

NAB Convertible Preference Shares (NAB CPS) Offer

Investor Presentation
13th February 2013

National Australia Bank Limited ABN 12 004 044 937



Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 (“**NAB**”) in relation to its proposed offer of NAB Convertible Preference Shares (“**NAB CPS**”). A Prospectus in respect of the NAB CPS was lodged with ASIC on 13 February 2013. The Prospectus does not contain the Margin or the Application Form. A Prospectus containing this information and an Application Form will be lodged with ASIC once the Margin is determined (expected to be on or about 21 February 2013) and will be available within Australia. The initial Prospectus can be obtained electronically from www.nabcps.com.au.

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The NAB CPS do not constitute deposit liabilities of NAB, are not protected accounts or other accounts with NAB and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the NAB Group or by any other party.

Investment products such as NAB CPS are subject to risks which could affect their performance, including dividend rate risk and market price fluctuation. NAB does not warrant or guarantee the future performance of NAB or the investment performance of NAB CPS (including market price). Information about key risks of investing in NAB CPS is detailed in sections 1.2 and 6 of the Prospectus.

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NAB CPS – Offer Summary

Issuer	<ul style="list-style-type: none"> National Australia Bank Limited (“NAB”).
Offer size	<ul style="list-style-type: none"> A\$750 million with the ability to raise more or less.
Use of proceeds	<ul style="list-style-type: none"> The net proceeds of the Offer will be used for general corporate purposes. NAB CPS will qualify as Additional Tier 1 Capital for the purposes of NAB’s regulatory capital requirements.
Type of security	<ul style="list-style-type: none"> Preference shares directly issued by NAB which are not guaranteed or secured. NAB CPS are not deposit liabilities of NAB and are not protected accounts for the purposes of the Banking Act.
Issue price	<ul style="list-style-type: none"> A\$100 per NAB CPS.
Term	<ul style="list-style-type: none"> Perpetual (no fixed maturity date), however NAB must Convert NAB CPS into Ordinary Shares on the Mandatory Conversion Date (subject to the Mandatory Conversion Conditions being satisfied) (22 March 2021). In addition, with APRA’s prior written approval¹, NAB may elect to Redeem, Resell or Convert NAB CPS on 20 March 2019, or earlier following the occurrence of certain events.
Dividends	<ul style="list-style-type: none"> Floating rate and expected to be fully franked. Margin to be determined under the Bookbuild and expected to be in the range of 3.20% to 3.40%.
Quotation	<ul style="list-style-type: none"> Expected to be quoted on ASX under code NABPA.

(1) Holders should not expect that APRA’s approval, if requested, will be given for an optional Conversion, Redemption or Resale.

NAB CPS – Dividends

Dividends	<ul style="list-style-type: none">• Quarterly, floating rate Dividends in arrears.• Dividends are discretionary, non-cumulative and subject to the Payment Condition.• Failure to pay a Dividend when scheduled will not constitute an event of default.
Dividend Rate	<ul style="list-style-type: none">• The Dividend Rate for each quarterly Dividend will be calculated using the following formula: Dividend Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate*)• Margin determined under the Bookbuild, expected to be in the range of 3.20% to 3.40%.• For example, if the Bank Bill Rate was 3.00%, the Margin was 3.20% and the Australian corporate tax rate was 30%, assuming the Dividend is fully franked the Dividend Rate for that Dividend period would be calculated as follows:<ul style="list-style-type: none">- (3.00% + 3.20%) x (1 – 0.30) = 4.34%¹- Equivalent to an unfranked dividend rate of 6.20%².
Restrictions on Ordinary Shares	<ul style="list-style-type: none">• If for any reason a Dividend has not been paid in full on a Dividend Payment Date (“Relevant Dividend Payment Date”), NAB must not, subject to certain exceptions, unless approved by an Ordinary Resolution, until and including the next Dividend Payment Date:<ul style="list-style-type: none">- Declare, determine to pay, or pay, a dividend on Ordinary Shares; or- Buy back or reduce capital on Ordinary Shares, <p>unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date.</p>

* Tax Rate means the Australian corporate tax rate applicable to the franking amount of NAB on the relevant Dividend Payment Date (expressed as a decimal).

(1) The Dividend Rate shown is for illustrative purposes only and does not indicate the actual Dividend Rate. The actual Dividend Rate may be higher or lower than this example.

(2) Your ability to use the franking credits will depend on your individual tax position. The potential value of franking credits does not accrue to you at the same time as you receive the cash Dividend.

NAB CPS – Mandatory Conversion

Mandatory Conversion	<ul style="list-style-type: none">• On the Mandatory Conversion Date, if the NAB CPS have not been Converted, Redeemed or Resold beforehand, NAB must Convert NAB CPS into Ordinary Shares, provided the Mandatory Conversion Conditions are satisfied.• The Mandatory Conversion Date will be the earlier of:<ul style="list-style-type: none">– 22 March 2021; and– the first Dividend Payment Date after 22 March 2021 on which the Mandatory Conversion Conditions are satisfied.
Mandatory Conversion Conditions	<ul style="list-style-type: none">• The Mandatory Conversion Conditions are designed to ensure that Holders receive approximately A\$101 worth of Ordinary Shares for each NAB CPS they hold.• For the Mandatory Conversion Conditions to be satisfied:<ul style="list-style-type: none">– First Mandatory Conversion Condition: the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date must be greater than 56% of the Issue Date VWAP;– Second Mandatory Conversion Condition: the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date must be greater than 50.51% of the Issue Date VWAP; and– Third Mandatory Conversion Condition: Ordinary Shares have not been delisted or suspended from trading on the ASX and there must be no Inability Event in respect of a possible Mandatory Conversion Date.

NAB CPS – Conversion, Redemption or Resale Events

Optional Conversion, Redemption or Resale	<ul style="list-style-type: none"> • With the prior written approval of APRA, NAB may elect to Convert into Ordinary Shares, Redeem or Resell all or some of the NAB CPS on the 20 March 2019.¹ • Conditions or restrictions apply to any Conversion, Redemption or Resale (other than a Conversion following a Loss Absorption Event – see below).
Conversion, Redemption or Resale in other circumstances	<ul style="list-style-type: none"> • With the prior written approval of APRA, NAB has the option to Convert, Redeem or Resell all or some of NAB CPS following the occurrence of a Tax Event or Regulatory Event.¹ • With the prior written approval of APRA, NAB also has the option to Convert the NAB CPS following a Potential Acquisition Event.¹
Mandatory Conversion following a Loss Absorption Event	<ul style="list-style-type: none"> • The occurrence of a Loss Absorption Event requires the Conversion of NAB CPS into Ordinary Shares.² The Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event. • A Loss Absorption Event is each of: <ul style="list-style-type: none"> – a Common Equity Trigger Event; or – a Non-Viability Trigger Event. <p>(see following slide for more information)</p>
Early Conversion – Acquisition Event	<ul style="list-style-type: none"> • If an Acquisition Event occurs, NAB must (by giving an Acquisition Conversion Notice) Convert all (but not some only) NAB CPS into Ordinary Shares, provided that certain conditions are met.

(1) Holders should not expect that APRA's approval, if requested, will be given for an optional Conversion, Redemption or Resale.

(2) The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

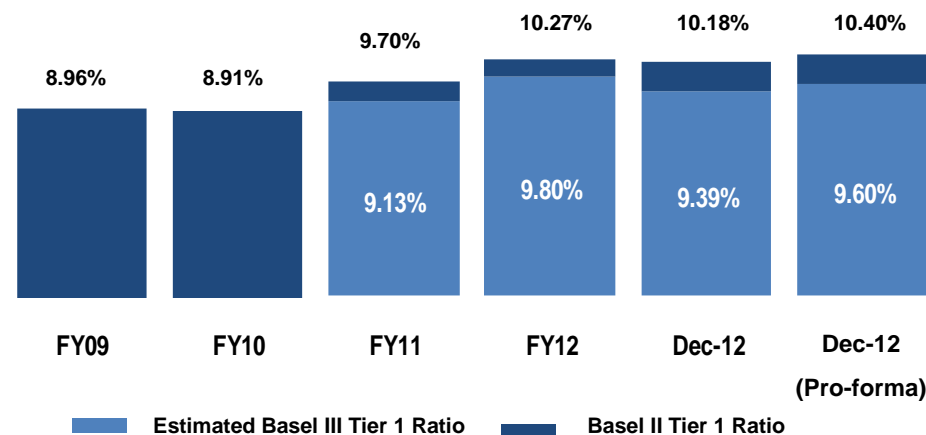
NAB CPS – Loss Absorption Event

Common Equity Trigger Event	<ul style="list-style-type: none"> • A Common Equity Trigger Event will occur if NAB’s Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% (on either a Level 1 or Level 2 basis).
Non-Viability Trigger Event	<ul style="list-style-type: none"> • A Non-Viability Trigger Event means APRA has provided a written determination to NAB that without: <ul style="list-style-type: none"> - The conversion or write off of Relevant Tier 1 Capital Instruments, which includes NAB CPS; or - A public sector injection of capital into, or equivalent capital support with respect to, NAB, APRA considers that NAB would become non-viable.
Conversion or Write Off following a Common Equity Trigger Event or a Non-Viability Trigger Event	<ul style="list-style-type: none"> • If a Loss Absorption Event occurs, the Mandatory Conversion Conditions would not apply and NAB must convert into Ordinary Shares (limited to the Maximum Conversion Number) or write off: <ul style="list-style-type: none"> A. All Relevant Tier 1 Capital Instruments, which includes NAB CPS; or B. (i) In the case of Common Equity Trigger Event – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will return the Common Equity Tier 1 Ratio (on both a Level 1 and Level 2 basis) to a percentage above 5.125% (determined by NAB). <ul style="list-style-type: none"> (ii) In the case of Non-Viability Trigger Event – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will be sufficient to ensure that NAB does not become non-viable.
Write Off of NAB CPS where NAB CPS cannot be Converted on a Loss Absorption Event Conversion Date	<ul style="list-style-type: none"> • If, following a Loss Absorption Event, NAB is prevented by applicable law or order or any other reason from Converting NAB CPS (an “Inability Event”), and the Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date, those NAB CPS will not be Converted but instead will be Written Off. • Following a Write Off, the rights of a Holder in respect of dividends and returns of capital in any winding up of NAB are broadly equivalent to the rights in respect of a Shareholder.

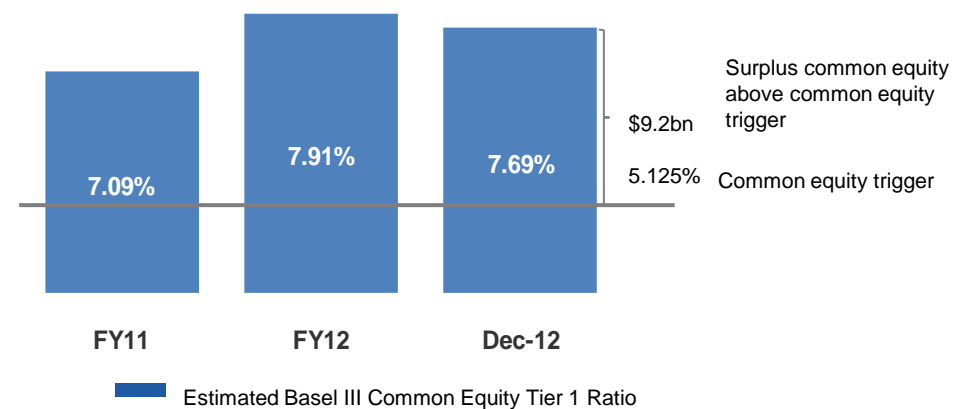
NAB's Common Equity Tier 1 Ratio

- The NAB Group Tier 1 ratio chart illustrates the pro-forma Tier 1 Capital position as at 31 December 2012 following the issue of \$750m NAB CPS.
- The issue of \$750m NAB CPS increases the 31 December 2012 estimated Basel III Tier 1 Capital ratio by 21bps on a pro-forma basis.
- The Group moved to a Basel III Common Equity Tier 1 Capital ratio target of above 7.5% from 1 January 2013.
- NAB CPS include a Common Equity Trigger Event.
- A Common Equity Trigger Event occurs when the Common Equity Tier 1 Ratio (on a Level 1 or Level 2 basis)¹ is equal to or less than 5.125%.
- NAB's estimated Common Equity Tier 1 Capital levels as at 31 December 2012 was \$9.2bn in excess of the Common Equity Tier 1 Ratio that would result in a Common Equity Trigger Event.

NAB Group Tier 1 Ratio




NAB Group Common Equity Tier 1 Ratio



(1) NAB's Level 1 capital ratios comprise National Australia Bank Limited and its subsidiary entities approved by APRA as part of the Extended Licensed Entity. NAB's Level 2 capital ratios comprise National Australia Bank Limited and the entities it controls, subject to certain exceptions (including wealth management and life insurance activities, and certain securitisation special purpose vehicles).

Ranking of NAB CPS on a winding up

	Examples	Examples of existing NAB obligations and securities ¹	
Higher Ranking			
	Senior obligations	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to protected accounts under the Banking Act (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law including employee entitlements, and liabilities to secured creditors and in respect of covered bonds
		Unsubordinated unsecured debt	Bonds and notes, trade and general creditors
		Term subordinated unsecured debt	NAB Subordinated Notes and other dated subordinated unsecured debt obligations
		Perpetual subordinated unsecured debt	NAB Undated Subordinated Floating Rate Notes issued in 1986
	Equal ranking obligations	Preference shares and other equally ranked instruments	NAB CPS² , and any securities expressed to rank equally with NAB CPS, which include: <ul style="list-style-type: none"> the preference shares comprised in the National Income Securities. the preference shares which may be issued under the TPS, TPS II, AUD NCIs and EUR NCIs (if issued). the 2009 Capital Notes.
	Lower ranking obligations	Ordinary shares	Ordinary Shares
	Lower Ranking		

(1) This is a very simplified capital structure of NAB as at 13 February 2013 and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations or securities of any kind at any time. NAB CPS do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time.

(2) If a Write Off occurs following a Loss Absorption Event, the rights of Holders to dividends and returns of capital will be broadly equivalent to the rights to dividends and returns of capital in a winding up of a person holding the number of Ordinary Shares the Holders would have held if the Conversion had occurred.

Information about the Offer

Offer Structure	<ul style="list-style-type: none">• The Offer comprises:<ul style="list-style-type: none">- The Securityholder Offer;- The General Offer;- The Institutional Offer; and- The Broker Firm Offer.• Information about the different types of offer and how to apply is provided in Section 3 of the Prospectus “Applying for NAB CPS”.
How to Apply	<ul style="list-style-type: none">• Eligible Securityholders and General Applicants should apply online at www.nabcps.com.au and pay their Application Monies electronically or complete a paper Application Form and pay their Application Monies by cheque or money order.• Broker Firm Applicants should contact their Syndicate Broker.
Minimum Application	<ul style="list-style-type: none">• 50 NAB CPS (\$5,000) and thereafter in multiples of 10 NAB CPS (\$1,000).
Fees and expenses associated with the Offer	<ul style="list-style-type: none">• NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus.
More information	<ul style="list-style-type: none">• If there is excess demand for NAB CPS, allocation priority will be given to Eligible Securityholders over Applications under the General Offer.

Certain events that may occur during the term of NAB CPS

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

Event	When?	Is APRA approval required? ¹	Do conditions apply?	What value will a Holder receive?	In what form will that value be provided to Holders?
Mandatory Conversion	On 22 March 2021 or the first Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101 ²	Variable number of Ordinary Shares
Optional Conversion	On 20 March 2019	Yes	Yes	Approximately \$101 ²	Variable number of Ordinary Shares
Optional Redemption or Resale	On 20 March 2019	Yes	Yes	\$100 (Issue Price)	Cash
Conversion in other circumstances	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	Yes	Yes	Approximately \$101 ^{2, 3}	Variable number of Ordinary Shares
	If an Acquisition Event occurs	No	Yes	Approximately \$101 ^{2, 3}	Variable number of Ordinary Shares
	If a Loss Absorption Event occurs	No	No	Depending on the market price of NAB's ordinary shares, approximately \$101 or less (and possibly significantly less)	Variable number of Ordinary Shares. However, if NAB is unable to Convert NAB CPS into Ordinary Shares at the relevant time, NAB CPS will be Written Off ⁴
Redemption / Resale in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100 (Issue Price) ³	Cash

(1) Holders should not expect that APRA's approval, if requested, will be given for an optional Conversion, Redemption or Resale.

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

(3) If a Conversion, Redemption or Resale occurs on a day that is not a scheduled quarterly Dividend Payment Date, Holders of the NAB CPS which are being Converted, Redeemed or Resold will also receive a Dividend in respect of these NAB CPS for the period from the immediately preceding Dividend Payment Date to the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Dividend).

(4) If a NAB CPS is Written Off, a Holder's rights will be varied so that they will remain a Holder of NAB CPS but with rights broadly equivalent to a Shareholder.

Key Dates for the Offer

Important Dates	Date
Record Date for Securityholder Offer	1 February 2013
Lodgement of Prospectus with ASIC	13 February 2013
Announcement of the Offer	13 February 2013
Bookbuild	20 February 2013
Announcement of Margin	21 February 2013
Offer opens	21 February 2013
Securityholder and General Offers close	5pm (AEDT), 14 March 2013
Broker Firm and Institutional Offers close	10am (AEDT), 19 March 2013
Issue of NAB CPS	20 March 2013
Commencement of deferred settlement trading	21 March 2013
Despatch of Holding Statements	21-25 March 2013
Commencement of trading on normal settlement basis	26 March 2013
First Dividend Payment Date	20 June 2013
Optional Conversion / Redemption / Resale Date ¹	20 March 2019
Mandatory Conversion Date ²	22 March 2021

(1) With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB CPS on 20 March 2019. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 20 March 2013.

(2) NAB CPS will Convert into Ordinary Shares on 22 March 2021 (subject to the Mandatory Conversion Conditions being satisfied and only if NAB CPS have not been Converted, Redeemed or Resold prior to that date with APRA's prior written approval). This date assumes the Issue Date is 20 March 2013.

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

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