

OFFERING CIRCULAR DATED 15 DECEMBER 2011.



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 below)) 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**).

The Final Terms (as defined below) for each Tranche (as defined under "*Terms and Conditions of the Notes*") will state whether the Notes of such Tranche are to be (i) senior Notes (**Senior Notes**), (ii) term subordinated Notes (**Term Subordinated Notes**), (iii) undated subordinated Notes (**Undated Subordinated Notes**), (iv) guaranteed senior Notes (**Guaranteed Senior Notes**), (v) guaranteed term subordinated Notes (**Guaranteed Term Subordinated Notes**) or (vi) guaranteed undated subordinated Notes (**Guaranteed Undated Subordinated Notes**). Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes are together referred to herein as **Guaranteed Subordinated Notes**. Term Subordinated Notes, Undated Subordinated Notes, Guaranteed Term Subordinated Notes and Guaranteed Undated Subordinated Notes are together referred to herein as **Subordinated Notes**.

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$100,000,000 (or its equivalent in other currencies calculated as described herein) subject to increase as described herein. The relevant Issuer and the Guarantor (in the case of Guaranteed Notes) may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a Supplement to this Offering Circular (as defined herein), if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" 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 the *Commission de surveillance du secteur financier* in its capacity as competent authority under the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) (the **Competent Authority**) to approve this Offering Circular. 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. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme 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**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the applicable Final Terms (the **Final Terms**) which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

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 the Regulated Market of the Luxembourg Stock Exchange. In the case of Notes of any of the Issuers which are (i) to be admitted to trading on a regulated market (as defined in Directive 2004/39/EC (the **Markets in Financial Instruments Directive**)) of a European Economic Area Member State other than the Regulated Market of the Luxembourg Stock Exchange (a **Host Member State**); or (ii) offered to the public in a Host Member State, such Issuer will request that the Competent Authority delivers to the competent authority of the Host Member State a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that this Offering Circular has been drawn up in accordance with the Prospectus Directive and, if so required by the relevant Host Member State, a translation of the summary set out in this Offering Circular. Each Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes will not be 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 rating of certain series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant series of Notes will be issued by a credit rating agency established in the European Union and registered

under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the Final Terms. In general, European regulated investors are restricted under 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). A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

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 CAPITAL
CITIGROUP
GOLDMAN SACHS INTERNATIONAL
J.P. MORGAN
NATIONAL AUSTRALIA BANK LIMITED
RBC CAPITAL MARKETS
TD SECURITIES

BofA MERRILL LYNCH
DEUTSCHE BANK
HSBC
MORGAN STANLEY
NOMURA
THE ROYAL BANK OF SCOTLAND
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 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). Each Issuer and the Guarantor (the Responsible Persons) accepts responsibility for the information contained in this Offering Circular 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.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular (and, therefore, acting in association with the Issuer) in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, as the case may be.

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*" 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) 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.

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 or 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, unless specifically indicated to the contrary in the applicable Final Terms, 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. Accordingly, 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 particular, there are 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.

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.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms 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.

SUMMARY

This summary must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Offering Circular before the legal proceedings are initiated.

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

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 and in 2004 it merged with Yorkshire Bank PLC (**Yorkshire**).

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 Ltd.

Merrill Lynch International

Morgan Stanley & Co. International plc

National Australia Bank Limited

Nomura International plc

RBC Europe Limited

The Royal Bank of Scotland plc

The Toronto-Dominion Bank

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 "*Subscription and Sale and Transfer and Selling Restrictions*"), including, in relation to BNZ-IF, the following restrictions applicable at the date of this Offering Circular.

Notes having a maturity of less than one year

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

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, calculated as described under " <i>General Description of the Programme</i> ") 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.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
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 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 " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
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: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency

governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the 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.

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.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

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

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.

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 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.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

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. The applicable Final Terms will indicate either that the Notes cannot be repaid prior to their stated maturity or, in the case of Senior Notes only, that the Notes will be repayable at the option of the Noteholders on a date or dates specified prior to the stated maturity upon giving no more than 45 days' nor less than 30 days' prior notice to the Principal Paying Agent.

The applicable Final Terms may provide that Notes may be repaid in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Subordinated Notes issued by Clydesdale may only be repaid prior to their Maturity Date subject to notice having been given to the United Kingdom Financial Services Authority (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 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 9. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 9, 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.

Status of the Senior Notes:

The Senior Notes will be unsubordinated, direct and unsecured

obligations of the relevant Issuer and will rank *pari passu* 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 **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 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. Undated Subordinated Notes will be unsecured and subordinated to the claims of all Unsubordinated Creditors and Term Subordinated Creditors of NAB. 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:

The rating of certain series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the applicable Final Terms.

Any such 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 the Competent Authority to approve this Offering Circular. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive. Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Notes which are neither

listed nor admitted to trading on any market may also be issued.

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 Conditions 3.2 and 3.4 will, in the case of (a) Notes issued by NAB and (b) Guaranteed Notes, be governed by and construed in accordance with the laws of (i) the State of Victoria and the Commonwealth of Australia and (ii) New Zealand, respectively.

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.

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. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision with respect to any Notes of the Issuers.

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 147 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.

United Kingdom Banking Act 2009

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 retrospective 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 only 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 threshold conditions within the meaning of section 41 of the FSMA (which are 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 made under The Banking Act 2009 (Restrictions of Partial Property Transfers) Order 2009) 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 of securities (the scope of which power is unclear, although may include, for example, conversion of the Notes into equity securities); (iii) extinguishing any rights to acquire securities; (iv) delisting the securities; (v) 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 (vi) 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.

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 2010. 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 2012 from the banking industry to support interest payments on the borrowings, and an accrued expense of £4.5 million was held as at 30 September 2011 for the Clydesdale's calculated liability for this period. 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 credit to individuals, corporate and financial institutions and governments 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). While the global economy has continued to grow, there remains 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 and labour costs, consumer sentiment, market volatility, relative changes in exchange rates, commodity and asset prices (i.e. bonds, equity, securities, property and derivative instruments), industrial production, taxation levels, domestic and international competition, monetary 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 and political and social unrest. 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).

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 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 MLC & 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 in respect of which they 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, fiscal, monetary or other policies required by various regulatory authorities of Australian, New Zealand, the United Kingdom and foreign governments, and international agencies. A number of changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder expectations of transparency, social responsibility and environmental impacts. The precise nature and impact of future changes in such policies are not predictable and will be beyond the Bank Issuers' and the Guarantor's control. 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. Any significant change to taxation law could also have an adverse effect on the results of the Bank Issuers' and the Guarantor's operations.

Australian and New Zealand regulatory change risk

The Australian Prudential Regulation Authority (**APRA**) and the Reserve Bank of Australia (**RBA**) represent Australia as a member country on the Basel Committee on Banking Supervision (**BCBS**). The RBA and the Commonwealth Treasury of Australia are member institutions of the Financial Stability Board (**FSB**). APRA and the RBA are working together to implement the revised capital and liquidity principles (**Basel III**) of the BCBS. Other regulators (e.g., the Reserve Bank of New Zealand (**RBNZ**) and the United Kingdom's Financial Services Authority) are also undertaking Basel III reforms in their respective jurisdictions. The more substantial of these proposed regulatory changes require an increase in the quality and amount of capital and liquidity the Bank Issuers and the Guarantor are required to maintain. These changes may individually, or in aggregate, have a material impact on the financial performance and position of the Bank Issuers and the Guarantor. APRA has indicated that it will consult broadly on the proposed changes, and in September 2011 released a discussion paper outlining its proposed approach to the implementation of Basel III capital reforms in Australia. The RBA and APRA have also announced a committed liquidity facility with the RBA, which will facilitate Australian banks' compliance with the liquidity proposals.

RBNZ is currently undertaking Basel III reforms. In November 2011 the RBNZ released its Basel III capital adequacy consultation paper and proposed a planned implementation date of 1 January 2013. The paper outlined increased capital requirements for New Zealand banks.

The International Accounting Standards Board, the Australian Accounting Standards Board, the New Zealand Financial Reporting Standards Boards and the Accounting Standard Boards are in the process of making changes to accounting standards which govern the accounting for financial instruments, insurance and leases. Exposure drafts have been issued which, after consideration of feedback, may be finalised as a single set of accounting standards. There is no certainty as to the effective date for these changes, and until such time as the accounting standards are issued, whether these changes will have a significant impact on the Bank Issuers' and the Guarantor's financial performance and position.

U.S. regulatory risk

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law (the **Dodd-Frank Act**), which will result in substantial changes to financial regulation in the United States. 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 through U.S. branches or depository institutions, such as NAB's New York branch or its subsidiary, Great Western Bank.

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 and the reaction of market participants to these regulatory developments. It is anticipated that this process of rulemaking and the development of related market practices and structures will continue for several years. The Dodd-Frank Act may cause changes that adversely impact 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 would require foreign financial institutions to provide information to the United States Internal Revenue Service (**IRS**) about certain U.S. account holders beginning in 2013. If this information is not provided in a form satisfactory to the IRS, a foreign financial institution will be subject to a 30 per cent. withholding tax with respect to certain amounts derived from U.S. sources. At this time, it is not possible to quantify the costs to the Issuers of complying with the new legislation as the final rules are still to be determined. Further, if the Issuers determine that they must comply with this legislation in order to receive certain payments free of U.S. withholding tax, holders may be required to provide certain information to the Issuers or be subject to U.S. withholding on certain payments made to them. Additionally, it is uncertain at this time how the reporting and withholding mechanisms will operate. In particular, certain changes will likely have to occur with the operation of the relevant clearing systems. It is unclear whether the reporting obligations will apply to the Issuers, the relevant clearing system or the financial institution with which the beneficial owner has an account, nor is it clear how the proper withholding will be effected by the clearing systems. See "*Taxation—United States Taxation—Withholding on Certain Passthru Payments*" for a further discussion of this new legislation.

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. 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 United Kingdom market. The UK Government will decide which of the recommendations to act on before the end of 2011, with any necessary legislation expected to be introduced before the end of the current parliamentary term in 2015, ahead of implementation by the start of 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 2011 balance sheet position, the bank levy has resulted in a charge to the Clydesdale

income statement of £3 million for the nine month period. On the 29 November 2011, the Chancellor announced that the rate of levy will increase from 0.078 per cent. to 0.088 per cent. from 1 January 2012.

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. 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, there is an increasing 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 global 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 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 households and businesses, and specifically residential loan borrowers and commercial real estate borrowers. A significant downturn in either the housing markets or the commercial real estate markets in any of the economies in which the major businesses of the Bank Issuers and the Guarantor operate 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 and the United Kingdom economies which would impact the Bank Issuers' and the Guarantor's small and medium sized customer base or further financial market dislocation which would lead to falling confidence, increasing re-financing risk and contagion risk amongst 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 prove to be inaccurate, the provisions made 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 conduit assets held within the Specialised Group Assets business. Particular portfolio sensitivities include, but are not limited to:

- Synthetic collateralised debt obligations: sensitive to default and loss given default trends in large corporate entities in the United States, Europe and Asia, including financial institutions;
- 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 business is significantly dependent on the UK and U.S. economies and therefore the financial results remain sensitive to market conditions.

Any further material 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. These losses may result from both internal and external events and risks, including process error or failure, inadequate processes, fraud, system failure, ageing infrastructure and systems, security and physical protection, customer services, deficiencies in employees' skills and performance, poor product development and maintenance, operational failures by third parties (including offshoring and outsourced) providers, natural disasters, extreme weather events, political, security and social events and failings in the financial services sector. Operational risks can directly impact the Bank Issuer's and the Guarantor's reputation and result in financial losses, which could adversely impact its financial performance and position.

For example, the Bank Issuers and the Guarantor have a high dependency on their information systems and technology (both from a system stability, data quality and information security perspective) which, if they fail (and 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 at the expected standard, resulting in direct or indirect losses.

Compliance risks

The Bank Issuers and the Guarantor are also subject to compliance risk across 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, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

The high level of regulatory reform occurring across the global financial services industry is a key challenge for the Bank Issuers and the Guarantor. Proactive and effective implementation of regulatory reforms is critical to avoid the risk of additional costs from fines and/or penalties for non-compliance and any associated reputation damage.

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 140 (specifically including the "Notes to the Consolidated Financial Statements", Note 40 (Contingent Liabilities and Commitments) in NAB's Annual Financial Report 2011) and "*Description of Clydesdale - Legal and arbitration proceedings*" on page 145 for details in relation to the Bank Issuers' material legal proceedings.

Capital risk

Capital risk is the risk that the Bank Issuers and the Guarantor do not own or hold sufficient capital and reserves to achieve their strategic aspirations 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 the operation. Any change that limits the Bank Issuers' and the Guarantor's ability to manage their capital, 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, when fully implemented, 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 represents the risk that the Bank Issuers and the Guarantor are unable to raise funding to support their strategic plans and objectives (such as refinancing and core asset growth). 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 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 obligations, including funding commitments, 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. Credit markets worldwide have experienced severe reductions in liquidity and term-funding during prolonged periods in recent years. Any uncertainty regarding the market perception of credit risk across financial institutions, or 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, when fully implemented, 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. Recent activity has included reviewing sovereign and global bank ratings and, in many cases, downgrading these ratings (typically due to solvency or liquidity considerations). There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility.

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, in turn, 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 capital due to the repricing structure 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, bond rates). Many of these factors are outside the control of Clydesdale.

Such defined benefit pension fund risk could adversely impact the NAB Group's financial performance and position.

Clydesdale'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.

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 issue of capital in foreign currency. 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, their financial performance and position could be adversely impacted.

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. 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 Bank Issuers and the Guarantor earn revenues may adversely impact NAB's financial performance and position.

Non-traded equity risk

The Bank Issuers and the Guarantor carry various 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 business and operating risk, economic risk, political 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 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 future value of positions in traded financial instruments due to adverse movements in market prices (for example, interest rates, foreign exchange, commodities, equities, credit spreads, pre-payment rates and implied volatilities). 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 the trend of future claims and incidence of actual claims, unforeseen diseases or epidemics, and longer than assumed recovery periods for morbidity claims. 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, and has the potential to expose NAB to financial loss and the consequent inability to meet its liabilities.

Loss of key personnel

The operating and financial performance of the Bank Issuers and the Guarantor is largely 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.

Reputation risk

Reputation risk is the possible impact of negative stakeholder opinion of the Bank Issuers' and the Guarantor's actions, behaviour and performance. This risk may expose the Bank Issuers and the Guarantor to litigation, financial loss, a decline in customer base and overall competitiveness or a 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 on the Bank Issuers' and the Guarantor's reputation and brand (for example, operational, compliance or credit events), 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, 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, all of which 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 those opportunities are in line with their strategies and are able to enhance their financial performance and position.

The United Kingdom financial services market is undergoing a period of change. As previously announced, the primary focus of the Bank Issuers in the United Kingdom has been, and remains, organic growth. However the Bank Issuers would consider opportunities in the United Kingdom that are in the interests of their shareholders, including acquisitions, divestments or entering into joint arrangements with other parties.

In the United States, NAB (through its U.S. subsidiary, Great Western Bank) is continuing to explore and selectively execute limited inorganic growth opportunities in areas of strategic interest with a focus on those that are financially accretive to NAB.

In certain regions of strategic interest in Asia, NAB is continuing to explore opportunities for joint ventures or alliances relevant to its core banking and wealth businesses.

NAB's direct asset management business is seeking acquisition and start-up opportunities, particularly in (but not necessarily limited to) the asset classes of Global Equities, Infrastructure and Direct Property.

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 the risk that expected synergies will not be realised. Acquisitions may need to be funded by the issue of additional equity, which may be dilutive to existing shareholders. These factors, combined with a possible negative sentiment in relation to an acquisition, 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 revenues flowing from such new projects. Among other strategic projects, NAB is currently undertaking a significant investment through its Next Generation Banking Information Technology Platform designed to shape its future strategic and technological landscape, enabling process improvement and core product, platform and system enhancements;
- 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 cyber-attacks) by employees, customers or the general public, which directly or indirectly target or adversely impact any of the Bank Issuers' or the Guarantor's assets, operations, staff, customers, offshored 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, 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 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:

Notes subject to optional redemption by the relevant Issuer

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 Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

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 should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, potential investors should consult their respective financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

Partly-paid Notes

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

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

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.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes 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 issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium 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 securities, the greater the price volatility as compared to 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).

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.

Modification, waivers and substitution

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, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of 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 16 of the conditions of the Notes.

EU Savings Directive (Directive 2003/48/EC)

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.

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 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 13(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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

Notes where denominations involve integral multiples: definitive Notes

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 definitive Notes 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.

Change of law

The conditions of the Notes (except for the subordination provisions set out in Condition 3.2 (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 Conditions 3.2 (in relation to NAB) and 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.

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.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Market interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes, 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 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 will be disclosed in the Final Terms.

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

Pursuant to Article 11 of the Prospectus Directive, the following documents, which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Competent Authority, shall be incorporated in, and form part of, this Offering Circular:

- (a) NAB's Annual Reports for the financial years ended 30 September 2010 and 30 September 2011 (**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 2010 and 30 September 2011);
- (b) the Guarantor's General Disclosure Statement for the financial year ended 30 September 2010 and Disclosure Statement for the financial year ended 30 September 2011;
- (c) Clydesdale's Annual Reports and consolidated Financial Statements for the financial years ended 30 September 2010 and 30 September 2011;
- (d) BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2010 and 30 September 2011; 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.

There are credit ratings contained in certain of the documents listed above, which are 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 General Disclosure Statement for the financial year ended 30 September 2010 and the Guarantor's Disclosure Statement for the financial year ended 30 September 2011, these credit ratings are assigned by S&P Australia, Moody's Australia, Moody's Investors Service, Inc. (**Moody's U.S.**) and Fitch Ratings (Hong Kong) Limited (**Fitch Hong Kong**).

S&P Australia, Moody's Australia and Fitch Hong Kong are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the applications for registration under the CRA Regulation of Standard & Poor's Credit Market Services Europe Limited, Moody's Europe and Fitch Europe, which are established in the European Union and are registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such

Regulation), disclosed the intention to endorse credit ratings of S&P Australia, Moody's Australia and Fitch Hong Kong, respectively. Moody's Investors Service, Inc. is not established in the European Union and has not applied for registration under the CRA Regulation. However, Moody's Investors Service disclosed in its press release of 14 June 2011 that it has sought authorisation to endorse the global scale credit ratings of Moody's Investors Service, Inc. through either Moody's Europe or Moody's Deutschland GmbH, both of which are established in the European Union and are registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation).

While notification of the corresponding endorsement decisions have not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).

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*.

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

	NAB	Clydesdale	The Guarantor	BNZ-IF
Balance sheet	<p>2010 NAB Annual Report, page 52</p> <p>2011 NAB Annual Report, page 58</p>	<p>2010 Clydesdale Annual Report, page 23</p> <p>2011 Clydesdale Annual Report, page 21</p>	<p>2010 General Disclosure Statement, page 12</p> <p>2011 Disclosure Statement, page 10</p>	<p>2010 Annual Report, page 4</p> <p>2011 Annual Report, page 3</p>
Income statement	<p>2010 NAB Annual Report, page 50</p> <p>2011 NAB Annual Report, page 56</p>	<p>2010 Clydesdale Annual Report, page 21</p> <p>2011 Clydesdale Annual Report, page 19</p>	<p>2010 General Disclosure Statement, page 8</p> <p>2011 Disclosure Statement, page 8</p>	<p>2010 Annual Report page 1</p> <p>2011 Annual Report, page 1</p>
Cash flow statement	<p>2010 NAB Annual Report, page 53</p> <p>2011 NAB Annual Report, page 59</p>	<p>2010 Clydesdale Annual Report, page 26</p> <p>2011 Clydesdale Annual Report, page 24</p>	<p>2010 General Disclosure Statement, pages 13 – 14</p> <p>2011 Disclosure Statement, pages 11-12</p>	<p>2010 Annual Report, pages 5 - 6</p> <p>2011 Annual Report, pages 4-5</p>
Accounting policies and explanatory notes	<p>2010 NAB Annual Report, pages 56-151</p> <p>2011 NAB Annual Report, pages 62-160</p>	<p>2010 Clydesdale Annual Report, pages 27-120</p> <p>2011 Clydesdale Annual Report, pages 25-115</p>	<p>2010 General Disclosure Statement, pages 15 - 100</p> <p>2011 Disclosure Statement, pages 13-92</p>	<p>2010 Annual Report, pages 7 - 19</p> <p>2011 Annual Report, pages 6-18</p>
Audit reports	<p>2010 NAB Annual Report, pages 153-154</p> <p>2011 NAB Annual Report, pages 162-163</p>	<p>2010 Clydesdale Annual Report, pages 18-19</p> <p>2011 Clydesdale Annual Report, pages 16-17</p>	<p>2010 General Disclosure Statement, pages 101 - 102</p> <p>2011 Disclosure Statement, pages 93-94</p>	<p>2010 Annual Report, page 20</p> <p>2011 Annual Report, page 19</p>
Legal and arbitration proceedings	<p>2010 NAB Annual Report, Note 42, at pages 118-121</p> <p>2011 NAB Annual Report, Note 40, at pages 121-124</p>	<p>2010 Clydesdale Annual Report, Note 26 at pages 70-71 and Note 35 at page 82</p> <p>2011 Clydesdale Annual Report, Note 27 at pages 72-73 and Note 36 at page 84</p>	<p>None</p> <p>None</p>	<p>None</p> <p>None</p>

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency. A summary of the terms and conditions of the Programme and the Notes appears above. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any Supplement to this Offering Circular will only be valid for admission of Notes to trading on the Luxembourg Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$100,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

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.

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 11) 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 15 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.

The applicable Final Terms of Tranches of Bearer Notes will further specify that Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary 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 365 days 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 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 7.4) 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 7.4) 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 15 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, 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 at least 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.

APPLICABLE FINAL TERMS

To be completed for each Tranche of Notes with a denomination of at least EUR 1,000 but less than EUR 100,000 (or its equivalent in any other currency) issued by National Australia Bank Limited under the Programme.

[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**

[The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) 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 supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 36 of Part A below, provided such person is one of the persons mentioned in Paragraph 36 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

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].*

[The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so 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 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].†

* Consider including this legend where a non-exempt offer of Notes is anticipated.

† Consider including this legend where only an exempt offer of Notes is anticipated.

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 15 December 2011 [and the supplement to the Offering Circular dated *[insert date]*] ([together,] the **Offering Circular**) which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which, in respect of a Member State of the European Economic Area, includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in that relevant Member State). 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. 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.

[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 to the Offering Circular dated *[insert date]*] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which, in respect of a Member State of the European Economic Area, includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in that relevant Member State). 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 15 December 2011 [and the supplement to the Offering Circular dated *[insert date]*], save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* [and the supplement to the Offering Circular dated *[insert 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 Circulars dated 15 December 2011 and *[original date]* [and the supplement to the Offering Circular[s] dated *[insert date]* and *[insert date]*]. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular [and the supplement to the Offering Circular[s]] [is] [are] 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" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

- | | | |
|----|---------------------|---------------------------------|
| 1. | Issuer: | National Australia Bank Limited |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |

(If fungible with an existing Series, details of that

Series, including the date on which the Notes become fungible)

3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (a) Specified Denominations: []

(N.B. If an issue of Notes is (i) NOT admitted to trading on an 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 €1,000 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]
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] +/- [] 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]

(N.B. 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.)

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.]

12. Put/Call Options:

[Investor Put]
[Issuer Call]
[(further particulars specified below)]

13. (a) Status of the Notes:

[Senior/Term Subordinated/Undated Subordinated]

(b) [Date [Board] approval for issuance of Notes obtained:

[] [and [], respectively]]

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

14. Method of distribution:

[Syndicated/Non-syndicated]

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] *(If payable other than annually, consider amending Condition 6)*

- (b) Interest Payment Date(s): [[] in each year from (and including) [] up to (and including) the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below/ [specify other]
(N.B. This will need to be amended in the case of long or short 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] []
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
(See Condition 6.6 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: [] [If there are Business 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 Business Centres are in addition to []"]
- (h) Determination Date(s): [] in each year

(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).)
- (i) Other terms relating to the method of calculating interest for Fixed Rate 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: [[] in each year from (and including) [] up to (and including) the Maturity Date, subject to

- adjustment in accordance with the Business Day Convention set out below/ *[specify other]*
- (b) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]*
- (c) Additional Business Centre(s): *[] [If there are Business 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 Business Centres are in addition to []."]*
- (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): *[] (If there is a calculation agent responsible for calculating the Rate of Interest and Interest Amount, include the name and address of such calculation agent above)*
- (f) Screen Rate Determination:
- Reference Rate: *[]*
(Either LIBOR, EURIBOR or other, although additional information is required if other—including fallback provisions in the Agency Agreement.)
 - Interest Determination Date(s): *[]*
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)
 - 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: []
- (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/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 6.6 for alternatives)
- (l) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
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: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8.5(c) and 8.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated.)
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (N.B. 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 of the Prospectus Directive Regulation will apply.)

- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (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 or otherwise disrupted: [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): []
[] [If there are Business 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 Business Centres are in addition to []"]
- (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)

(N.B. 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 of 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 reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. 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 period (if other than as set out in the Conditions): [Not Applicable]

[Not less than [number of days in words (number)] [insert Business Centres] Business Days' notice to the Trustee, Agent and Noteholders prior to the Optional Redemption Date in accordance with Condition 15. Any notice given to Euroclear and/or Clearstream, Luxembourg and/or DTC in accordance with Condition 15 shall be deemed to have been given to the Noteholders on the day on which that notice is given to Euroclear and/or Clearstream,

Luxembourg and/or DTC. Condition 15 shall be deemed to be amended accordingly.]

[[insert Business Centres] **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in [insert Business Centres]]

(N.B. If setting notice periods which are different to those provided in the Conditions, 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.)

21. 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 period (if other than as set out in the Conditions): []
- (N.B. If setting notice periods which are different to those provided in the Conditions, the 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. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
- (N.B. 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.)*
23. 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 8.5): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Any applicable Tax Jurisdiction: [Give details]/[Not Applicable]
(N.B. See Condition 9)

25. (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].]

[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.][‡]

[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.]

[‡] Include for Notes that are offered in Belgium

(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.]

26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [] *[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 items 16(c) and 18(g) relate.)

27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes: [Yes/No. If yes, give details]

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]

29. Details relating to Instalment Notes:

(a) [Instalment Amount(s): [Not Applicable/give details]]

(b) [Instalment Date(s): [Not Applicable/give details]]

30. Redenomination applicable: Redenomination [not] applicable

(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates).)

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

(When adding any other final terms consideration

should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)

DISTRIBUTION

32. (a) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names and addresses and underwriting commitments]
- (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.)*
- (b) Date of [Subscription] Agreement: []
- (c) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name and address of relevant Dealer: [Name [and address]]
34. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
35. TEFRA rules: [TEFRA D/Specify other]
- (TEFRA D rules should apply to issues of Notes unless it is agreed by the Issuer at the time of completion of the applicable Final Terms that TEFRA C rules should apply or that TEFRA rules should not be applied to a particular issue of Notes.)*
36. Non-Exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Managers") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the Financial Intermediaries) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Offering Circular and any supplements have been passported (in addition to the jurisdiction where approved and published)] (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"] (Offer Period). See further Paragraph 3

of Part B below.]

(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.)

37. Additional selling restrictions:

[Not Applicable/Regulation S/Rule 144A/give details]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue [and] [public offer in the Public Offer Jurisdictions] [and] admission to trading on the [Regulated Market of the Luxembourg Stock Exchange and listing on the official list of the Luxembourg Stock Exchange] [other] of the Notes described herein pursuant to the U.S.\$100,000,000,000 Global Medium Term Note Programme of National Australia Bank Limited and others.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index of its components]* 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 the National Australia Bank Limited:

By:

Duly authorised

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.

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] [other] with effect from [].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be 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]/[The Issuer's Senior Notes with a maturity of more than one year] [[have been]/[are expected to be]] rated [insert details] by [insert credit rating agency name(s)].

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[Insert the legal name of the relevant CRA entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [insert the legal name of the relevant CRA entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU CRA entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU CRA entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU CRA entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [insert the

legal name of the relevant EU CRA entity that applied for registration], which is established in the European Union and is registered under the CRA Regulation (and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation), disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*]. While notification of the corresponding endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered CRA entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation. As such [*insert the legal name of the relevant EU CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied

for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

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.

3. TERMS AND CONDITIONS OF THE OFFER

- (i) [Offer Price:] [Not Applicable/*give details*]
- (ii) [Conditions to which the offer is subject:] [Not Applicable/*give details*]
- (iii) [The time period, including any] [Not Applicable/*give details*]

possible amendments, during which the offer will be open and description of the application process:]

- (iv) [Details of the minimum and/or maximum amount of application:] [Not Applicable/*give details*]
- (v) [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:] [Not Applicable/*give details*]
- (vi) [Details of the method and time limits for paying up and delivering the Notes:] [Not Applicable/*give details*]
- (vii) [Manner and date in which results of the offer are to be made public:] [Not Applicable/*give details*]
- (viii) [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] [Not Applicable/*give details*]
- (ix) [Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:] [Not Applicable/*give details*]
- (x) [Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not Applicable/*give details*]
- (xi) [Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not Applicable/*give details*]
- (xii) [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/*give details*]

4. 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.—*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.")*

(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

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

Indication of yield: []

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

8. **PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** *(Index-Linked Notes only)*

[If there is a derivative component in the interest or if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, need to include details of where the information about the index can be obtained.]

[Include other information (including, if relevant, the final reference price) concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Issuer does not intend to provide post-issuance information.

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

[If there is a derivative component in the interest or if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

10. 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 initial Paying Agent(s): []
- (vi) Name(s) and address(es) of additional Paying Agent(s) (if any): []
- (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 the nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the NSS,] [*include this text for Registered Notes which are to be held under NSS*] and does not necessarily mean that the 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.] [*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*]

Notes:

* Required for issues of Notes issued on a non-exempt public offer basis.

APPLICABLE FINAL TERMS

To be completed for each Tranche of Notes with a denomination of at least EUR 100,000 (or its equivalent in any other currency).

[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 15 December 2011 [and the supplement to the Offering Circular dated *[insert date]*] ([together,] the **Offering Circular**), which constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which, in respect of a Member State of the European Economic Area, includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in that relevant Member State). 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*) 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 to the Offering Circular dated *[insert date]*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which, in respect of a Member State of the European Economic Area, includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in that relevant Member State) and must be read in conjunction with the Offering Circular dated 15 December 2011 [and the supplement to the Offering Circular dated *[insert date]*] which [together] constitute[s] a base prospectus for the purposes of Article 5.4 of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* [and the supplement to the Offering Circular dated *[insert 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 Circulars dated 15 December 2011 and *[original date]* [and the supplement to the Offering Circular(s) dated *[insert date]* and *[insert date]*]. Pursuant to Article 14(2) of the Prospectus Directive, copies of such Offering Circulars [and supplement to the Offering Circular[s]] are 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" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[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: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)

3. Specified Currency or Currencies: []

4. Aggregate Nominal Amount of Notes admitted to trading:

(a) Series: []

(b) Tranche: []

5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (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 an 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]

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] +/- [] 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]
- (N.B. If the Final Redemption Amount is more or less 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.)*
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]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior/Term Subordinated/Undated Subordinated]
- (b) [Status of the Guarantee: [Senior/Term Subordinated/Undated Subordinated/Not applicable]]
- (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)
14. Method of distribution: [Syndicated/Non-syndicated]

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] *(If payable other than annually, consider amending Condition 6)*
- (b) Interest Payment Date(s): [[] in each year from (and including) [] up to (and including) the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below]/ [specify other]
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount

(Applicable to Notes in definitive form)

- (d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or *[specify other]*]
(See Condition 6.6 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: [] *[If there are Business 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 Business Centres are in addition to []"]*
- (h) Determination Date(s): [] in each year
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).)
- (i) Other terms relating to the method of calculating interest for Fixed Rate 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: [[] in each year from (and including) [] up to (and including) the Maturity Date subject to adjustment in accordance with the Business Day Convention set out below]/ *[specify other]*
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*[specify other]*]

- (c) Additional Business Centre(s): [] *[If there are Business 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 Business Centres are in addition to []"]*
- (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): [] *(If there is a calculation agent responsible for calculating the Rate of Interest and Interest Amount, include the name and address of such calculation agent)*
- (f) Screen Rate Determination:
- Reference Rate: [] *(Either LIBOR, EURIBOR or other, although additional information is required if other—including fallback provisions in the Agency Agreement.)*
 - Interest Determination Date(s): [] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)*
 - 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: []
- (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/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 6.6 for alternatives)
- (l) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
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: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8.5(c) and 8.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked 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 purpose of the Prospectus Directive and the requirements of Annex*

XII to the Prospectus Directive Regulation will apply.)

- (a) Index/Formula: [give or annex details]
 - (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
 - (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 or otherwise disrupted: [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): [] [If there are Business 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 Business Centres are in addition to []"]
 - (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 payable (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. 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 period (if other than as set out in the Conditions): [Not Applicable]

[Not less than [number of days in words (number)] [insert Business Centres] Business Days' notice to the Trustee, Agent and Noteholders prior to the Optional Redemption Date in accordance with Condition 15. Any notice given to Euroclear and/or Clearstream, Luxembourg and/or DTC in accordance with Condition 15 shall be deemed to have been given to the Noteholders on the day on which that notice is given to Euroclear and/or Clearstream, Luxembourg and/or DTC. Condition 15 shall be deemed to be amended accordingly.]

[[insert Business Centres] **Business Day** means a

day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in [insert Business Centres]]

(N.B. If setting notice periods which are different to those provided in the Conditions, 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.)

21. 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 period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the 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. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is more or less 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.)
23. 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 8.5): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Any applicable Tax Jurisdiction: [As specified in Condition 9] [give details] [Not applicable]

(in the case of any Tranche of Guaranteed Notes issued by BNZ-IF, the applicable Tax Jurisdiction will always be the United Kingdom as specified in Condition 9

(in the case of any Tranche of Notes issued by NAB or Clydesdale, specify an applicable Tax Jurisdiction or mark this Item 24 "not applicable". See Condition 9.))

25. (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].]

[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.][§]

[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 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)

[§] Include for Notes that are offered in Belgium

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.]

26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [] *[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 items 16(c) and 18(g) relate.)

27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes: [Yes/No. If yes, give details]

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]

29. Details relating to Instalment Notes:

- (a) [Instalment Amount(s): [Not Applicable/give details]]
- (b) [Instalment Date(s): [Not Applicable/give details]]
30. Redenomination applicable: Redenomination [not] applicable
- (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates).)*
31. Other final terms: [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*

DISTRIBUTION

32. (a) If syndicated, names [and addresses]* of Managers [and underwriting commitments]*: [Not Applicable/give names [and addresses and underwriting commitments]*]
- (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 Managers.)*
- (b) Date of [Subscription] Agreement* []*
- (c) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name [and address]* of relevant Dealer: [Not Applicable/give name [and address]*]
34. TEFRA rules: [TEFRA D/specify other]
- (TEFRA D rules should apply to issues of Notes unless it is agreed by the Issuer at the time of completion of the applicable Final Terms that TEFRA C rules should apply or that TEFRA rules should not be applied to a particular issue of Notes.)*
35. Additional selling restrictions: [Not Applicable/Regulation S/Rule 144A/give details]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue and admission to trading on the [Regulated Market of the Luxembourg Stock Exchange and listing on the official list of the Luxembourg Stock

Exchange] [other] of the Notes described herein pursuant to the U.S.\$100,000,000,000 Global Medium Term Note Programme of [National Australia Bank Limited/Clydesdale Bank PLC/BNZ International Funding Limited, acting through its London Branch].]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] 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]

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. [*Paragraph to be included if NAB is the Issuer*]

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][*other*] with effect from [].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be 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]/[The Issuer's Senior Notes with a maturity of more than one year are rated:]
[[have been]/[are expected to be]] rated [*insert details*] by [*insert credit rating agency name(s)*].

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [*insert the legal name of the relevant CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU CRA entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU CRA*

entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation (and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation), disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*]. While notification of the corresponding endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered CRA entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation. As such [*insert the legal name of the relevant EU CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and

Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

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.

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

[(i) Reasons for the offer []]

[(ii)] Estimated net proceeds: []]

[(iii)] Estimated total expenses: []] *(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i) disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

5. **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.

6. **[PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING** *(Index-Linked Notes only)*

[Need to include details of where past and future performance and volatility of the index/formula can be obtained]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information (including, if relevant, the final reference price) concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Issuer does not intend to provide post-issuance information.]*

7. **[PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]]*

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 initial Paying Agent(s): []
- (vi) Name(s) and address(es) of additional Paying Agent(s) (if any): []
- (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 the nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the NSS,] [include this text for Registered Notes which are to be held under NSS] and does not necessarily mean that the 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.] [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]

Notes:

- * *Required for derivative securities to which Annex XII to the Prospectus Directive applies. 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*

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 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 "Form of the Notes" 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 16 December 2010 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, if indicated in the applicable Final Terms, 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 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 to 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**). Pursuant to Article 14(2) of Directive 2003/71/EC (the **Prospectus Directive**), copies of the applicable Final Terms are available, free of charge, at the registered office of the Issuer and (in the case of Guaranteed Notes) the Guarantor and on the website of the Luxembourg Stock Exchange (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 save that, if this Note 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, 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 Specified Currency and the Specified Denomination(s). 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, a Zero Coupon Note, 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.

This Note may 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 8, 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 or to QIBs; and

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

3. STATUS OF THE SENIOR NOTES AND SUBORDINATION

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 and Undated Subordinated Notes issued by NAB.

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 (as defined in this Condition 3.2) of NAB in the manner provided in the Trust Deed. Accordingly, at any time prior to the commencement of the Winding Up of NAB:

- (a) 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 11.2) 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 Undated Subordinated Notes of NAB and 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.

Undated Subordinated Notes issued by NAB 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 NAB in the event of a Winding Up of NAB in the manner provided in the Trust Deed. Undated Subordinated Notes rank *pari passu* among themselves.

The 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 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 Subordinated Note against any amount owing by it to NAB in connection with the 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 Subordinated Note against any amount owing by the holder to it in connection with the 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 but senior to the claims of all holders of Undated Subordinated Notes issued by 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; 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 above) 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 11.3) 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 11.3) 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 11.2) 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. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, but after prior consultation with the Trustee, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but

only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent and the Trustee may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro 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;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (ii) in the case of definitive Notes, by applying the Rate of Interest to 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; and

- (g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

5.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. INTEREST

6.1 Interest on Fixed Rate Notes

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

If the Notes are in definitive form, except as provided in the applicable 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 6.6 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 6.2 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.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

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

- (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 (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable 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 6.2 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 and Index Linked Interest 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 either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as 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 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable 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.

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.

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

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

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

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

If "Interest Amounts Non-Adjusted" is specified in the applicable 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 or Index Linked 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 15, 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 or Index Linked Interest

Notes are for the time being listed and to the Noteholders in accordance with Condition 15. 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 or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, 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 or the Calculation Agent, as applicable.

(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 6.2, whether by the Agent or, if applicable, the Calculation 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 Calculation Agent (if applicable), 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, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

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

6.4 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.

6.5 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.

6.6 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 6:

- (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; and

- (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.

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.

7. PAYMENTS

7.1 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 (including any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code) and, in the case of a Term Subordinated Note, to Condition 3.2 or 3.3 (as applicable) and, in the case of a Guaranteed Term Subordinated Note, to Condition 3.4(b) but without prejudice to the provisions of Condition 9.

7.2 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 7.1 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)).

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 7.1 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 7.1 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.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) 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 9) in respect of such principal (whether or not such Coupon would otherwise have become void under

Condition 10) 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, Dual Currency Note, Index Linked 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.

7.3 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.

7.4 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 and 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 payments of interest (other than interest due on redemption) and 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 interest due in respect of each Registered Note on redemption and the final instalment of principal 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.

7.5 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.

7.6 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 10) 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.

7.7 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 9 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 Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); 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 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) which is not an Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date. 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 8 or Condition 11.

8.2 Redemption for tax reasons

The Notes may be redeemed (subject to (i) the prior written approval of APRA if the Notes are 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 neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 15, 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 9 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 9) 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 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.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee 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 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 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may (subject, (i) in the case of 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:

- (a) not less than 15 nor more than 30 days' notice (or such shorter period as may be agreed in the applicable Final Terms) to the Noteholders in accordance with Condition 15; and
- (b) not less than 15 days (or such shorter period as may be agreed in the applicable Final Terms) before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable 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. 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 15 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 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 8.4 shall apply only to Senior Notes and references to "Notes" shall be construed accordingly.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 30 nor more than 45 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, 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 8.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the Final Terms.

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 8.4 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 11 in which event such holder, at its option,

may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable 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 a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

8.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5.

8.7 Partly Paid Notes

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

8.8 Purchases

The Issuer, the Guarantor or any subsidiary of the Issuer or the Guarantor may (subject, in the case of 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.

8.9 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 8.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 11 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 8.5(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 15.

9. 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 (including any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code). 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 7.6);
- (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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income 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;

- (o) which is payable by reason of the Noteholder's, Receiptholder's or Couponholder's or beneficial owner's failure to perfect an exemption from any withholding imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code and any regulations or agreements thereunder or official interpretations thereof; or
- (p) any combination of (a) through (o) above.

As used herein:

- (i) **Tax Jurisdiction** means (a) in relation to any Tranche of Notes issued by BNZ-IF, the United Kingdom; (b) in relation to any Tranche of Notes issued by NAB or Clydesdale, the jurisdiction, if any, named in the applicable Final Terms as being the jurisdiction wherein the relevant Issuer's borrowing office is located for such Tranche of Notes if such borrowing office is not located in Australia (if the Issuer is NAB) or the United Kingdom (if the Issuer is Clydesdale); and (c) in relation to taxes imposed pursuant to Section 1471 through 1474 of the U.S. Internal Revenue Code, the United States; 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 15.

The remaining provisions of this Condition 9 only apply to BNZ-IF, where BNZ-IF is the Issuer, and to the Guarantor. Where used in the remaining provisions of this Condition 9, **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.

10. 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 9) 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 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default relating to Senior Notes

This Condition 11.1 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 16; 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 16; 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 16; 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.

11.2 Events of Default relating to Subordinated Notes issued by NAB or BNZ-IF

This Condition 11.2 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 11.2(a) and Condition 11.2(b) shall constitute Events of Default in relation to Subordinated Notes issued by NAB and Guaranteed Subordinated Notes issued by BNZ-IF.

11.3 Events of Default relating to Subordinated Notes issued by Clydesdale

This Condition 11.3 shall apply only to Subordinated Notes issued by Clydesdale and references to "Notes" in this Condition 11.3 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 11.3(a) and Condition 11.3(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.

11.4 Consequences of an Event of Default relating to Subordinated Notes issued by NAB

This Condition 11.4 shall apply only to 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 11.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 11.4(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 (as defined in Condition 3.2) of NAB.

- (b) In the case of the occurrence of an Event of Default specified in Condition 11.2(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 11.4(b)(i) or because under Condition 11.2(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 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 11.4.

11.5 Consequences of an Event of Default relating to Guaranteed Subordinated Notes issued by BNZ- IF

This Condition 11.5 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 11.2(a) above, the Trustee at its discretion may (in addition to taking any of the actions specified in Condition 11.5(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 11.2(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 11.5(b)(i) or because under Condition 11.2(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 11.5.

11.6 Consequences of an Event of Default relating to Subordinated Notes issued by Clydesdale

This Condition 11.6 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 11.3(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 11.3(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 11.3(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 11.6.

11.7 Enforcement

(a) Senior Notes

This Condition 11.7(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 11.7(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).

12. 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.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income 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 7.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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.

14. 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 10.

15. 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 the second day 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.

16. 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 the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed, subject, in the case of modifications 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 15 as soon as practicable thereafter.

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 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 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 16.

17. 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.

18. 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.

19. 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.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 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 the subordination provisions of the Trust Deed and the Notes 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.

20.2 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.

20.3 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.

20.4 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.

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 any particular issue of Notes which are derivative securities for the purposes of Article 15 of 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" or "National".

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 institutions, including many of the ASX 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 4.5 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, Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 2,900 employees in Australia, New Zealand, Asia, the United Kingdom (UK) 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, Financial Solution Centres, direct banking and brokers.

- *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.
- *MLC & NAB Wealth* provides superannuation, investments, insurance and private wealth solutions to retail, corporate and institutional clients. MLC & NAB Wealth operates one of the largest networks of retail financial advisers in Australia.
- *Great Western Bank* has 195 locations through the Midwest United States. It is a regional bank which has maintained core community banking values. When coupled with the strength of the NAB Group, this provides a compelling distinction between the large US mega-banks and the smaller community banks with fewer capital resources.
- *Specialised Group Assets*: the Specialised Group Assets (SGA) portfolios comprise nonfranchise assets with A\$15.0 billion of Risk Weighted Assets.

These assets are primarily domiciled in the UK and the U.S. and consist of nine portfolios:

- Structured Asset Management (SAM).
- Credit Wrapped Bonds.
- Private Equity and Real Estate Investment Funds USA.
- Infrastructure Finance USA.
- Corporate Lending USA.
- Corporate and Non Bank Financial Institution (NBFI) Lending UK.
- Commercial Property UK.
- Leverage 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 2011.

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 and Cape York Institute for Policy and Leadership.
- **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. Member, 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. 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).

- **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 Redevelopment Board, Eden 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, Rugby Accommodation 2011 Limited, Rugby Sales Limited, Sky Network Television Limited, and Yealands Wine Group Limited.

- **Sir Malcolm Williamson**

Non-Executive Director, a member of the Risk Committee, a member of the Nomination Committee and Chairman and Non-Executive Director of National Australia Group Europe Limited and Clydesdale Bank PLC. Other appointments: Chairman, Friends Life Group plc, SAV Credit Limited, Signet Jewelers Ltd and Progressive Credit Limited. Director, Signet Group Limited. Chairman of the Strategy and Development Board, Cass Business School. Chairman of the Board of Trustees, The Prince of Wales Youth Business International Limited and Youth Business America.

- **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 13 December 2011, the following shareholders each held more than 1 per cent. of the issued share capital of NAB:

- HSBC Custody Nominees (17.28 per cent.)
- JP Morgan Nominees Australia Limited (12.78 per cent.)
- National Nominees Ltd (12.31 per cent.)
- Citicorp Nominees Pty Limited (3.72 per cent.)
- Citicorp Nominees Pty Limited <Colonial First State Inv A/C> (1.74 per cent.)
- Cogent Nominees Pty Limited (1.68 per cent.)
- National Australia Trustees (1.30 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.

Save as disclosed on page 136 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 2010 and 30 September 2011 is contained in its Annual Reports for the years ending 30 September 2010 and 30 September 2011 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 153-154 of the Annual Report for the year ended 30 September 2010 and at pages 162-163 of the Annual Report for the year ended 30 September 2011.

Legal and arbitration proceedings

Overview

Except as listed below and as described in the documents incorporated by reference (see cross-reference table on page 39), 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 Action / Potential Class Actions

On 18 November 2010, Maurice Blackburn Lawyers (an Australian law firm) commenced a class action proceeding against the NAB Group in the Supreme Court of Victoria in relation to its exposure to certain Collateralised Debt Obligations (CDOs) in nabCapital sponsored conduits. The NAB Group announced a provision of A\$181 million against an approximate US\$1.1 billion exposure to the CDOs when it released its half year result to March 2008, and increased its provision by \$830 million in July 2008. Maurice Blackburn Lawyers allege that in 2008 the NAB Group contravened certain misleading and deceptive conduct and continuous disclosure provisions of the Corporations Act 2001 (Cth) in relation to its exposure to the CDOs. The loss claimed by class members has not yet been identified in the proceeding. The proceeding is being vigorously defended.

On 12 May 2010, Maurice Blackburn Lawyers announced it was preparing 12 class actions against banks operating in Australia, including the NAB Group, in relation to the payment of exception fees. On 22 September 2010, an exception fee class action was issued against Australia and New Zealand Banking Group Limited. To date an exception fees class action has not been issued by Maurice Blackburn Lawyers against the NAB Group. If an exception fees class action is issued by Maurice Blackburn Lawyers against the NAB Group, it will be vigorously defended.

United Kingdom Financial Services Compensation Scheme (FSCS)

The 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, 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. These borrowings are anticipated to be repaid from the realisation of the assets of the institutions. In the interim, the FSCS has estimated levies due to 31 March 2012 and an accrual is presently held for the NAB Group's calculated liability for this period. If the assets of the failed institutions

are insufficient to repay the UK Government loan to the FSCS, additional levies will become payable in future periods.

Claims for potential mis-selling of Payment Protection Insurance

Market wide concerns relating to the UK banking industry Payment Protection Insurance (**PPI**) issue are ongoing. In May 2011, the British Bankers' Association (the principal trade association for the United Kingdom banking and financial services sector, the **BBA**) announced that it does not intend to pursue the judicial review process and provisions were announced by some of the largest British banks. A provision of £102 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 uncertain factors, including how many PPI claims will be made against Clydesdale Bank PLC, 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.

Recent events

Introduction of Australian legislative framework for covered bonds

The Banking Act was amended with effect from 17 October 2011 by the Banking Amendment (Covered Bonds) Act 2011 of Australia to provide for the issue of covered bonds by Australian ADIs such as NAB. "Covered bonds" are defined in this context to be bonds, notes or other debentures, liabilities to the holders of which, or their representatives, are recoverable from the issuing ADI and secured by assets beneficially owned by a special purpose vehicle. To the extent that these assets secure certain liabilities to the covered bondholders and certain other secured creditors in respect of the covered bonds, they constitute the "cover pool" for those covered bonds.

Under the new legislative framework for covered bonds, NAB may issue covered bonds provided that the combined value of assets in cover pools securing all covered bonds (within the meaning of the Banking Act) issued by NAB would not exceed 8 per cent. (or such other percentage prescribed by regulation) of the value of NAB's assets in Australia, tested at the time the covered bonds are issued. NAB is also generally required, as an ongoing obligation, to maintain the value of the assets in a cover pool at no less than 103 per cent. (or such other percentage prescribed by regulation) of the face value of covered bonds secured by the assets. APRA is in the process of finalising further prudential requirements for covered bonds and associated changes to other prudential standards.

Notes issued under this Offering Circular are not covered bonds and are not secured on any cover pool.

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 2011.

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 337 retail branches in the United Kingdom as at 30 September 2011. Clydesdale also offers integrated business and private banking services to small-medium sized and mid-tier corporate business customers. There are 72 Financial Solutions Centres throughout the United Kingdom as at 30 September 2011.

During the year to 30 September 2011, average gross loans and acceptances (loans and advances to customers, loans designated at fair value through profit and loss and amounts due from customers on acceptances) increased by 0.3 per cent. and average retail deposit volumes (current accounts, savings accounts, term deposits and business deposits) grew by 1.1 per cent.

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, including finance, marketing and risk functions.

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 2011.

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 Level 3, 88 Wood Street, London EC2V 7QQ.

- **Sir Malcolm Williamson**

Non-Executive Director and Chairman of Clydesdale and National Australia Group Europe Limited and Chairman of the European Boards' Risk Committee. Other appointments: Chairman, Friends Life Group plc, SAV Credit Limited, Signet Jewelers Ltd and Progressive Credit Limited. Director, Signet Group Limited. Chairman of the Strategy and Development Board, Cass Business School. Chairman of the Board of Trustees, The Prince of Wales Youth Business International Limited and Youth Business America.

- **David Thorburn**

Executive Director and Chief Executive Officer of Clydesdale (Clydesdale Bank Exchange 20 Waterloo Street, Glasgow G2 6DB) and National Australia Group Europe Limited and member of the European Boards' Risk Committee.

- **John Hooper**

Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee.

- **Cameron Clyne**

Executive Director of Clydesdale and National Australia Group Europe Limited.

- **Sir David Fell KCB**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and Chairman of the European Boards' Audit Committee. Other appointments: Chairman, Novenso Ltd and Goldblatt McGuigan. Pro-Chancellor and Chairman of the Senate, Queens University Belfast.

- **Richard Gregory OBE**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee and 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.

- **Roy Nicolson**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee and the European Boards' Audit Committee.

- **Jonathan Dawson**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Audit Committee and the European Boards' Risk Committee. Other appointments: Chairman, Royal Albert Hall Pension Scheme. Director, Standard Life Investments (Holdings) Limited, Standard Life Investments Limited, London Philharmonic Orchestra Limited and Next PLC. Founding Partner, Penfida Partners LLP. Chairman of Remuneration Committee, Next PLC.

- **Elizabeth Padmore**

Non-Executive Director of Clydesdale and National Australia Group Europe Limited. Other appointments: Chairman, Basingstoke and North Hampshire NHS Foundation Trust Hospital. Director, Accenture Development Partnerships, and Padmore Associates Limited. Trustee, The Ditchley Foundation, Women for Women International (UK) and The Prince of Wales Youth Business International Limited. Member of the Finance and General Purposes Committee and member of the Investment Committee, The Ditchley Foundation. Chairman of the Accreditation Committee and member of the audit committee, The Prince of Wales Youth Business International Limited.

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 136 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 2011 has been prepared in accordance with International Financial Reporting Standards (**IFRS**) 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 2010 and 30 September 2011 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 18 and 19 of its Annual Report to 30 September 2010 and pages 16 and 17 of its Annual Report to 30 September 2011.

Legal and arbitration proceedings

Except as described in the documents incorporated by reference (see cross-reference table on page 39), 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 19). 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 2011, Clydesdale held a provision of £102 million 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 uncertain factors, including how many PPI claims will be made against Clydesdale for what value, and the prospects of mis-selling being established in relation to these claims. The final amount required to settle the potential liability is therefore uncertain. Clydesdale continues to keep the matter under review.

Recent events

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

There has been no significant change in the financial or trading position of Clydesdale which has occurred since 30 September 2011.

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 151 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 2011.

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:

- Andrew Gregory Thorburn, Managing Director and Chief Executive Officer of the Guarantor
- Craig McLaren Brant, Bank Officer 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 136 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 2010 and 30 September 2011, 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 2010 and 30 September 2011 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 2010 and 30 September 2011, 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

There has been no significant change in the financial or trading position of BNZ-IF since 30 September 2011.

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 (formerly BNZ Capital). The business units are supported by the specialist units of Products & Operations, Brand & Marketing, Office of the CEO, Finance, Risk Management and People & Internal Communications. The Guarantor also has a Singapore Branch and 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.

Singapore Branch

BNZ Group's Singapore branch provides a range of services including treasury/funding activities.

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 2011.

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 Redevelopment Board, Eden 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, Rugby Accommodation 2011 Limited, Rugby Sales 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: Chairman, New Zealand Banker's Association Council. Director, Banking Ombudsman Scheme 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.). Other appointments: Director, Nautilus Insurance PTE Limited.

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.)

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 Limited, Indevin Estates Limited and Port Marlborough New Zealand Limited. Director, Chalmers Properties Limited, Marlborough Sounds Maritime Pilots Limited, National Institute of Water and Atmospheric Research Limited, NIWA Vessel Management Limited, PMNZ Marina Holdings Limited, Port Otago Limited, Sounds Property Holdings Limited, Waikawa Marina Trustee Limited and Wine Export Partners New Zealand Limited.

Dr. Susan Carrel Macken, Company Director, New Zealand. Other appointments: Director, ESR Limited, Institute of Environmental Science and Research 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. Member, Hawke's Bay Regional Council (Regional Water Strategy External Reference Group).

Stephen John Moir, Company Director, New Zealand. Other appointments: Director, Board of The Guardians of the New Zealand Superannuation Fund.

Prudence Mary Flacks, Company Director, New Zealand. Other appointments: Director, Mighty River Power Limited and Chorus Limited. Trustee, Victoria University Foundation.

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 136 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 General Disclosure Statement for the financial year ended 30 September 2010 and Disclosure Statement for the financial year ended 30 September 2011, 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 year ended 30 September 2010 is contained in its General Disclosure Statement and for its financial year ended 30 September 2011 is contained in its Disclosure Statement, 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*" above.

Auditing of historical annual financial information

The historical financial information described above has been audited; please see the *Auditors' Report* at pages 101 and 102 of the General Disclosure Statement for the year ended 30 September 2010 and at pages 93 and 94 of the Disclosure Statement for the year ended 30 September 2011 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 2011.

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.

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 depositaries 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 certain 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 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 the 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, its legislative history, existing and proposed regulations under the Internal Revenue 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.

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 authorized 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 (including Exchangeable Bearer Notes while in bearer form) 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 United States Internal Revenue 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 generally be "passive" 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 recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether 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 recognized 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 amortizable 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 realised.

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.

Notes Purchased at a Premium

If a holder purchases the Note for an amount in excess of its principal amount, 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 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*",
- attributable to accrued but unpaid interest,
- 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.

Index Linked Notes and Renewable, 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 renewable, extendible and instalment 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 passthru payments 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 United States Internal Revenue 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.

Purchase, Sale, Retirement and Other Disposition of the Notes

Subject to the discussion of backup withholding and passthru payments 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.

Withholding on Certain Passthru Payments

Under recently enacted legislation, a 30 per cent. withholding tax would be imposed on certain payments to certain non-U.S. persons (which may include the Issuers) 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. Such United States accountholders may include holders of the Notes. In order to avoid becoming subject to this withholding tax on payments to them, the Issuers may be required to report information regarding the holders of the Notes to the IRS and, in the case of holders who fail to provide the relevant information or who are non-U.S. financial institutions who have not agreed to comply with these information reporting requirements, withhold on a portion of payments under the Notes (**passthru payments**). The IRS has issued guidance that such withholding will not apply to payments on any of the Notes made before 1 January 2015. 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.

Information with Respect to Foreign Financial Assets

Under recently enacted legislation, individuals that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of 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. United States holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

Australian Taxation

*The following is a summary 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:

- (d) 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; and
- (e) at the time of the payment of interest, NAB does not know, or have 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:

- 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
- 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 14 (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 9.

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 9.

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 a summary of the Issuers' understanding of current United Kingdom tax law as applied in England and Wales and HM Revenue and Customs 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 by 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 Bank Issuers (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 2012. 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 summary is of a general nature and is included herein solely for information purposes. It 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. 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 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-residents 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 (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.

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 United States Internal Revenue Code of 1986, as amended (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 16 December 2010 (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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

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 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 the 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;
- (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 publication 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 (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 to D.411-3 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

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the 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 5-6 October 2011 and resolutions of delegates of the Board of Directors of NAB dated 13 December 2011. 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 21 October 2011 and resolutions of delegates of the Board of Directors of Clydesdale dated 8 December 2011. 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 the Competent Authority to approve this Offering Circular. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive .

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 2010 and 30 September 2011 (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 2010 and 2011) and, if available, the most recently published half-yearly financial report as submitted to the Australian Securities Exchange;
- (b) the Guarantor's General Disclosure Statement for the financial year ended 30 September 2010 and Disclosure Statement for the financial year ended 30 September 2011;
- (c) Clydesdale's Annual Reports and Financial Statements for the financial years ended 30 September 2010 and 30 September 2011;
- (d) BNZ-IF's Annual Reports and Financial Statements for the financial years ended 30 September 2010 and 30 September 2011;

- (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 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 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.

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 AlbertII, 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 2010 and 30 September 2011. 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 accounts, without qualification, in accordance with applicable law and International Standards on Auditing (UK and Ireland) for the financial years ended 30 September 2010 and 30 September 2011.

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, although the firm itself is not a member of a professional body *per se*.

The auditors of BNZ-IF are Ernst & Young, who have audited BNZ-IF's accounts, without qualification in accordance with generally accepted auditing standards in New Zealand for the financial years ended 30 September 2010 and 30 September 2011. 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 generally accepted auditing standards in New Zealand for the financial years ended 30 September 2010 and 30 September 2011. 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 the 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.

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