued by BNZ-IF which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses where the issue of the Notes issued would otherwise constitute a contravention of Section 19 of the FSMA by BNZ-IF;

- (b) in the case of NAB only it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to NAB; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

### **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Programme or any Notes has been or will be lodged with the Australian Securities and Investments Commission (**ASIC**). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that unless the relevant Final Terms (or another supplement to this Offering Circular) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive Offering Circular or any other offering material or advertisement relating to any Notes in Australia,

unless (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act, (ii) such action complies with applicable laws and directives and (iii) 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 relevant Issuer is an Australian ADI. As at the date of this Offering Circular, NAB is an ADI.

### **New Zealand**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Note; (2) it will not distribute any offering circular or advertisement in relation to any offer of Notes, in New Zealand other than: (A) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, or who in the circumstances can properly be regarded as having been selected other than as members of the public; (B) to persons who are each required to pay a minimum subscription price of at least NZ\$500,000 for the Notes (disregarding any amount lent by the offeror, the relevant Issuer, or any associated person of the offeror or relevant Issuer) before the allotment of those Notes; or (C) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand; and (3) in relation to Notes issued by BNZ-IF, it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to BNZ-IF or to a Paying Agent).



## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Hong Kong

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

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are “structured products” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## France

Each of the Dealers and each of the Issuers and the Guarantor has represented and agreed, and each further Dealer appointed under the Programme 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 approval or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU 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 Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 of the French *Code monétaire et financier*.

## **The Netherlands**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including 1 January 2012 and unless otherwise specified in the relevant Final Terms (in such case in compliance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), it will not make an offer of Notes in The Netherlands unless such offer is made exclusively to legal entities which are qualified investors as defined in the Prospective Directive.

## **Belgium**

Only the persons or entities listed in Article 56 of the Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, as amended or replaced from time to time (the **Belgian Prospectus Law**) may act as intermediary in the context of a public offer of investment instruments.

With regard to Notes having a maturity of less than 12 months, this Offering Circular 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 Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of Notes in Belgium in accordance with the Belgian Prospectus Law.

## **Austria**

No prospectus has been or will be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that neither this Offering Circular nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that neither this Offering Circular nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with the Dealers. Each Dealer has acknowledged and agreed and each further Dealer appointed under the Programme will be required to acknowledge and agree that no steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will offer the Notes in Austria only in compliance with the provisions of the Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

## **Singapore**

Each Dealer acknowledges, and each further Dealer appointed under this Programme will be required to acknowledge that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**), and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes have not been offered or sold and will not be offered or sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor 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 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

### **Republic of Italy**

Unless it is specified within the relevant Final Terms that a non-exempt offer may be made in Italy, 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 Programme will be required to represent and agree that no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover and subject to the foregoing, each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

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

- (c) 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 (i) and (ii) 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 Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) (the **PRC**), as part of the initial distribution of the Notes.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of NAB dated 3-4 October 2012 and resolutions of delegates of the Board of Directors of NAB dated 11 December 2012. Clydesdale's participation (including the issue of Notes) in the Programme has been duly authorised by a resolution of the Board of Directors of Clydesdale dated 24 May 2005 and by a resolution of a committee of the Board of Directors of Clydesdale dated 9 August 2005 and the update of the Programme has been duly authorised by resolutions of the Board of Directors of Clydesdale dated 18 September 2012 and resolutions of delegates of the Board of Directors of Clydesdale dated 5 December 2012 and 6 December 2012. BNZ-IF's participation (including the issue of Notes) in the Programme and its update has been duly authorised by resolutions of the Board of Directors of BNZ-IF dated 23 June 2005. The giving of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Guarantor dated 18 March 2005 and by a resolution of a committee of the Board of Directors of the Guarantor dated 23 June 2005.

BNZ-IF attorneys in New Zealand authorise BNZ-IF personnel in London to authorise the issue of Notes by BNZ-IF on a weekly basis.

### Approval, Listing and Admission to Trading

Application has been made to:

- (i) the Competent Authority to approve this Offering Circular in connection with (a) the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) (the **PD Notes**) and (b) in the case of NAB only, the issue by NAB of certain Tranches of Non-Exempt PD Notes, in each case, to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with Directive 2003/71/EC (the **Prospectus Directive**); and
- (ii) the Luxembourg Stock Exchange to approve this Offering Circular in connection with the issue by the Issuers of Notes with a minimum denomination of at least Euro 100,000 (or its equivalent in any other currency) (the **Exempt Notes**) to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market (the **Euro MTF Market**).

This Offering Circular has not been submitted to the clearance procedures of the *Autorité des marchés financiers* of France.

### Documents Available

Following the date of this Offering Circular and for the life of this Offering Circular, copies of the following documents will be available for inspection from the registered office of each of the Issuers and (in the case of Guaranteed Notes) the Guarantor and from the specified office of the Paying Agents for the time being in Luxembourg:

- (a) NAB's Annual Report for the financial years ended 30 September 2011 and 30 September 2012 (including the audit report and the consolidated audited financial statements of the NAB Group and the non-consolidated audited financial statements of NAB for the financial years ended 30 September 2011 and 2012) and, if available, the most recently published half-yearly financial report as submitted to the Australian Securities Exchange;
- (b) the Guarantor's Disclosure Statements for the financial years ended 30 September 2011 and 30 September 2012;

- (c) Clydesdale's Annual Reports and Financial Statements for the financial years ended 30 September 2011 and 30 September 2012;
- (d) BNZ-IF's Annual Reports and Financial Statements for the financial years ended 30 September 2011 and 30 September 2012;
- (e) the statutory documents of NAB, Clydesdale, BNZ-IF and the Guarantor;
- (f) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (g) a copy of this Offering Circular;
- (h) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area or the Luxembourg Stock Exchange's Euro MTF Market nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (i) in the case of each issue of Notes admitted to the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange or the Euro MTF Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

The documents incorporated by reference in this Offering Circular (see "*Documents Incorporated by Reference*" above) will also be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

## Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes or Zero Coupon Notes. The Final Terms in respect of any Floating Rate Notes, Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Instalment Notes will not include any indication of yield.

$$\text{Issue Price} = \text{Rate of Interest} \times \frac{1 - \left( \frac{1}{(1 + \text{Yield})^n} \right)}{\text{Yield}} + \left[ \text{Final Redemption Amount} \times \frac{1}{(1 + \text{Yield})^n} \right]$$

Where:

"Rate of Interest" means the Rate of Interest expressed as a percentage as specified in the applicable Final Terms and adjusted according to the frequency (and in the case of Zero Coupon Notes, means "0") i.e. for a semi-annual paying Note, the rate of interest is half the stated annualised rate of interest in the Final Terms;

"Yield" means the yield to maturity calculated on a frequency commensurate with the frequency of interest payments as specified in the applicable Final Terms (and in the case of Zero Coupon Notes, means Accrual Yield as specified in the applicable Final Terms); and

"n" means the number of interest payments to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication or prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

$n = 6$

Rate of Interest = 3.875%

Issue Price = 99.392%

Final Redemption Amount = 100%

$$99.392 = 3.875 \frac{1 - \left( \frac{1}{(1 + \text{Yield})^6} \right)}{\text{Yield}} + \left[ 100 \times \frac{1}{(1 + \text{Yield})^6} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

### **Clearing Systems**

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Auditors**

The auditors of NAB are Ernst & Young, independent auditors, who had audited NAB's accounts, without qualification, in accordance with generally accepted auditing standards in Australia for the financial years ended 30 September 2011 and 30 September 2012. The auditors of NAB have no material interest in NAB. The partners of Ernst & Young are typically members of the Institute of Chartered Accountants of Australia, but the firm itself is not a member.

The auditors of Clydesdale are Ernst & Young LLP, who have audited Clydesdale's financial statements, without qualification, in accordance with applicable law and International Standards on Auditing (UK and Ireland) for the financial years ended 30 September 2011 and 30 September 2012.

The auditors of Clydesdale have no material interest in Clydesdale.

Ernst & Young LLP are licensed to sign audit reports by the Institute of Chartered Accountants of England and Wales.

The auditors of BNZ-IF are Ernst & Young, who have audited BNZ-IF's accounts, without qualification in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2011 and 30 September 2012. The auditors of BNZ-IF have no material interest in BNZ-IF.

The auditors of the Guarantor are Ernst & Young, independent auditors, who have audited the Guarantor's accounts, without qualification, in accordance with International Standards on Auditing (New Zealand) for the financial years ended 30 September 2011 and 30 September 2012. Audit reports in respect of BNZ-IF and the Guarantor are signed in the name of the firm of Ernst & Young. The firm itself is not a member of the New Zealand Institute of Chartered Accountants, but the partner who signs the audit reports in the name of the firm is a member.

The auditors of the Guarantor have no material interest in the Guarantor.

The Trust Deed provides that any certificate or report of the Auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

The liability of NAB's auditors in respect of an audit of NAB may be subject to statutory schemes in Australian jurisdictions that restrict the recovery of damages from accountants. Such schemes operate in all states of Australia (except for Tasmania, but this scheme may come into force during the life of this Offering Circular), 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.

#### **Post-issuance information**

None of the Issuers intends to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities except if required by any applicable laws and regulations.

#### **Dealers transacting with any of the Issuers or the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, any of the Issuers, the Guarantor or their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers, the Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending



relationship with the relevant Issuer routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUERS**

**BNZ International Funding  
Limited, acting through its  
London Branch**  
88 Wood Street  
London EC2V 7QQ  
United Kingdom

**National Australia Bank  
Limited**  
Level 4 (UB4440), 800 Bourke  
Street  
Docklands, Victoria 3008  
Australia

**Clydesdale Bank PLC**  
30 St Vincent Place  
Glasgow G1 2HL  
United Kingdom

**THE GUARANTOR**

**Bank of New Zealand**  
Level 4, 80 Queen Street  
Auckland 1010  
New Zealand

**TRUSTEE**

**Deutsche Trustee Company Limited**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**ISSUING AND PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PAYING AGENTS**

**Deutsche Bank Luxembourg S.A.**  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg

**Deutsche Bank Trust Company Americas**  
60 Wall Street  
New York, New York 10005

**LEGAL ADVISERS**

*To the Issuers and the Guarantor  
as to English Law*  
**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To NAB  
as to Australian Law*  
**King & Wood Mallesons**  
Level 50  
Bourke Place  
600 Bourke Street  
Melbourne,  
Victoria 3000  
Australia

*To the Issuers and  
the Guarantor  
as to U.S. Law*  
**Sullivan & Cromwell**  
Level 32  
101 Collins Street  
Melbourne,  
Victoria 3000  
Australia

*To BNZ-IF and the Guarantor as  
to New Zealand Law*

**Russell McVeagh**  
Level 24  
Vodafone on the Quay  
157 Lambton Quay  
Wellington 6011  
New Zealand

*To Clydesdale as to Scots Law*

**Dundas & Wilson C.S. LLP**  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN  
United Kingdom

*To the Dealers and the Trustee as to English law and U.S. law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

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

#### **AUDITORS**

*To NAB*

**Ernst & Young**  
Level 23, 8 Exhibition Street  
Melbourne, Victoria 3000  
Australia

*To BNZ-IF*

**Ernst & Young**  
Ernst & Young Building  
2 Takutai Square  
Britomart  
Auckland 1010  
New Zealand

*To the Guarantor*

**Ernst & Young**  
Ernst & Young Building  
2 Takutai Square  
Britomart  
Auckland 1010  
New Zealand

*To Clydesdale*

**Ernst & Young LLP**  
1 More London Place  
London SE1 2AF  
United Kingdom

## DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Deutsche Bank AG, London  
Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**National Australia Bank  
Limited**  
88 Wood Street  
London EC2V 7QQ  
United Kingdom

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**Citigroup Global Markets  
Limited**  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Morgan Stanley & Co.  
International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**RBC Europe Limited**  
Riverbank House  
2 Swan Lane  
London EC4R 3BF  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## LISTING AGENT

**Deutsche Bank Luxembourg S.A.**  
14 Boulevard FD Roosevelt  
L-2450 Luxembourg