

Note

This Prospectus expired on 11 May 2000 and is made available for reference purposes only. Since the expiry date, no new securities have been or will be issued on the basis of this Prospectus.

The information contained in this Prospectus was accurate only as at its issue date. The assets, liabilities, financial position, profits and losses, prospects and risks of National Australia Bank Limited have changed since this date. Since the expiry date of the Prospectus, National Australia Bank Limited has not undertaken to, has not and will not, update the information contained in the Prospectus and does not make any warranty or representation that the information contained in the Prospectus is accurate or is free from errors or omissions. Investors in the National Income Securities should not rely on the information contained in this Prospectus.

This Prospectus does not, and is not intended to, constitute an offer or invitation in Australia or in any other jurisdiction in relation to the issue, sale or purchase of any securities or financial products including but not limited to the National Income Securities and is not intended to constitute general or specific securities or financial product or investment advice or a recommendation.

National Income Securities

Public offer to raise a minimum of \$500 million. The National reserves the right to accept oversubscriptions up to an additional \$500 million.

Joint Lead Managers and Underwriters

Salomon Smith Barney
J B Were & Son

Brokers to the Offer

Salomon Smith Barney
J B Were & Son
Merrill Lynch

National Income Securities are not bank deposits nor ordinary shares. The terms of National Income Securities and the main risks associated with an investment in National Income Securities are set out in this Prospectus.

Potential investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or uncertain if a National Income Security is a suitable investment, the investor should consult a stockbroker, accountant, financial or other adviser.

Floating interest rate at a defined
Market Rate* + 1.25% per annum

Interest rate of at least
6.0% per annum
until 15 May 2000

*defined Market Rate = 90 Day Bank Bill Rate.

The minimum issue of \$500 million
has been underwritten



National Australia Bank Limited ACN 004044937

Contents

Section 1	Investment Summary	3
Section 2	Details of the Offer	8
Section 3	About the National Group	12
Section 4	Risk Factors	21
Section 5	National Income Securities	26
Section 6	Taxation	51
Section 7	Additional Information	55
Section 8	Directors' Authorisation	63
Glossary		64

Application Forms

Joint Lead Managers and Underwriters to the Offer

Salomon Smith Barney
J B Were & Son

Structurer of the Security

Salomon Smith Barney

Brokers to the Offer

Salomon Smith Barney
Level 16
225 George Street
Sydney NSW 2000
Telephone: 1800 22 22 62

J B Were & Son
Level 17
101 Collins Street
Melbourne Vic 3000
Telephone: 1800 00 33 55

Merrill Lynch
MLC Centre
19-29 Martin Place
Sydney NSW 2000
Telephone: 1800 03 22 83

Solicitors to the Offer

Mallesons Stephen Jaques
525 Collins Street
Melbourne Vic 3000

Certain words and expressions used in this Prospectus have defined meanings. A Glossary of these terms is set out at the back of this Prospectus. References to \$ and A\$ are to Australian dollars.

This Prospectus is dated 10 May 1999 and was lodged with the ASIC on 11 May 1999. The ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted or issued or sold on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus.

Application for quotation of National Income Securities on ASX will be made within three Business Days after the date of issue of this Prospectus. ASX takes no responsibility for the contents of this Prospectus. The fact that permission for quotation of National Income Securities is granted by ASX is not to be taken in any way as an endorsement of National Income Securities for which applications are invited under this Prospectus.

No action has been taken to register or qualify National Income Securities or the Offer, or otherwise permit a public offering of National Income Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore any person who receives this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws. National Income Securities have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold in the U.S. or to U.S. persons.



National Australia
Bank Limited
A.C.N. 004044937

500 Bourke Street
Melbourne
Victoria 3000
Australia

Dear Investor

The National is pleased to offer you the opportunity to participate in this innovative investment: National Income Securities.

These securities have been created with the Australian investor in mind. They offer an attractive floating rate of interest, payable quarterly in arrears. The interest rate will vary every quarter, at the defined Market Rate plus a margin of 1.25% per annum.



M.R. Rayner
Chairman

The interest rate will be at least 6% per annum (including the margin of 1.25% per annum) until 15 May 2000, even if the defined Market Rate plus 1.25% per annum would be less than 6% per annum during that period. The interest rate could also be higher than 6% per annum depending upon the defined Market Rate during that period.

The National is one of Australia's largest financial services providers. It also has a strong global presence with operations in New Zealand, the U.S., Europe and Asia.

At 31 March 1999, the National Group had total assets of over \$250 billion, over \$400 billion in assets under administration and more than eight million customers.

The issue of National Income Securities will further strengthen the National's balance sheet.

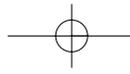
National Income Securities are a new form of interest income security. They are not bank deposits nor ordinary shares. To realise your investment in National Income Securities you will need to sell them on the Australian Stock Exchange at the prevailing market price, or privately. There can be no assurance as to what that price will be.



F.J. Cicutto
Executive Director and
Chief Operating Officer

Full details of this opportunity are provided in this Prospectus. Please read it carefully before deciding whether to invest. If you are unclear in relation to any matter or uncertain if National Income Securities are a suitable investment, you should consult a stockbroker, accountant, financial or other adviser.

On behalf of the Board, we invite you to consider this opportunity.



How to Invest

Issue Price per National Income Security	\$100
Minimum Investment – 50 National Income Securities	\$5,000
Additional Investment Amounts – multiples of 10 National Income Securities	x \$1,000
Interest payable on Application Monies (until Allotment Date)	4% per annum

How To Apply Applications for National Income Securities must only be made by completing and lodging an Application Form at the back of this Prospectus. National shareholders should apply on their personalised Application Form accompanying this Prospectus. A reply paid envelope is enclosed.

Who May Apply Members of the Australian public (including institutional investors) may apply for National Income Securities.

National Shareholders In the event of excess demand, preference in the allocation of National Income Securities will be given to shareholders of the National over public applicants (refer to Section 2.3 for further details). **National shareholders must complete their personalised Application Form accompanying this Prospectus to obtain their preference in allocation.**

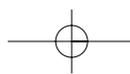
Key Dates		
Offer opens	9.00am Melbourne time	26 May 1999
Offer closes*	5.00pm Melbourne time	21 June 1999
National Income Securities allotted*		29 June 1999
First interest period commences*		29 June 1999
National Income Securities holding statements dispatched and interest on Application Monies paid*		5 July 1999
ASX trading of National Income Securities to commence*		8 July 1999
First interest payment payable		15 August 1999
End of minimum 6% per annum interest rate period		15 May 2000

**These dates are indicative only and are subject to change. The National has the right, in its discretion with the consent of the Joint Lead Managers, to close any part of the Offer early or extend the Closing Date of any part of the Offer without notice. If the Closing Date of any part of the Offer is extended, the subsequent dates may also be extended accordingly. Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens. Interest is payable on Application Monies – see "Will I be paid any interest if I apply early?" in Section 1.*

Details of National Income Securities including the full Terms and Conditions of National Income Securities, are set out in Section 5. Instructions on how to apply are set out in Section 2 and accompany the Application Form.

If you are unclear in relation to any matter or uncertain if National Income Securities are a suitable investment, you should consult a stockbroker, accountant, financial or other adviser.

If you have any questions about the procedures for applying for National Income Securities, please contact the Information Centre on 1300 364 324.



Section 1 – Investment Summary

The information set out in this Section is a summary only. It should be read in conjunction with the information contained in the remainder of this Prospectus.

A New Investment Opportunity

National Income Securities are new securities which offer an attractive floating rate of interest for medium to long term investors, issued by the National, one of Australia's largest financial services providers.

Attractive Interest Rate

The interest rate on National Income Securities will be set 1.25% per annum above the defined Market Rate, payable quarterly in arrears.

The interest rate will be at least 6% per annum until 15 May 2000, even if the defined Market Rate plus 1.25% per annum would be less than 6% per annum during this period. The interest rate on National Income Securities could be higher than 6% per annum during this period if the defined Market Rate plus 1.25% is greater than 6% per annum.

Floating Interest Rate

The interest rate will be adjusted every quarter, so if the defined Market Rate increases (or decreases), your interest rate on National Income Securities will also increase (or decrease) at that time.

The defined Market Rate is the 90 Day Bank Bill Rate. This is the benchmark rate commonly used by major Australian banks for borrowing and lending between each other over 90 days.

Large issue by the National

The National Group is one of Australia's largest financial services providers, with total assets of over \$250 billion and over eight million customers as at 31 March 1999.

The National intends to raise at least \$500 million and may raise up to an additional \$500 million through this Offer.

Realising your Investment

National Income Securities will be listed on the ASX. They are not bank deposits, have no maturity date, and will not be repayable by the National. To realise your investment you will need to sell your National Income Securities on the ASX at the prevailing market price, or privately. There can be no assurance as to what that price will be. Brokerage and other transaction costs may apply on sale.

Long term credit rating of "A"

The National's long term senior debt is rated "AA" by Standard & Poor's, one of the world's leading credit rating agencies. Standard & Poor's have assigned a long term credit rating of "A" to the National Income Securities.

Investment Summary

What are National Income Securities?

National Income Securities are a new type of interest income security to be listed on ASX.

National Income Securities have no maturity date. You will not have to rollover or reinvest your funds for interest to continue to be payable.

Ordinarily, National Income Securities will pay interest quarterly in arrears. However, in certain limited circumstances, interest may not be payable (see “Why is interest not always payable?” on page 6).

National Income Securities comprise two components: a fully paid debt security of \$100 (Note); and an unpaid preference share (Preference Share). The two components are stapled together and cannot be traded separately.

In certain limited circumstances (such as if an Event of Default occurs), the Preference Share which is a component of a National Income Security will become fully paid. In such circumstances you would not have to pay any money on the Preference Share; you would simply transfer your Note to the National as payment and then hold a fully paid Preference Share on which dividends may be payable. Dividends on the fully paid Preference Shares would be payable at the same rate, and on the same Terms and Conditions, as interest on the Notes.

The National has the right to Exchange each National Income Security for its face value of \$100 (plus any outstanding accrued interest) at any time after five years, or earlier in certain limited circumstances (see “Will the National repay the National Income Securities?” on page 6).

National Income Securities are not ordinary shares or bank deposits.

Section 5 contains the full Terms and Conditions of National Income Securities.

When is an interest payment due?

Interest is due to be paid quarterly in arrears on National Income Securities on the following dates* each year:

- 15 February
- 15 May
- 15 August
- 15 November

* or if that day is not a Business Day, the next Business Day.

Interest is payable at the end of each quarter, either by cheque or to the bank account of your choice.

If the Preference Shares become fully paid, dividends will be payable on the same dates.

Investment Summary

How will interest be calculated?

The interest rate is set on the first Business Day of each quarter by adding 1.25% per annum to the defined Market Rate on that date. The date on which each quarter starts is shown in the table below. The interest rate so calculated will apply for the following three months. The rate for National Income Securities will be published by the National in national newspapers and notified to ASX.

The relevant dates are as follows:

Interest rate is set quarterly in advance on this date each year*...	...and is payable quarterly in arrears three months later on this date each year*
15 November	15 February
15 February	15 May
15 May	15 August
15 August	15 November

* or if that day is not a Business Day, the next Business Day.

For example, if on 15 August 1999, the defined Market Rate is 5% per annum, the interest rate on National Income Securities for the following three months will be set at 6.25% per annum. The interest payable at that rate will be due for payment on 15 November 1999.

Your rate will be the defined Market Rate **plus** 1.25% per annum (but at least 6% per annum until 15 May 2000).

For the first interest period, the interest rate will be set on, and interest will accrue from, the Allotment Date.

To be entitled to an interest payment, Holders of National Income Securities must be recorded in the register on the Record Date, which is 11 Business Days (or such other period determined under the ASX Listing Rules from time to time) before the date on which the payment becomes due. National Income Securities are expected to trade on ASX "ex interest" (that is without an entitlement to the next interest payment) four Business Days prior to the Record Date.

If the Preference Shares become fully paid, dividends will be calculated on the same basis.

What does the defined Market Rate mean?

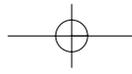
The defined Market Rate is the 90 Day Bank Bill Rate.

The 90 Day Bank Bill Rate is the benchmark rate commonly used by major Australian banks for borrowing and lending between each other over 90 days.

Does the defined Market Rate change over time?

Yes. The interest payable on National Income Securities (or dividends, if the Preference Shares become fully paid) is calculated each quarter by reference to the defined Market Rate.

The defined Market Rate is determined by a number of factors and varies over time. You should be aware that the defined Market Rate has varied between 4.69% per annum and 22.00% per annum over the last 20 years. On 7 May 1999, the defined Market Rate was 4.85% per annum.



Investment Summary

Will I be paid any interest if I apply early?

Yes. Interest on Application Monies will accrue from the day after the date of receipt of the Application by the National's Share Registry until, but excluding, the Allotment Date at a rate of 4% per annum. Interest on Application Monies will be paid on the same day as National Income Securities holding statements are dispatched.

Interest will be paid up to, but excluding, the Allotment Date on all Application Monies, including those relating to Applications which are rejected or scaled back. However, no interest will be paid on Application Monies which are not cleared or Application Monies which relate to an Application which is withdrawn prior to the Closing Date.

Why is interest not always payable?

Even though the National is one of Australia's largest financial service providers, there are certain limited circumstances where interest may not be payable. These circumstances are summarised in Section 5 on pages 26 and 27 and set out in full in the Terms and Conditions.

If interest is not payable for any particular quarter, you will not receive an interest payment for that quarter unless the National elects, at its option, to make up the payment. However, if the interest payment is not made or made up, the National will not be permitted to pay dividends on ordinary shares or securities ranking equally with National Income Securities until four consecutive interest payments are made.

If the Preference Shares become fully paid, the payment of dividends will be subject to the same terms and conditions.

What if I want my money back?

Because National Income Securities are perpetual (they have no maturity date), you will have no ability to require the National to repay the money you originally paid for your National Income Securities.

To realise your investment, you will need to sell your National Income Securities on ASX at the prevailing market price, or privately. That price may be higher or lower than the Issue Price, and will depend, among other things, on the level of supply and demand for National Income Securities. There can be no assurance as to what the price of National Income Securities will be.

Will the National repay the National Income Securities?

The National has the right to Exchange each National Income Security for its face value of \$100 (plus any outstanding accrued interest) at any time after five years.

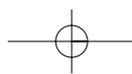
Similarly, the National may Exchange your National Income Securities earlier than five years in certain limited circumstances. These circumstances are summarised in Section 5 on page 28 and are set out in full in the Terms and Conditions.

The National is under no obligation to Exchange your National Income Securities.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on the allotment of National Income Securities received by investors who apply using the relevant Application Form.

Investors who buy or sell National Income Securities after allotment may attract brokerage and other



Investment Summary

transaction costs. There should be no stamp duty payable on the transfer of National Income Securities (except for transfers lodged through a broker in the Northern Territory). The relevant authorities in Victoria, New South Wales, Tasmania and South Australia have confirmed that no stamp duty should be payable in respect of the transfer of unpaid Preference Shares which comprise part of the National Income Securities where the buy and sell order is placed with a broker in that jurisdiction. However, there is a possibility that in other Australian jurisdictions stamp duty may be payable in respect of the transfer of unpaid Preference Shares where the order to buy or sell is lodged with a broker in that jurisdiction. If the Preference Shares become fully paid, stamp duty will be payable on any subsequent transfer of the fully paid Preference Shares.

Salomon Smith Barney and J B Were & Son will offer investors a special flat brokerage charge of \$25 on buy and sell orders, up to a value of \$25,000, of National Income Securities, for a period of 12 months from the date of listing.

Why are the funds being raised?

The funds raised qualify as Tier 1 capital of the National for regulatory purposes and will strengthen its balance sheet and may be used by the National to fund an expansion of its operations.

What are the risks?

There are particular risks associated with investing in National Income Securities, as well as general risks associated with investing in securities listed on ASX. These risks are set out in Section 4.

What are the taxation considerations?

Amounts paid on the Notes to Australian residents should be assessable income. The amounts paid should be treated as interest for Australian tax purposes. If the National Income Securities become fully paid Preference Shares, any dividends should be assessable income of Australian resident investors. Any dividends paid on the fully paid Preference Shares may be franked. No assurance can be given by the National regarding the extent to which any dividends may be franked.

The expected taxation position of investors is outlined in Section 6.

Section 6 is not a substitute for independent taxation advice and potential investors should seek advice relevant to their own taxation position.

In a winding up, will I ever receive a return of capital?

In a winding up of the National, Holders of National Income Securities will become Holders of fully paid Preference Shares and will accordingly only have a right to receive a return of capital on their National Income Securities after all deposit liabilities (eg a deposit in a bank account with the National), creditors and other liabilities have been paid, but ahead of the ordinary shareholders of the National.

You should accordingly understand that there is a risk that Holders of National Income Securities may not receive accrued interest or dividends, or a return of capital, on the fully paid Preference Shares in the event of a winding up of the National.

You should read the whole of this Prospectus carefully. If you are unclear in relation to any matter or uncertain if National Income Securities are a suitable investment, you should consult a stockbroker, accountant, financial or other adviser.

Section 2 – Details of the Offer

2.1 Important Dates

Event		Date
Offer opens	9.00am (Melbourne time)	26 May 1999
Offer closes*	5.00pm (Melbourne time)	21 June 1999
National Income Securities allotted*		29 June 1999
First interest period commences*		29 June 1999
National Income Securities holding statements dispatched and interest on Application Monies paid*		5 July 1999
ASX trading of National Income Securities to commence*		8 July 1999
First interest payment payable		15 August 1999
End of minimum 6% per annum interest rate period		15 May 2000

* These dates are indicative only and are subject to change. The National has the right, in its discretion with the consent of the Joint Lead Managers, to close any part of the Offer early or to extend the Closing Date of any part of the Offer without notice. If the Closing Date of any part of the Offer is extended, the subsequent dates may also be extended accordingly. Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens. Interest is payable on Application Monies – see “Will I be paid any interest if I apply early?” in Section 1.

2.2 How to Invest

When to apply

The Offer will open at 9.00am (Melbourne time) on 26 May 1999 and is expected to remain open until 5.00pm (Melbourne time) on 21 June 1999. The National has the right, in its discretion with the consent of the Joint Lead Managers, to close any part of the Offer early or to extend any part of the Offer beyond the stated Closing Date without notice.

How to apply

To apply for National Income Securities, you must complete one of the Application Forms attached to, or accompanying, this Prospectus in accordance with the instructions accompanying the Application Forms. The price is \$100 per National Income Security.

Applications must be for a minimum of 50 National Income Securities (\$5,000). Applications for more than 50 National Income Securities must be in multiples of 10 National Income Securities (\$1,000). No brokerage or stamp duty is payable on the allotment of National Income Securities received by investors who apply using the relevant Application Form.

National shareholders must complete their personalised Application Form accompanying this Prospectus to obtain their preference in allocation.

Application Forms, duly completed, must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed “not negotiable” and made payable to the “National Income Securities Offer Trust Account”.

By returning the Application Form, the applicant acknowledges that they have received and read this Prospectus.

Details of the Offer

Where to send your completed Application Form

Completed Application Forms and accompanying cheque(s) may be mailed or delivered to:

- any office of the Joint Lead Managers; or
- your stockbroker; or
- the National Share Registry at the addresses below:

Mailing Address for National shareholders:

REPLY PAID 81040
National Income Securities Register
Locked Bag 14121
MELBOURNE CITY MC VIC 8001

Delivery Address:

Share Registry
National Australia Bank Limited
Level 24
500 Bourke Street
MELBOURNE, VICTORIA, 3000

Mailing Address for non-shareholders:

REPLY PAID 81041
National Income Securities Register
Locked Bag 14131
MELBOURNE CITY MC VIC 8001

Application Forms and Application Monies will **not** be accepted at any branch or outlet of the National.

When Application Forms must be received

Application Forms must be received at any office of either Joint Lead Manager or the National Share Registry by no later than by 5.00pm (Melbourne time) on 21 June 1999 (or any other Closing Date – earlier or later – of any part of the Offer as the National may nominate in its discretion with the consent of the Joint Lead Managers).

Enquiries

If you require assistance to complete the Application Form, or require additional copies of this Prospectus, you should call **1300 364 324** or contact your stockbroker or one of the Brokers to the Offer.

Salomon Smith Barney

1800 22 22 62

J B Were & Son

1800 00 33 55

Merrill Lynch

1800 03 22 83

A list of the offices and telephone numbers of the Joint Lead Managers appears on the inside back cover of this Prospectus.

If an investor is unclear in relation to any matter or uncertain if a National Income Security is a suitable investment, the investor should contact their stockbroker, accountant, financial or other adviser.

Details of the Offer

2.3 Structure of the Offer

Allocation policy

In the event of excess demand for National Income Securities, the National, in consultation with the Joint Lead Managers, will consider increasing the size of the Offer to accommodate demand, scaling back applications, or both. The Joint Lead Managers will, in consultation with the National, have the right to nominate who is allocated any oversubscriptions.

Applications may be subject to scaling back and some Applications may be rejected. This may include scaling back to below the stated minimum Application of 50 National Income Securities.

In determining the allocation of National Income Securities to investors, or any scaling back, the National and the Joint Lead Managers will have regard to the National's objectives to achieve an orderly and successful secondary market and a wide distribution of National Income Securities.

In respect of any Application where the number of National Income Securities allotted is less than the number applied for, or where no allotment is made, surplus Application Monies will be refunded.

Interest on Application Monies will accrue from the day after the date of receipt of the Application by the National's Share Registry until, but excluding, the Allotment Date at a rate of 4% per annum. Interest will be paid up to, but excluding, the Allotment Date on all Application Monies, including those relating to Applications which are rejected or scaled back. However, no interest will be paid on Application Monies which are not cleared or Application Monies which relate to an Application which is withdrawn prior to the Closing Date.

Preference to National shareholders

Shareholders recorded in the National's share register on the close of trading on the ASX on 18 May 1999 will receive a personalised Application Form.

If any scaling back occurs, National shareholders who submit their personalised Application Form accompanying this Prospectus will receive more National Income Securities than public applicants who applied for the same number of National Income Securities. The Joint Lead Managers, in consultation with the National, have the absolute discretion to determine the method and extent of that preference.

Firm allocations to brokers

Firm allocations to brokers for their private clients will not be scaled back. The distribution of each firm allocation to clients by a broker will be at the discretion of that broker and subject to the terms and conditions of the relevant offers made by the Joint Lead Managers.

2.4 Other Information

Underwriting

The Joint Lead Managers have severally underwritten a total of \$500 million of National Income Securities the subject of the Offer. Subject to the terms of the underwriting agreement, they will severally subscribe for any shortfall in applications for National Income Securities up to a value of \$250 million each. The material terms of the underwriting agreement and the circumstances under which the Joint Lead Managers may terminate their obligations to underwrite are set out in Section 7.1.

Details of the Offer

Special brokerage rate

Salomon Smith Barney and JB Were & Son will offer investors a special flat brokerage charge of \$25 on buy and sell orders, up to a value of \$25,000, of National Income Securities, for a period of 12 months from the date of listing.

Fees

The Joint Lead Managers will pay a brokerage fee of 1.5% to Members of ASX for National Income Securities allocated pursuant to non-firm Applications lodged by them and bearing their stamp. Payment of broker firm fees to brokers will be subject to the terms and conditions of the relevant offers made by the Joint Lead Managers.

ASX listing

Application will be made to ASX no later than three Business Days after the date of issue of this Prospectus for official quotation of National Income Securities for which Applications are invited under this Prospectus.

If National Income Securities are not admitted to the official list of ASX, all Application Monies will be refunded with interest accruing at 4% per annum from the day after the date of receipt of the Application by the National's Share Registry until, but excluding, the date the Application Monies are dispatched.

National Income Securities statements

The National will apply for National Income Securities to participate in CHES in accordance with the ASX Listing Rules.

Following the allotment of National Income Securities to Successful Applicants, Holders of National Income Securities will be sent an initial statement that sets out the number of National Income Securities they have been allotted in the Offer. It is the responsibility of applicants to determine their allotment prior to trading in National Income Securities. Holders of National Income Securities will receive subsequent statements showing changes to their National Income Securities holding. Certificates will not be issued.

Overseas persons

No action has been taken to register or qualify National Income Securities or the Offer, or otherwise permit a public offering of National Income Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore any person who receives this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws.

National Income Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act. Each Joint Lead Manager has agreed that it will not offer or sell National Income Securities, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.



Section 3 – About the National Group

The National Group is an international financial services group providing a range of financial services in 15 countries across four continents.

Globally, as at 31 March 1999, the National Group had:

- total assets of over \$250 billion
- over \$400 billion in assets under administration
- more than eight million customers.

The National was ranked, at 31 March 1999, as one of the 40 largest banks in the world in terms of shareholders' equity.

As at 7 May 1999, the National was the second largest Australian company listed on ASX in terms of market capitalisation.

Strategy

The National is focused on building a leading international financial services group. This vision is being pursued through a focused strategy of controlled growth with a diversification of income streams and using a new global business operating model.

Growth strategy

The National's growth strategy is being achieved through a mixture of organic expansion and acquisitions within its core markets of Australia and New Zealand, as well as in Europe, the U.S. and Asia.

Organic growth strategy

Organic growth is being achieved through the provision of an integrated range of financial services to the National Group's target customer segments. To support delivery of these services, the National Group is developing strong retail financial services franchises within its core markets.

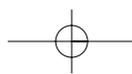
Acquisitions

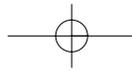
The National's acquisition strategy has generally been aimed at enhancing the National Group's position within its chosen markets through the purchase of retail banks with strong customer franchises. The National's strategy is also focused on building key capabilities to improve efficiency and derive more value from existing operations (for example, mortgage servicing and funds management) and developing critical mass in selected financial services activities (for example, funds management and insurance). At 31 March 1999, the National Group had 51% of its assets outside Australia, generating 54% of operating revenue for the half year ended 31 March 1999.

In the process of implementing that growth strategy, the National continues to actively diversify its income streams to reduce its reliance on margin income. As a result of these efforts, for the half year ended 31 March 1999, over 45% of the National's total operating income was derived from non-interest sources.

Global Business Operating Model

In April 1998, the National announced a global business operating model which is being progressively implemented and which aims to transform the National Group from a regionally based financial services group to a portfolio of globally integrated businesses.





About the National Group

The National's global business operating model has four key elements:

- a series of customer focused financial service retailers aligned to specific customer segments;
- product specialists focused on the manufacture and distribution of "best in class" products and services;
- shared customer services operations, centralising common business unit support functions to improve productivity; and
- a streamlined corporate office focused on the National's strategy, establishing and monitoring key policies and procedures and corporate governance.

Cost Control

The National believes a low cost culture provides a competitive edge in the markets in which it operates. The National is committed to improving its efficiency levels by identifying costs and the products to which they relate. As part of implementing its global business operating model, the National will continue to look for opportunities to enhance productivity through re-engineering and the consolidation of key processes and functions.

Distribution

The National Group's distribution network has undergone significant reconfiguration over recent years. Outlets are being aligned to better serve personal and business segments, while new technology and changing customer preferences have caused a shift in the proportion of services being provided by electronic media. Telephone servicing is now operational across all of the National Group's markets and the Internet is expected to become an important distribution medium for a number of products and services.

Risk Management

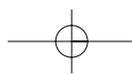
One of the keys to the success of the National has been its strong risk management culture which has enabled the National to maintain sound asset quality through business cycles across various geographic regions. In addition to the management of credit risk, the National has well developed policies and systems for the measurement and monitoring of exposure of the National and each business within the National Group to foreign exchange, market, liquidity and interest rate risk. Furthermore, the National Group has established systems for managing operational risks (including legal and regulatory risks). These systems identify, quantify and rank operational risks faced by the National Group to enable pro-active management of those risks.

Description of Key Business Units

Australia

The National's Australian business offers a comprehensive range of financial services to over three million customers across all Australian States, including retail financial services, funds management and business financial services, other financial services (such as financial planning, superannuation and insurance) and custodial and trustee services. These services are provided as part of an integrated suite of products and services to the National's customer base.

In serving its Australian customers, the National currently has a branch network of over 1,100 branches and business banking centres, over 1,000 Automatic Teller Machines and processes the transactions from over 70,000 EFTPOS terminals. Telephone banking and the launch of an Internet banking facility in May 1999 are a further means by which customers are able to access the National's services in Australia.



About the National Group

New Zealand

As at 31 March 1999, the Bank of New Zealand was the second largest financial institution in New Zealand in terms of assets, with outlets across the North and South islands.

The Bank of New Zealand offers a comprehensive range of financial services to retail and business customers.

The Bank of New Zealand's distribution network is being reconfigured, resulting in a reduction in the number of traditional branches, the establishment of specialised branches for business customers and the introduction of other initiatives such as 24 hour drive-through outlets. A direct banking operation has been established to provide greater convenience to existing customers.

As at 31 March 1999, the Bank of New Zealand's total assets were A\$25.0 billion.

Europe

The National Group's retail operations in Europe comprise four regional banks in the United Kingdom and the Republic of Ireland, a life insurance company and a wholesale banking operation. The National also operates a number of finance and leasing businesses.

As at 31 March 1999, these operations were conducted through more than 800 outlets and involved more than four million customers.

The National Group's operations in Europe include:

- Clydesdale Bank in Scotland, with total assets of A\$19.3 billion at 31 March 1999.
- Yorkshire Bank in the north of England and in the Midlands, with total assets of A\$13.7 billion at 31 March 1999.
- Northern Bank in Northern Ireland, with total assets of A\$9.9 billion at 31 March 1999.
- National Irish Bank in the Republic of Ireland, with total assets of A\$4.0 billion at 31 March 1999.
- National Australia Life, which provides a selected range of financial services products to the banks in the United Kingdom.

All four banks offer a comprehensive range of financial services in their respective markets. Additionally, all four banks and National Australia Life benefit from the provision of shared services on a regional basis for Europe.

United States

The National Group provides financial services in the State of Michigan, through Michigan National Bank, which, as at 30 September 1998, was the fifth largest bank in the State of Michigan and the 58th largest bank in the U.S. in terms of total assets. Michigan National Bank offers a range of financial services for small and medium businesses and retail customers in the State of Michigan.

In February 1998, the National finalised the acquisition of HomeSide International, Inc., one of the largest originators and servicers of mortgage loans in the U.S. in terms of the value of its mortgage servicing portfolio. At 31 December 1998, HomeSide was the ninth largest originator and the eighth largest servicer of mortgage loans in the U.S. It is planned that over time HomeSide's processing systems and procedures would be applied to the National Group's operations in other core markets.

About the National Group

Asia

From its regional headquarters in Hong Kong, the National operates seven branches and five representative offices in Asia's major business capitals. The National's Asian operations focus on the provision of treasury, capital markets, corporate banking and trade finance to the National Group's Asian based customers and to customers in the National Group's other core markets operating in the region.

Wholesale Financial Services

Wholesale operations are conducted through Global Wholesale Financial Services (GWFS). GWFS is responsible for the National's 1,500 major institutional relationships worldwide. GWFS operates in 21 financial centres within Australia, New Zealand, the U.S., Europe and Asia.

Prospects of the National Group

The National Group's operating environment is expected to be influenced by the current slow pace of world growth.

Activity is forecast by the National to slow in Australia, U.S., and the Republic of Ireland. Asia appears to have bottomed out and the early stages of recovery appear to be underway in a number of economies in that region. In both the United Kingdom and New Zealand, the National's forecasts are for growth to improve.

In the National's view, credit growth is likely to slow and competition will remain intense across all of the National Group's markets.

Despite these trends, the National is pursuing continued growth in earnings supported by:

- proven risk management capabilities, diversified income streams and sound capitalisation;
- international diversification, which will minimise the earnings impact from a deterioration in any one of the National Group's markets;
- internal restructuring programs commenced in 1997/98, which will improve efficiency; and
- over \$400 billion in assets under administration, providing substantial opportunities to grow the National Group's non-interest income streams.

Selected Historical Consolidated Financial Data of the National

The National Group's consolidated financial statements for each of the five years ended 30 September 1998, contained in the National's Annual Reports, were accompanied by unqualified audit reports. The National Group's consolidated financial statements for the half year ended 31 March 1999 were unaudited. This Section contains extracts from the abovementioned financial statements.

The National Group's consolidated financial statements are general purpose financial reports prepared in accordance with the requirements of the Banking Act, Corporations Law and all applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The financial statements are based on historical cost and therefore do not reflect changes in purchasing power of money or current valuations of non-monetary assets, except for certain property revaluations. All amounts are expressed in Australian currency.

The preparation of the National Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities revenues and expenses. Although the National Group has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material.

About the National Group

Consolidated Statements of Profit and Loss

<i>Dollars in Millions</i>	<i>Unaudited Half-Year ended 31 March</i>	<i>Audited for Year ended 30 September</i>				
	1999	1998 ⁽¹⁾	1997	1996 ⁽²⁾	1995	1994
Interest income	7,724	15,427	12,936	12,088	10,169	7,913
Interest expense	4,686	9,569	7,578	6,958	5,646	3,716
Net interest income	3,038	5,858	5,358	5,130	4,523	4,197
Charge to provide for doubtful debts	290	572	332	333	116	179
Net interest income after provision for doubtful debts	2,748	5,286	5,026	4,797	4,407	4,018
Other operating income	2,255	3,953	2,909	2,631	2,447	2,358
Total operating income	5,003	9,239	7,935	7,428	6,854	6,376
Other operating expenses	2,900	5,516	4,619	4,366	4,008	3,757
Operating profit before abnormal items	2,103	3,723	3,316	3,062	2,846	2,619
Abnormal items ⁽³⁾	–	(749)	–	–	33	50
Operating profit before tax	2,103	2,974	3,316	3,062	2,879	2,669
Income tax expense (benefit) attributable to:						
– Operating profit	714	1,211	1,095	959	906	953
– Abnormal items ⁽³⁾	–	(252)	–	–	–	–
Total income tax expense	714	959	1,095	959	906	953
Operating profit after income tax	1,389	2,015	2,221	2,103	1,973	1,716
Outside equity interests in operating profit after income tax	(1)	1	(2)	1	4	8
Operating profit after income tax attributable to members of the Company	1,390	2,014	2,223	2,102	1,969	1,708
Retained profits at the beginning of the financial year	7,304	6,568	5,621	3,625	2,870	2,103
Dividend provisions not required	35	65	83	55	67	53
Aggregate of amounts transferred from reserves	33	184	66	1,162	17	145
Total available for appropriation	8,762	8,831	7,993	6,944	4,923	4,009
Dividends provided for or paid	794	1,467	1,367	1,276	1,173	1,003
Trust distributions	29	7	–	–	–	–
Aggregate of amounts transferred to reserves	29	53	58	47	125	136
Retained profits at the end of the financial year	7,910	7,304	6,568	5,621	3,625	2,870

(1) Includes the amounts relating to HomeSide International, Inc. from 10 February 1998, the date at which the Consolidated Entity acquired this entity.

(2) Includes the amounts relating to Michigan National Corporation, from 2 November 1995, the date at which the Consolidated Entity acquired this bank.

(3) Abnormal items include abnormal losses in 1998 of \$749 million (\$252 million applicable tax expense) for restructuring costs and the adoption of a statistically based provisioning methodology, and abnormal gains of \$33 million (nil applicable tax expense) in 1995 and \$50 million (nil applicable tax expense) in 1994 relating to the revaluation of a strategic investment.

About the National Group

Consolidated Balance Sheets

<i>Dollars in Millions</i>	<i>Unaudited Half-Year ended 31 March</i>	<i>Audited for Year ended 30 September</i>				
	1999	1998 ⁽¹⁾	1997	1996 ⁽²⁾	1995	1994
Assets						
Cash and short-term liquid assets	3,593	4,152	4,454	4,355	4,711	4,637
Due from other financial institutions	11,764	9,303	10,360	9,675	9,868	9,138
Due from customers on acceptances	24,723	22,353	19,605	17,283	16,657	16,031
Trading securities	12,466	11,446	9,987	8,406	7,910	6,361
Available for sale securities	1,588	937	1,815	364	333	585
Investment securities	9,985	8,228	7,448	6,574	4,634	4,270
Loans and advances ⁽³⁾	162,436	160,001	131,036	111,963	91,538	79,168
Mortgage loans held for sale ⁽¹⁾	2,964	3,473	–	–	–	–
Mortgage servicing rights ⁽¹⁾	4,487	2,998	–	–	–	–
Shares in entities and other securities	1,015	1,013	280	175	167	142
Regulatory deposits	1,139	1,155	1,016	905	769	700
Fixed assets	2,053	2,219	2,229	2,258	2,772	2,495
Goodwill	3,003	3,095	2,122	2,218	1,385	1,477
Other assets	13,759	21,341	11,617	9,534	7,379	5,432
Total Assets	254,975	251,714	201,969	173,710	148,123	130,436
Liabilities						
Due to other financial institutions	16,669	16,541	12,746	12,795	14,626	11,131
Liability on acceptances	24,723	22,353	19,605	17,283	16,657	16,031
Deposits and other borrowings	164,702	158,084	128,469	109,158	88,529	79,451
Income tax liability	2,117	1,953	1,629	1,638	1,880	1,898
Provisions	1,644	1,680	1,292	1,324	1,197	1,155
Bonds, notes and subordinated debt	12,637	15,115	9,569	6,958	4,067	3,980
Other debt issues ⁽⁴⁾	1,659	1,683	1,609	424	459	480
Other liabilities	14,771	18,541	14,469	11,611	9,289	6,424
Total Liabilities	238,922	235,950	189,388	161,191	136,704	120,550
Net Assets	16,053	15,764	12,581	12,519	11,419	9,886
Shareholders' Equity						
Issued and paid-up capital ^{(5),(6),(7)}	7,085	6,675	1,413	1,477	1,429	1,369
Reserves ^{(5),(6)}	1,058	1,782	4,598	5,421	6,327	5,613
Retained profits	7,910	7,304	6,568	5,621	3,625	2,870
Shareholders' equity attributable to members of the Company	16,053	15,761	12,579	12,519	11,381	9,852
Outside equity interests in controlled entities	–	3	2	–	38	34
Total Shareholders' Equity	16,053	15,764	12,581	12,519	11,419	9,886

About the National Group

- (1) Includes the amounts relating to HomeSide International, Inc. acquired by the Consolidated Entity on 10 February 1998.
- (2) Includes the amounts relating to Michigan National Corporation, acquired by the Consolidated Entity on 2 November 1995.
- (3) Loans and Advances in 1997 has been restated to include \$243 million for motor vehicle leases previously shown as fixed assets.
- (4) Other debt issues in 1997 include the issue of Exchangeable Capital Units of US\$1 billion, which are recorded in the financial statements at the historical exchange rate of A\$1.00 = US\$0.7923.
- (5) On 1 July 1998, the Company Law Review Act (the Act) abolished the concept of par value and the share premium account for new and existing shares. The Act also required the balance of any share premium account to become part of the issued and paid up capital account. To effect the required amalgamation the National transferred its share premium account to its issued and paid up capital account.
- (6) On 7 October 1997, the National completed an on market share buyback of 98,146,432 ordinary shares at an average price of \$18.58.
- (7) Paid up capital at 30 September 1998 includes preference share capital of \$733 million.

Consolidated Statements of Cash Flows

Dollars in Millions	Unaudited Half-Year ended 31 March		Audited for Year ended 30 September			
	1999	1998	1997	1996	1995	1994
Cash inflows (outflows) from operating activities:						
Interest received	8,831	15,720	12,417	11,325	10,061	8,184
Dividends received	14	21	47	33	12	13
Fees and other income received	2,231	3,879	3,631	2,962	2,257	2,328
Interest paid	(6,444)	(9,528)	(7,166)	(6,315)	(5,100)	(3,824)
Personnel costs paid	(1,572)	(3,211)	(2,528)	(2,351)	(1,902)	(1,675)
Occupancy costs paid	(218)	(477)	(362)	(332)	(317)	(323)
General expenses paid	(742)	(1,224)	(1,344)	(1,211)	(1,131)	(1,087)
Income taxes paid	(464)	(1,547)	(1,153)	(1,153)	(867)	(535)
Net movement in trading instruments	(1,059)	(1,442)	(1,527)	(491)	(1,517)	457
Net movement in mortgage loans held for sale ⁽¹⁾	509	(1,672)	–	–	–	–
Net cash provided by operating activities	1,086	519	2,015	2,467	1,496	3,538
Cash inflows (outflows) from investing activities:						
Investment securities:						
– Purchases	(4,915)	(20,009)	(8,954)	(8,166)	(8,564)	(5,054)
– Proceeds on maturity	2,669	19,182	8,825	7,870	8,127	5,510
Available for sale securities:						
– Purchases	(804)	(69)	(2,020)	(2,648)	(1,515)	(479)
– Proceeds on sale	3	6	56	578	689	683
– Proceeds on maturity	100	1,323	549	1,821	1,074	337
Net movement in shares in entities and other securities	(2)	(732)	(96)	(8)	(77)	109
Payment for entities	(8)	(2,173)	(47)	(2,089)	–	–
Payment for minority interest in controlled entity	–	–	–	(68)	–	–
Sale of controlled entities	–	–	–	–	–	11

About the National Group

<i>Dollars in Millions</i>	<i>Unaudited Half-Year ended 31 March</i>	<i>Audited for Year ended 30 September</i>				
	1999	1998	1997	1996	1995	1994
Net movement in loans and advances represented by:						
– Banking activities	(10,738)	(16,583)	(14,501)	(14,504)	(12,923)	(8,092)
– Non-banking activities – new loans and advances	(757)	(3,260)	(1,601)	(1,196)	(307)	(371)
– Non-banking activities – repayments	2,149	715	1,357	807	44	1,081
Acquisition of mortgage servicing rights	(1,489)	(130)	–	–	–	–
Lodgement of regulatory deposits	(3)	(89)	(91)	(93)	(73)	(26)
Expenditure on fixed assets	(173)	(599)	(180)	(144)	(305)	(263)
Net proceeds from sale of fixed assets	72	397	441	356	36	60
Net movement in other assets	2,915	(3,154)	284	(991)	(1,618)	(284)
Net cash used in investing activities	(10,981)	(25,175)	(15,978)	(18,475)	(15,412)	(6,778)
Cash inflows (outflows) from financing activities:						
Net movement in bank deposits	12,135	15,333	13,900	11,164	9,411	4,708
Net movement in other deposits and borrowings represented by non-banking activities:						
– New deposits and borrowings	13,349	8,346	109	2,138	377	239
– Repayments	(12,883)	(9,947)	(261)	–	–	(1,160)
New share issues:						
– Ordinary share capital	6	155	10	4	7	7
– Preference share capital	81	654	–	–	–	–
– Premium on shares issued	–	–	108	40	57	66
Buyback of shares:						
– Ordinary share capital	–	(3)	(98)	–	–	–
– Premium on shares purchased	–	–	(1,714)	–	–	–
Redemption of perpetual floating rate notes	–	–	(85)	–	–	–
Proceeds from exchangeable capital units	–	–	1,262	–	–	–
Net movement in bonds, notes and subordinated debt represented by:						
– New long term debt issues	3,298	7,052	4,646	3,906	750	1,281
– Repayments	(5,309)	(2,443)	(2,247)	(903)	(634)	(695)
Net movement in other liabilities	1,705	471	(378)	1,461	2,035	1,032
Payments from provisions	(153)	(279)	(205)	(318)	(249)	(223)
Dividends paid	(770)	(941)	(895)	(760)	(535)	(314)
Movement in outside equity interests	–	–	–	–	4	(187)
Net cash provided by financing activities	11,459	18,398	14,152	16,732	11,223	4,754

About the National Group

<i>Dollars in Millions</i>	<i>Unaudited Half-Year ended 31 March</i>	<i>Audited for Year ended 30 September</i>				
	1999	1998	1997	1996	1995	1994
Net inflow (outflow) in cash and cash equivalents	1,564	(6,258)	189	724	(2,693)	1,514
Cash and cash equivalents at beginning of period	(3,086)	2,068	1,235	(47)	2,644	1,336
Effects of exchange rate changes on balance of cash held in foreign currencies	210	1,045	644	(196)	2	(206)
Cash and cash equivalents acquired	–	59	–	754	–	–
Cash and cash equivalents at end of period	(1,312)	(3,086)	2,068	1,235	(47)	2,644

(1) Includes the amounts relating to HomeSide International, Inc. from 10 February 1998, the date at which the Consolidated Entity acquired this entity.

Consolidated Financial Reporting by Segments

In accordance with Australian Accounting Standard AASB1005, "Financial Reporting By Segments", the allocation of assets and profit is based on the geographical location of the office in which transactions are booked.

<i>Dollars in Millions</i>	<i>Unaudited Half-Year ended 31 March</i>	<i>Audited for Year ended 30 September</i>				
	1999	1998	1997	1996	1995	1994
Assets						
Australia	125,850	124,106	107,573	93,998	86,336	75,315
Europe	62,093	63,988	47,273	39,748	36,883	34,238
New Zealand	24,661	23,128	20,674	18,927	17,087	13,667
United States	32,218	30,454	16,825	14,433	3,365	1,732
Asia	10,153	10,038	9,624	6,604	4,452	5,484
	254,975	251,714	201,969	173,710	148,123	130,436
Operating Profit After Tax and Outside Equity Interests						
Australia	728	1,063	1,329	1,448	1,429	1,256
Europe	407	477	488	341	358	364
New Zealand	108	189	197	161	161	47
United States	154	242	181	131	3	14
Asia	(7)	43	28	21	18	27
	1,390	2,014	2,223	2,102	1,969	1,708

Section 4 – Risk Factors

An investment in National Income Securities will be accompanied by various risks. Some of these risks relate generally to any investment, while others are specifically associated with the nature of National Income Securities.

The business activities of the National Group are subject to risks and uncertainties and there are many factors that may affect the future performance of the National Group. Such factors will be relevant to an investment in National Income Securities to the extent that they affect the ability of the National to make interest payments or, in the event that the Preference Shares become fully paid, pay dividends, and to the extent they affect the likelihood of the National entering into a winding up.

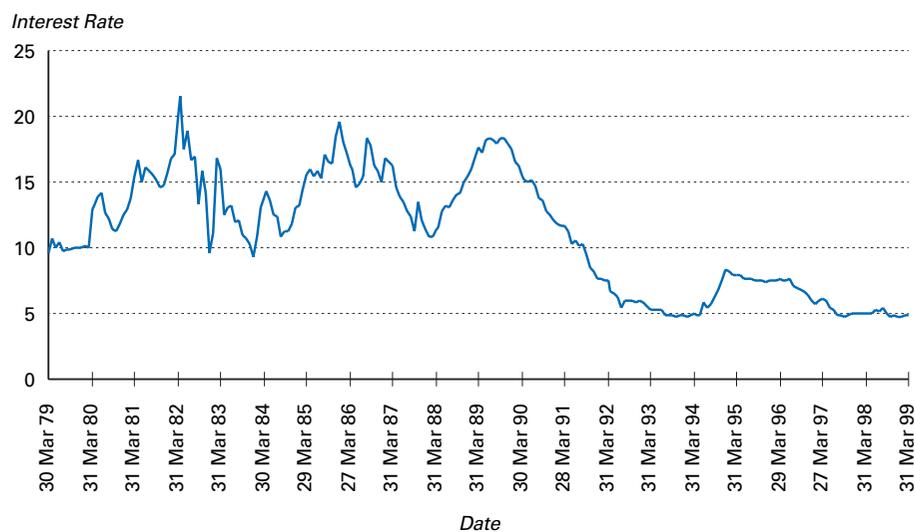
Before making an investment decision, you should carefully consider each of the following risks, as well as other information in this Prospectus. There may be other risks.

Risks associated with investing in National Income Securities

Set out below are specific risks associated with an investment in National Income Securities. In particular, these risks arise from the nature of National Income Securities and their underlying terms and conditions.

Interest rate risk

The interest rate payable on National Income Securities is calculated each quarter by reference to the defined Market Rate (ie the 90 Day Bank Bill Rate). This rate is influenced by a number of factors and varies over time. The graph below details movements in the 90 Day Bank Bill Rate over the last 20 years.



The interest rate payable on National Income Securities will also fluctuate (both increasing and decreasing) over time. The movement in the 90 Day Bank Bill Rate in the future may be greater or less than that shown in the graph. The graph should not be taken as an indication of future movements in the 90 Day Bank Bill Rate.

Risk Factors

Risk of winding up

National Income Securities are non-cumulative, unsecured, perpetual obligations of the National. They are not ordinary shares or bank deposits.

If the National were to be wound up, Holders of National Income Securities will become Holders of fully paid Preference Shares and will accordingly only have a right to receive a return of capital after all deposit liabilities (eg a deposit in a bank account with the National), creditors and other liabilities have been paid, but ahead of the ordinary shareholders of the National.

Investors should accordingly understand that there is a risk that Holders of National Income Securities may not receive a return of capital or accrued dividends on the fully paid Preference Shares in the event of a winding up of the National.

Risk of interest or dividends not paid

Interest payments on National Income Securities (or dividends on fully paid Preference Shares) may not be made by the National in certain limited circumstances. These circumstances are summarised in Section 5 commencing on page 26 and are set out in full in the Terms and Conditions of National Income Securities, and include the circumstance where the interest payable exceeds the National's Distributable Profits.

If interest is not payable for any particular quarter, Holders of National Income Securities will not receive an interest payment for that quarter unless the National elects, at its option, to make up the payment. However, if the interest payment is not made or made up, the National will not be permitted to pay dividends on ordinary shares or securities ranking equally with National Income Securities until four consecutive interest payments are made.

The following table illustrates that, in relation to the financial year ended 30 September 1998 and assuming that National Income Securities had been issued on 1 October 1997, the National's after tax profit would have been more than able to satisfy the cost of servicing both National Income Securities and other securities ranking equally with National Income Securities.

	<i>Year ended 30 September 1998 \$Million</i>
Operating profit after income tax attributable to members of the National	2,014 ⁽¹⁾
Cost of servicing National Income Securities	30-60 ⁽²⁾
Cost of servicing other equally ranking securities	60 ⁽³⁾
Ordinary dividends provided for or paid during the year	1,467

(1) Audited for year ended 30 September 1998.

(2) Assuming that \$500-1,000 million of National Income Securities were on issue for the entire year ended 30 September 1998, and that the interest rate payable on National Income Securities for that year (defined Market Rate plus 1.25% per annum) was 6% per annum. The cost of servicing is shown before allowing for any income tax benefits.

(3) Assuming that \$750 million of equally ranking securities were on issue for the entire year ended 30 September 1998 and that the interest rate payable on the equally ranking securities for that year was 8% per annum. The cost of servicing is shown before allowing for any income tax benefits.

This table is provided by way of example only. The table and the comparison of the National's operating profit after income tax attributable to members of the National to servicing costs of National Income Securities and

Risk Factors

equally ranking securities for the year ended 30 September 1998 should not be taken as an indication that future levels of profit of the National will necessarily be sufficient to allow interest to be paid on National Income Securities in future years.

Realisation risk

Because this is a new security, there has been no public market for National Income Securities.

The National has no obligation to redeem or otherwise repay the National Income Securities. To realise their investment, Holders will need to sell their National Income Securities on ASX at the prevailing market price. Investors can also sell their National Income Securities to a private buyer. If there are relatively few potential buyers, this may affect the prevailing market price Holders will receive for their National Income Securities. There can be no assurance as to what that price will be.

The price of National Income Securities on ASX may rise or fall as a result of factors beyond the control of the National, including movements in interest rates, domestic and international economic conditions, international stock markets, the credit environment and a change in the credit rating of National Income Securities.

Early redemption risk

The National may at any time after five years, at its option, Exchange each National Income Security. Similarly, the National may Exchange the National Income Securities earlier than five years in certain limited circumstances summarised in Section 5 and set out in full in the Terms and Conditions.

Such Exchange will occur for the face value of National Income Securities (being \$100) plus any outstanding accrued interest, regardless of the then current market price. Accordingly, Holders of National Income Securities may be required to Exchange their National Income Securities at their face value of \$100 plus any outstanding accrued interest and not the then current market price.

Future securities

The National may issue further securities with the same or different interest rates and on the same or different terms and conditions. The National may also issue other securities which rank for dividend or payment in a winding up of the National equally or behind National Income Securities offered under this Prospectus without the approval of the Holders of the National Income Securities as a class.

In addition, others may issue other securities with the same or different interest rates and on the same or different terms and conditions.

No prediction can be made as to the effect, if any, such future issues of securities by the National or others may have on the market price of National Income Securities.

Tax treatment

The summary of the taxation treatment of National Income Securities which is contained in Section 6 is based on Australian and U.S. Federal income tax law, including regulations, public rulings and determinations, operative as at the date of this Prospectus.

Investors should be aware that any future changes in Australian and U.S. Federal income tax law, including changes in the interpretation and application of the law by the courts and revenue authorities in Australia and the U.S., may affect the taxation treatment of the acquisition, holding and disposal of National Income Securities that is summarised in Section 6.

Investors should seek their own taxation advice having regard to their own circumstances.

Risk Factors

Regulatory treatment

There is a risk that APRA may change the classification of the National Income Securities such that they no longer qualify as Tier 1 capital of the National for regulatory purposes. Should this occur, the National may either require the Note to be transferred to it, so that the Preference Shares become fully paid, or it may elect to Exchange the National Income Securities.

APRA may also change the definition of Distributable Profits, which may affect the National's ability to pay interest on the Notes or dividends on the fully paid Preference Shares.

Risks associated with the National Group

Set out below are specific risks associated with the National Group. Such risks will be relevant to an investment in National Income Securities to the extent they affect the ability of the National to make interest payments or pay dividends, and to the extent they affect the likelihood of the National being wound up.

Economic conditions

The performance of the National Group is affected significantly by changes in economic conditions, both globally and in particular regions in which the National Group operates. Factors such as market growth, interest rates, exchange rates and the level of loan defaults will affect the earnings and assets of the National Group.

Government policies and legislation

The National Group's business may be affected by changes to Government policies and legislation in the various jurisdictions in which it operates, including those relating to prudential supervision, taxation and regulation of financial services industries.

Credit risk

The risk that the National Group's customers may not be able to meet their payment obligations as and when they fall due may adversely affect the National Group's earnings and assets.

Liquidity risk

The risk that the National is unable to refinance its borrowings may adversely affect the National's ability to meet its financial obligations, including its obligations in respect of National Income Securities, as and when they fall due.

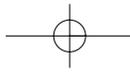
Competition

There is substantial competition for the provision of financial services in Australia, New Zealand, the U.S., the United Kingdom and the Republic of Ireland and other jurisdictions in which the National Group operates.

While the National Group would seek to maintain its margins at current levels, the effects of competitive market conditions may impact the earnings and assets of the National Group.

Interest rate risk

Movements in interest rates may have an effect on the earnings and assets of the National Group.



Risk Factors

Foreign exchange risk

Movements in exchange rates may have an effect on the earnings and assets of the National Group.

Operational risk

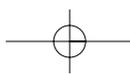
Exposure to unexpected financial and non-financial losses arising from the way in which the National Group conducts its business operations (including any material litigation or regulatory action determined against the National) may have an adverse effect on the earnings and the assets of the National Group.

Year 2000

In common with many business users of computers around the world, the National has investigated to what extent the date change from 1999 to 2000 may affect its businesses. The National has established a program designed to ensure that the impact of the change to 2000 on the National and its customers is minimised. As at the end of March 1999, the National's core systems have been updated and tested for the date change to 2000. Testing will be ongoing throughout 1999. While working to ensure that the National's primary objective of business as usual before, during and through 2000 is achieved, there can be no guarantee that its Year 2000 Program will be successful in all respects or that the date change from 1999 to 2000 will not materially affect the business in some form. The National's operations may also be impacted by third parties (including, customers, suppliers, interbank counterparties, regulators and electronic distribution channels) who may be impacted by the date change to 2000.

Future events

National Income Securities are perpetual in nature. It is not possible to predict or identify all future events that may adversely impact on the National's ability to meet its obligations under National Income Securities in the future.

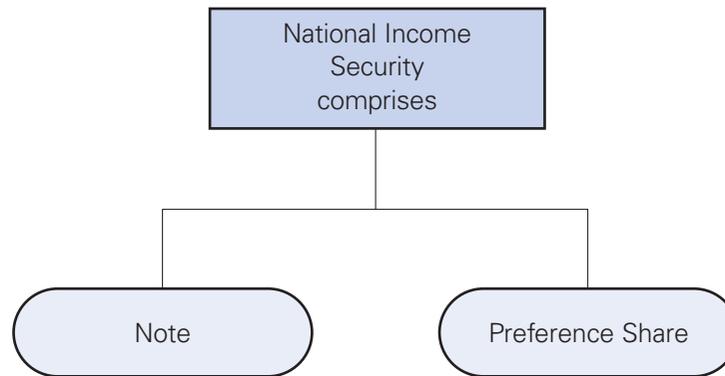


Section 5– National Income Securities

Summary

Introduction

A National Income Security comprises two components: a fully paid debt security of \$100 (Note) and an unpaid preference share (Preference Share).



The Note and the Preference Share which are the components of a National Income Security are “stapled”. That is, neither the Note nor the Preference Share can be transferred separately.

National Income Securities are not ordinary shares in the National and Holders of National Income Securities will not participate in the future performance of the National other than to the extent of receiving payments from the National as specified in this Prospectus.

National Income Securities will form part of the shareholder equity base of the National for financial reporting purposes. Interest and dividend payments on National Income Securities will be reported as a distribution of profit.

The Note

The Note is a perpetual debt obligation of the National and is issued by the National’s New York branch. As a perpetual debt obligation, investors have no right to require the National to redeem or repay their investment in the Note.

Interest on the Notes

Interest is payable on the Note quarterly in arrears on 15 February, 15 May, 15 August and 15 November.

The interest rate is set on the first Business Day of each quarter by adding 1.25% per annum to the defined Market Rate on that date. The interest rate will apply for the following three months.

For the first interest period, the interest rate will be set on, and will accrue from, the Allotment Date. The interest rate will be at least 6% per annum (including the margin of 1.25% per annum) until 15 May 2000.

The National is entitled not to pay interest on the Notes in the following limited circumstances:

- (a) if the amount of interest payable on the Notes at the relevant date exceeds the National’s Distributable Profits on that date;

National Income Securities

- (b) if the payment of interest would result in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the National falling below 8% or 4% respectively (or, in each case, such other percentage as may be prescribed by APRA for the National at the relevant time); or
- (c) APRA objects to the payment of interest on the Notes.

These circumstances are set out in full in clause 3.4 of the Terms and Conditions commencing on page 30.

Interest is non-cumulative. Accordingly, if interest is not payable for any particular quarter, an investor will not receive that interest payment unless the National elects, at its option, to make up the payment.

However, if an interest payment is not made or made up, the National will not be permitted to pay dividends on any of its ordinary shares or securities ranking equally with National Income Securities until four consecutive interest payments are made.

The Preference Share

At the time of acquisition of a National Income Security, no amount will have been paid on the Preference Shares. The Preference Shares are not entitled to any dividends until they become fully paid.

Call on unpaid Preference Shares

The amount unpaid on the Preference Share will immediately become due and payable if an Event of Default occurs (such as non-payment of interest or the National being wound up).

Events of Default are set out in full in clause 6.1 of the Terms and Conditions on page 33.

If the amount unpaid on a Preference Share becomes due and payable, the Holder can, and must, transfer to the National the Note stapled to that Preference Share. The transfer of the Note will fully satisfy the Holder's obligation to pay up the unpaid amount on the Preference Share. The Holder will then hold a fully paid Preference Share.

In addition, the National may, at its option, call for the amount unpaid on the Preference Share to become due and payable:

- (a) at any time if:
 - (i) a Regulatory Event (as defined in the Terms and Conditions on page 47) occurs;
 - (ii) a Registration Event (as defined in the Terms and Conditions on page 47) occurs; or
 - (iii) a Tax Event (as defined in the Terms and Conditions on page 48) occurs,
 and such event cannot be avoided by the National taking reasonable measures available to it; or
- (b) at any time after five years.

If the National elects to call for the amount unpaid on the Preference Share to become payable for reasons other than a Regulatory Event, Registration Event or Tax Event, it must, as soon as practicable after the Preference Share becomes fully paid, Exchange the Preference Share for \$100 plus any outstanding accrued amount (see "Exchange of National Income Securities" on page 28).

Dividends

The Preference Shares are not entitled to any dividends until they become fully paid. Should the Preference Shares become fully paid, the Holder will receive (if the directors determine that a dividend is payable) a dividend calculated on the same basis as the interest that would have been payable on the Note. The dividend, where payable, may be franked.

National Income Securities

The National is entitled to not pay dividends on the Preference Shares if the directors, in their discretion, do not determine that such dividends are payable, or in the same circumstances in which interest may not be paid on the Notes (see “Interest on the Notes” commencing on page 26). However, as with the Notes, if a dividend is not paid the National will not be permitted to pay dividends on any of its ordinary shares or securities ranking equally with the Preference Shares until four consecutive dividends are paid on the Preference Shares or, at its option, the National elects to make up the missed dividend.

Votes

The holder of a Preference Share only has the limited voting rights set out in clause 11 of the Terms and Conditions on page 37.

Status in a Winding Up

In a winding up of the National, Holders of Preference Shares will generally rank equally with the Holders of the National’s other preference shares and will rank for a return of capital on the Preference Shares in priority to ordinary shareholders of the National. At the date of this Prospectus, the only other securities of the National which would rank equally with National Income Securities in a winding up are the preference shares issued in connection with the TrUEPrSSM.

The Holders of National Income Securities will, however, not be able to prove as a creditor of the National and will not receive a return of capital on National Income Securities until all deposit liabilities, creditors and other liabilities of the National have been paid. Subject to there being sufficient moneys available in the winding up, the Holder of a Preference Share is entitled to receive \$100 plus any outstanding accrued dividends.

The National may issue further securities with the same or different interest rates and on the same or different terms and conditions. The National may also issue other preference shares which rank for dividend or payment in a winding up of the National equal to or behind National Income Securities offered under this Prospectus.

Exchange of National Income Securities

The National may Exchange each National Income Security for \$100 (plus any outstanding accrued amount) at any time on the occurrence of any of the following events in respect of the National, the Notes, the Preference Shares or the National Income Securities:

- (a) a Regulatory Event, (as defined in the Terms and Conditions on page 47);
- (b) a Registration Event (as defined in the Terms and Conditions on page 47); or
- (c) a Tax Event (as defined in the Terms and Conditions on page 48),

and provided that such an event cannot be avoided by the National taking reasonable measures available to it and that APRA approves the Exchange.

Subject to APRA approval, the National may also Exchange each National Income Security for \$100 (plus any outstanding accrued amount) at any time after five years.

These events are set out in full in clauses 4, 12 and 13 of the Terms and Conditions on pages 31, 32, 37, 38 and 39.

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National Income Securities

Terms and Conditions of National Income Securities

These terms and conditions are divided into the following parts:

- Part A – Notes
- Part B – Preference Shares
- Part C – General
- Part D – Form of Global Note

PART A – NOTES

1. Form, denomination and title

How constituted

- 1.1 (a) The Notes are direct, unconditional unsecured debt obligations of the National, New York branch, created under and subject to the terms of the Global Note and take the form of entries in the Register.
- (b) The first Holder of all the Notes is NAML.
- (c) Upon transfer of a Note from NAML as the first Holder, the Note will become stapled to an issued but unpaid Preference Share, the Issue Price in respect of which will only be payable in the circumstances and on the terms and conditions set out in the Global Note. A Note and the Preference Share stapled to it together constitute a National Income Security.
- (d) Each Holder is entitled to the benefit of, and is bound by, all the provisions contained in the Global Note and the Constitution.

Independent obligation

- 1.2 The obligations of the National, New York branch in respect of each Note constitute separate and independent obligations which the Holder to whom those obligations are owed is entitled to enforce without having to join any other Holder or any predecessor in title of a Holder.

Denomination

- 1.3 Each Note has a denomination of \$100.

Register conclusive

- 1.4 Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the registered owner of the Note subject to rectification for fraud or error.

Registration in multiple names

- 1.5 A Note will not be registered in the name of more than three persons. A Note registered in the name of more than one person is held by those persons as joint tenants. Documents relating to a joint holding must be signed by all parties. Notes will be registered by name only without reference to any trusteeship or Encumbrance.

Absolute owner

- 1.6 The person whose name is registered in the Register as a Holder of a Note will be treated by the National, New York branch as absolute owner of that Note and except as ordered by a court or as required by statute, the National is not obliged to take notice of any other claim (whether arising in respect of any trust, equity, Encumbrance or otherwise) to a Note.

National Income Securities

No certificate

- 1.7 No certificate or other evidence of title shall be issued by or on behalf of the National to evidence title to a Note unless the National, New York branch determines that certificates should be made available or that it is required to do so pursuant to any applicable law or regulation.

Location of Register

- 1.8 The Register will be established and maintained in such place as the National, New York branch may elect from time to time.

2. Stapling

- 2.1 A Note cannot be transferred or assigned or mortgaged, charged or otherwise Encumbered separately from the Preference Share which forms part of the relevant National Income Security.
- 2.2 No transfer of a Note is to occur from a transferor to a transferee without the Preference Share that forms part of the relevant National Income Security being also transferred at the same time from the same transferor to the same transferee.
- 2.3 The Note and the Preference Share which together constitute a National Income Security and to which clauses 2.1 and 2.2 apply are referred to in these Conditions as being “stapled” to each other.
- 2.4 Clauses 2.1 and 2.2 do not apply to:
- (a) a transfer of a Note to the National made in satisfaction of the Issue Price of the Preference Share stapled to that Note; or
 - (b) a transfer of a Note by NAML as the first Holder to a subsequent Holder (at which time the Note becomes stapled to a Preference Share in accordance with clause 1.1(c)).

3. Interest

Accrual

- 3.1 Interest accrues on a Note at the Interest Rate from (and including) the Interest Accrual Date to (but excluding) the last day of the first Quarter and thereafter on the first day of the relevant Quarter to (but excluding) the last day of that Quarter or the date on which it is Exchanged, whichever is the earlier. Interest will be calculated by multiplying the Principal Amount of the Note by the Interest Rate and by the actual number of days in the Quarter and dividing the product by 365. For the purposes of making payment to any person, any fraction of a cent is disregarded.

Frequency

- 3.2 Subject to clause 3.4, interest which has accrued on a Note is due and payable in arrears on the Interest Payment Date in respect of the Quarter for which that interest has accrued.
- 3.3 The Holders entitled to be paid the accrued interest will be those Holders recorded in the Register as a Holder of a Note as at 5.00pm (Melbourne time) on the Record Date.

Amount due

- 3.4 Interest which has accrued on the Notes is not due and payable on an Interest Payment Date if:
- (a) the amount of interest payable on the Notes on that Interest Payment Date would exceed the National’s Distributable Profits on that date; or

National Income Securities

- (b) the payment would result in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the National (either as reported quarterly by the National to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 4% respectively (or, in each case, such other percentage as may be prescribed by APRA for the National at the time); or
- (c) APRA has objected to the payment.

Never payable

- 3.5 For the avoidance of doubt, interest which has accrued in accordance with clause 3.1 but which is not payable in accordance with clause 3.4 is deemed, on and after the relevant Interest Payment Date, never to have accrued and never to be payable.
- 3.6 Where on an Interest Payment Date interest is not payable in accordance with clause 3.4, the National may not thereafter pay any dividends on, or redeem, buy back or reduce capital on, any shares of the National which rank for dividend pari passu with or junior to the Preference Shares (if fully paid) unless and until the National, New York branch has either:
 - (a) paid four consecutive interest payments on the Notes; or
 - (b) paid an Optional Interest Amount to the Holders.
- 3.7 The National, New York branch may not pay an Optional Interest Amount to the Holders if:
 - (a) the total Optional Interest Amount to be paid on all Notes would exceed the National's Distributable Profits on the date of payment; or
 - (b) the payment would result in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the National (either as reported quarterly by the National to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 4% respectively (or, in each case, such other percentage as may be prescribed by APRA for the National at the time); or
 - (c) APRA has objected to the payment.

Notification of Interest Rate

- 3.8 The National, New York branch shall cause the Interest Rate for each Quarter in respect of the Notes to be notified to ASX as soon as possible after its determination but in no event later than the second Business Day thereafter.

Broken period

- 3.9 If an amount of interest is required to be calculated in respect of a Note for a period of a lesser duration than a Quarter, it will be calculated by multiplying the Principal Amount of the Note by the Interest Rate and by the actual number of days in the period (including the first, but excluding the last) and dividing the product by 365.
- 3.10 For the purposes of making payment to any person any fraction of a cent is disregarded.

4. Redemption ("Exchange") of Notes

Perpetual Notes

- 4.1 The Notes are undated and will only be redeemable or payable in accordance with the following provisions of this clause 4.

National Income Securities

Exchange of Notes for regulatory or tax reasons

- 4.2 The Notes may be Exchanged at any time at the option of the National, New York branch in whole, but not in part, on giving not less than 30 days' notice to the Holders (which notice shall be irrevocable) at their Principal Amount together with (subject to clause 3.4) interest, if any, which has accrued from (and including) the last Interest Payment Date to (but excluding) the date fixed for Exchange, if:
- (a) a Regulatory Event, Registration Event or Tax Event occurs in respect of the National, the Notes, the Preference Shares or the National Income Securities; and
 - (b) such event cannot be avoided by the National taking reasonable measures available to it; and
 - (c) APRA does not object to the Exchange.

The National, New York branch must Exchange all Notes in respect of which any such notice is given on the date specified in the notice in accordance with this clause 4.2.

Exchange of Notes at option of National

- 4.3 The National, New York branch may at any time on or after the fifth anniversary of the Issue Date and on giving not less than 30 days' notice to the Holders (which notice shall be irrevocable) of its intention to do so, Exchange in whole, but not in part, the Notes. Any such Exchange of Notes will be made at their Principal Amount together with (subject to clause 3.4) interest (if any) which has accrued from (and including) the last Interest Payment Date to (but excluding) the date fixed for Exchange.

The National, New York branch must Exchange all Notes in respect of which any such notice is given on the date specified in the notice in accordance with this clause 4.3.

- 4.4 The Exchange of the Notes in accordance with clause 4.3 requires the prior approval of APRA.

Exchange of Notes Generally

- 4.5 If a Note is to be Exchanged under this clause 4 the Preference Share stapled to that Note must also be Exchanged and the National must at the same time as it gives notice under clause 4.2 or 4.3 either:
- (a) make a buyback offer for the Preference Share that is stapled to that Note under which the National will buyback the Preference Share for no cash consideration; or
 - (b) cancel the Preference Share that is stapled to that Note with effect on the date of redemption of the Note for no cash consideration.
- 4.6 Each Holder agrees to accept any buyback offer made for the Preference Shares held by that Holder which are not fully paid where that buyback offer is made in conjunction with the Exchange of the Note stapled to that Preference Share. Each Holder agrees to vote in favour of a resolution to approve the cancellation of the Preference Share that is stapled to a Note, if that Note is Exchanged under this clause 4 or clause 13.4.
- 4.7 Nothing in this clause 4 affects the rights of the National to require an Exchange under clause 13.

5. Time limit for claims

A claim against the National for a payment under a Note is void unless made within five years of the due date for that payment.

National Income Securities

6. Events of Default

Events

- 6.1 An Event of Default occurs if:
- (a) the National, New York branch makes default in the payment of any Moneys Owing in respect of a Note and that default continues unremedied by the National for a period of 20 days after demand for those moneys is made by a Holder; or
 - (b) the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the National (either as reported quarterly by the National to APRA or as determined at any time by APRA in its absolute discretion) is below 8% or 4% respectively (or, in each case, such other percentage (the Required Percentage), as may be prescribed by APRA for the National at the time), and such ratio is not increased by the National to at least 8% or 4%, respectively (or such other Required Percentage), within 90 days after the date on which the National makes such report to APRA or receives notice from APRA of such determination by APRA; or
 - (c) the National acknowledges in writing that it is unable to pay its debts within the meaning of the Corporations Law; or
 - (d) a Liquidation Event occurs in relation to the National.

Consequences

- 6.2 If an Event of Default occurs:
- (a) the National must forthwith notify all Holders; and
 - (b) any interest which but for this clause has accrued on the Notes but has not been paid will, if then due and payable, cease to be due and payable and whether or not due and payable will never become due and payable and, without affecting the occurrence of an Event of Default or clause 10.5, will be deemed never to have accrued or been payable; and
 - (c) the Issue Price of the Preference Shares becomes immediately due and clause 12 will apply.
- 6.3 Other than in connection with the occurrence of the events referred to in clause 6.1, no Holder may, in relation to their Notes:
- (a) declare such Notes to be due and payable; or
 - (b) seek to recover any interest which has accrued but has not been paid under a Note.

7. Grossing up

- 7.1 All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Australia or the United States of America or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the National, New York branch shall pay such additional amounts as will result in the receipt by the Holders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:
- (a) if the Holder is a:
 - (i) non-resident of the Commonwealth of Australia for Australian income tax purposes; or

National Income Securities

- (ii) resident of the Commonwealth of Australia carrying on business at or through a permanent establishment outside the Commonwealth of Australia and the Holder's National Income Securities are held as part of the Holder's business carried on through that permanent establishment; or
 - (b) the withholding or deduction is required to be made by reason of the failure of that Holder (or any beneficial owner of the Note) to comply with a request made by the National to provide information concerning the nationality, citizenship, residence or identity of the Holder (or beneficial owner of the Note) or to satisfy any information or reporting requirement, under the laws of Australia or the United States of America, including, but not limited to, the failure to provide or quote a tax file number, exemption category or taxpayer's identification number to the National; or
 - (c) if the taxes, duties or charges are imposed, levied, collected, withheld or assessed by Australia as a result of the Holder being an Australian resident for Australian income tax purposes where such taxes, duties or charges are able to be credited against the Australian income tax liability of the Holder or refundable to the Holder; or
 - (d) the tax or duty is financial institutions duty or similar duty.
- 7.2 A Holder who files a U.S. Federal income tax return in respect of payments received in relation to National Income Securities is required to treat the National Income Securities as equity for U.S. Federal income tax purposes.

8. Currency indemnity

If any Moneys Owing or any order or judgment given or made in relation to Moneys Owing has to be converted from the currency ("first currency") in which the same is payable under these Conditions or such order or judgment into another currency ("second currency") for the purpose of:

- (a) making or filing a claim or proof against the National;
- (b) obtaining an order or judgment in any court or other tribunal; or
- (c) enforcing any order or judgment given or made in relation to the Notes,

the National indemnifies each Holder, on the written demand of such Holder addressed to the National and delivered to the National, against any loss suffered as a result of any discrepancy between:

- (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and
- (ii) the rate or rates of exchange at which such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

Such indemnity constitutes a separate and independent obligation of the National and gives rise to a separate and independent cause of action.

National Income Securities

PART B – PREFERENCE SHARES

9. Preference Shares

- 9.1 On the terms and subject to these Conditions each Preference Share will be issued in consideration of the undertaking by the Holder to transfer to the National the Note that is stapled to the Preference Share on issue of the Preference Share when the Issue Price becomes due in accordance with clause 12.
- 9.2 The Preference Shares are redeemable by the National. A Holder has no right to require redemption of the Preference Shares. The amount payable on redemption, the place and manner of redemption and the conditions for exercise of the right of redemption by the National are set out in clause 13.

10. Dividends

- 10.1 Until a Preference Share is fully paid, the Holder of the Preference Share is not entitled to receive any Dividend on the Preference Share.
- 10.2 On and from the time a Preference Share is fully paid, the Holder of the Preference Share on the relevant Record Date is entitled to receive on each Dividend Payment Date if determined by the Directors to be payable, a non-cumulative Dividend calculated in accordance with the following formula (except for the first Dividend payment which will be calculated in accordance with clause 10.3):

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \$100 \times D}{365}$$

where D is the number of days from (and including) the last Dividend Payment Date to (but excluding) the relevant Dividend Payment Date.

- 10.3 For the Quarter ending on the first Dividend Payment Date following the Preference Share Payment Date, the Holder of the Preference Share on the relevant Record Date is entitled to receive on the first Dividend Payment Date following the Preference Share Payment Date, if determined by the Directors to be payable, a non-cumulative Dividend calculated in accordance with the following formula:

$$\text{First Dividend} = \frac{\text{Dividend Rate} \times \$100 \times D}{365}$$

where D is the number of days from (and including) the Preference Share Payment Date to (but excluding) the first Dividend Payment Date.

- 10.4 The Holders entitled to be paid a Dividend will be those Holders recorded in the Register as a Holder of a Preference Share as at 5.00pm (Melbourne time) on the Record Date.
- 10.5 In addition to the Dividend payments which may be made pursuant to clauses 10.2 and 10.3, on the first Dividend Payment Date following the Preference Share Payment Date, the Holder of a Preference Share on the relevant Record Date is entitled to receive, if determined by the Directors to be payable, a non-cumulative Additional Dividend. The Additional Dividend will be an amount equal to the amount of interest which but for clause 6.2(b) would have been unpaid, or would have accrued, on the Note which is stapled to the relevant Preference Share, up to (but excluding) the Preference Share Payment Date.
- 10.6 For the purposes of making payment to any person, any fraction of a cent is disregarded.

National Income Securities

- 10.7 The determination that a Dividend is payable and payment of Dividends as provided for in this clause 10 is subject to the following:
- (a) the Directors, at their discretion, determining that such Dividend is payable; and
 - (b) the amount of Dividends payable on the Preference Shares not exceeding the National's Distributable Profits on the relevant Dividend Payment Date; and
 - (c) such payment would not result in the Total Capital Adequacy Ratio or the Tier 1 Ratio of the National (either as reported quarterly by the National to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 4% respectively (or such other percentage as may be prescribed by APRA for the National at that time); and
 - (d) APRA not objecting to such a payment.
- 10.8 If the National fails to pay a Dividend (other than an Optional Dividend), within a period of 20 days after relevant Dividend Payment Date the National may not thereafter pay any dividends on or redeem or buy back or reduce capital on any other shares of the National which rank pari passu with, or junior to, the Preference Shares, unless and until the National has either:
- (a) paid four consecutive Dividends on the Preference Shares; or
 - (b) paid an Optional Dividend to the Holders.
- 10.9 The National may not pay an Optional Dividend to the Holders if:
- (a) the Directors, at their discretion, do not determine that such Dividend is payable; or
 - (b) the total amount of the Optional Dividends to be paid on the Preference Shares would exceed the National's Distributable Profits on the date of payment; or
 - (c) the payment would result in the Total Capital Adequacy Ratio or Tier 1 Capital Ratio of the National (either as reported quarterly by the National to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 4% respectively (or, in each case, such other percentage as may be prescribed by APRA for the National at the time); or
 - (d) APRA has objected to the payment.
- 10.10 Dividends are non-cumulative. If by reason of clause 10.7 a Dividend is not paid, Holders have no right to be paid any amount in respect of that Dividend.
- 10.11 The National will be entitled to deduct from any Dividend payable to a Preference Shareholder the amount of any withholding or other tax, duty, or levy required by law to be deducted in respect of such amount and, where any such deduction has been made and the amount thereof accounted for by the National to the appropriate authority and the balance of the amount payable has been paid to the Preference Shareholder concerned, the full amount payable to such Preference Shareholder shall be deemed to have been duly paid and satisfied by the National. The National shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if so required by any Preference Shareholder, deliver to that Preference Shareholder the relevant receipt issued by the revenue authority without delay after it is received by the National.
- 10.12 No adjustment will be made to any amount payable or amount paid in respect of a Preference Share whether by way of Dividend, upon Exchange or otherwise having regard to the extent to which the amount is franked under Part IIIAA of the Tax Act.

National Income Securities

11. Voting

- 11.1 The Holders of Preference Shares will be entitled to receive notice of any general meeting of the National and a copy of every circular or other like document sent out by the National to holders of Ordinary Shares and to attend any general meeting of the National.
- 11.2 The Holders of the Preference Shares will not be entitled to vote at a general meeting of the National except that they may:
- (a) vote together with the holders of Ordinary Shares:
 - (i) on any resolution for the winding up of the National or during the winding up of the National;
 - (ii) on any resolution to reduce the capital of the National other than a resolution to approve an Exchange;
 - (iii) on any resolution to approve the terms of a buyback agreement other than a resolution to approve an Exchange;
 - (iv) on any resolution that the National dispose of all its undertaking;
 - (v) at any general meeting of the holders of Ordinary Shares on all matters if, at the time of such meeting, any Dividend payable on the Preference Shares is in arrears; and
 - (b) vote as a class on any resolution to vary the rights attaching to the Preference Shares, in which case the Holders of Preference Shares have the same rights as to manner of attendance and as to voting in respect of each Preference Share as those conferred on holders of Ordinary Shares in respect of each Ordinary Share and will have one vote per Preference Share.
- 11.3 The issue of preference shares, or the conversion of existing shares into preference shares, which rank in priority to the Preference Shares in respect of dividends or distributions of capital in a winding up constitutes a variation of the rights attaching to the Preference Shares.
- 11.4 The issue of preference shares, or the conversion of existing shares into preference shares ranking equally or behind the Preference Shares (in respect of dividends or distributions of capital in a winding up and whether entitled to cumulative or non-cumulative dividends) or a buy back, redemption, or return or distribution of capital in respect of, any share in the capital of the National other than a Preference Share (whether ranking equally with or senior or junior to the Preference Shares) is expressly permitted and authorised and does not constitute a variation of the rights attaching to the Preference Shares.

12. Calls and Payment Up

- 12.1 The Issue Price of the Preference Shares will immediately become due:
- (a) upon a call being made by the National at any time by not less than 30 days' notice to Holders:
 - (i) if a Regulatory Event, Registration Event or Tax Event has occurred in respect of the National, the Notes, the Preference Shares or the National Income Securities and such event cannot be avoided by the National taking reasonable measures available to it; or
 - (ii) on or after the fifth anniversary of the Issue Date; or
 - (b) upon the occurrence of an Event of Default (and, for the avoidance of doubt, irrespective of the requirement for any action being required by the National).
- 12.2 Where the Issue Price of a Preference Share has become due, the Note that is stapled to the relevant Preference Share must be transferred to the National in satisfaction in full of the Issue Price of the

National Income Securities

Preference Share on and with effect from:

- (a) where clause 12.1(a) applies, the date specified in the notice (being a date not less than 30 days after the date of the notice); or
 - (b) where clause 12.1(b) applies, the date of the Event of Default.
- 12.3 (a) Subject to clause 12.3(b), if the National makes a call for payment of the Issue Price of the Preference Shares under clause 12.1(a)(ii) it must, as soon as practicable after the date the Preference Shares have become fully paid, Exchange the Preference Shares in accordance with clause 13.
- (b) Before making a call for payment of the Issue Price of the Preference Shares under clause 12.1(a)(ii) the National must have obtained the approval of APRA to the Exchange of the Preference Shares under clause 13.
- 12.4 Each Holder appoints each of the National, its officers and employees and any liquidator of the National (each an “Attorney”) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents, transfers and other writings as may in the Attorney’s opinion be necessary or desirable to be done in order for the Holder to observe or perform their obligations under these Conditions including, but not limited to, transferring to the National the Notes held by the Holder upon the Issue Price of the Preference Shares becoming due. Each Holder further authorises and directs the National to make such entries in the Register, including amendments and additions to the Register, which the National considers necessary or desirable to record that on the Preference Share Payment Date the Holder of the Note stapled to the relevant Preference Share ceases to be registered as the Holder of that Note and the National becomes registered as the Holder of that Note in the Holder’s stead.
- 12.5 The power of attorney given in clause 12.4 is given for valuable consideration and to secure the performance by the Holder of the Holder’s obligations under these Conditions and is irrevocable.
- 12.6 This clause 12 is a condition of issue of the Preference Shares and forms part of the Constitution.

13. Redemption or Buyback or Reduction of Capital (“Exchange”)

- 13.1 The National may only Exchange the Preference Shares:
- (a) if the Preference Shares are fully paid; or
 - (b) where clause 4.5 applies.
- 13.2 The Exchange of Preference Shares requires the prior approval of APRA.
- 13.3 Where the Preference Shares are fully paid and the National is permitted to Exchange a Preference Share:
- (a) subject to clause 13.5, the National may elect in its discretion whether to redeem, buy back or reduce capital as described in paragraphs (b), (c) and (d) of this clause 13.3;
 - (b) if the National elects to redeem each Preference Share, it may redeem for an amount equal to the Early Redemption Amount;
 - (c) if the National elects to buy back the Preference Share, it may do so for an amount equal to the Early Redemption Amount; and
 - (d) if the National elects to reduce capital it may do so by returning capital on each Preference Share equal to the Redemption Amount less \$0.01 and immediately thereafter redeeming the Preference Share for \$0.01 plus an amount equal to the accrued Dividend from (and including) the last Dividend Payment Date to (but excluding) the date of redemption of the Preference Share.

National Income Securities

- 13.4 Where the Preference Shares are not fully paid, the National is permitted to Exchange and the National does not elect to call the unpaid Issue Price on the Preference Shares prior to making a buyback offer or reduction of capital, the National may Exchange the Preference Shares by buying back or cancelling the Preference Shares for no cash consideration and must at the time it Exchanges a Preference Share under this clause Exchange the Note stapled to the Preference Share by redeeming the Notes at its Principal Amount plus interest which has accrued (but has not been paid) on the Note in accordance with clause 3 to (but excluding) the date the Note is Exchanged.
- 13.5 (a) The National may not elect to redeem or buy back as described in paragraphs (b) or (c) of clause 13.3 unless the National has received an opinion of a reputable legal counsel, selected by the National, that the redemption or buyback (as the case may be) will not result in a Relevant Holder being assessed to a greater amount of Australian income tax payable under the provisions of the Tax Act in respect of the amounts received upon the redemption or buyback than would have been the case if the National had reduced capital and redeemed the Preference Share as described in clause 13.3(d).
- (b) For the purposes of clause 13.5(a) “Relevant Holder” means a Holder who is an individual and a resident of Australia for Australian income tax purposes.
- 13.6 Each Holder agrees to accept any buyback offer made under this clause 13 for the Preference Shares held by that Holder.

14. Stapling

- 14.1 Where a Preference Share is not fully paid, no transfer of that Preference Share is to occur from a transferor to a transferee without the Note that is stapled to that Preference Share being also transferred at the same time from the same transferor to the same transferee.
- 14.2 The Directors must establish and maintain a register of Members which records the names of the Members, the number of Preference Shares held, the number of Notes held by the Members and any additional information required by the Corporations Law or the Listing Rules or determined from time to time by the Directors. The Directors may establish and maintain such a register jointly with the register of Holders of the Notes.
- 14.3 A Preference Share which is not fully paid cannot be transferred or assigned or mortgaged, charged or otherwise encumbered separately from the Note to which it is stapled.

15. Identifier

For the purposes of Article 2 of the Constitution, the Identifier of the Preference Shares is “H5E5HA”.

16. Entitlement to Capital and Ranking

- 16.1 The Holder of a fully paid Preference Share will be entitled in a winding up to receive out of the surplus (if any) available for distribution to shareholders an amount equal to \$100 but with no further or other right to participate in the assets of the National or a return of capital.
- 16.2 For the purposes of Articles 2.15 and 2.20 of the Constitution, the Holders of a fully paid Preference Share will rank *pari passu* with classes of preference shares with the same number with respect to priority of payment in a winding up.

National Income Securities

PART C – GENERAL

17. Transfers

Whole National Income Securities only

17.1 A National Income Security may only be transferred in whole, not in part.

Transfer forms

17.2 Subject to this Condition 17, a Holder may transfer all or any of the National Income Securities that they hold by:

- (a) any computerised or electronic system established or recognised by the Listing Rules or the Corporations Law for the purpose of facilitating dealings in securities, including a proper SCH transfer (as that term is defined in the SCH Business Rules); or
- (b) requesting such transfer by lodging a completed transfer form, in the form designated by the National and available from the National, during normal business hours on a Business Day at place(s) in Australia specified in the transfer form (“Non-SCH Transfer”). Each form must be accompanied by such evidence (if any) as the National may require to prove the due execution of the transfer form by the transferor and the transferee. If a transfer form is delivered outside of normal business hours on a Business Day then it is deemed to have been delivered on the next following Business Day.

Registration of transfers

17.3 The transferor of a National Income Security is deemed to remain the holder of that National Income Security until the name of the transferee is entered in the Register in respect of that National Income Security. Transfers of a National Income Security will not be registered and the National will not be obliged to register it:

- (a) unless the transfer complies with clauses 2 and 14; or
- (b) except for a transfer of a Note to the National upon a call being made by the National in accordance with clause 12.

No charge on transfer

17.4 Transfers of National Income Securities will be registered without charge to the transferor or transferee. The transferee or the transferor must pay any taxes, duties or other governmental charges (if any) imposed in relation to the transfer.

Estates

17.5 A person becoming entitled to a National Income Security as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the National considers sufficient, transfer the National Income Security or, if so entitled, become registered as the Holder of the National Income Security.

Transfer of unidentified National Income Securities

17.6 Where a Holder executes a transfer of less than all National Income Securities registered in the Holder’s name, and the specific National Income Securities to be transferred are not identified, the National may register the transfer in respect of such of the National Income Securities registered in the name of the transferor as the National determines in its absolute discretion, provided the aggregate number or

National Income Securities

amount of the National Income Securities registered as having been transferred equals the aggregate number or amount of the National Income Securities expressed to be transferred in the transfer.

18. Payments

Record Date

18.1 Each payment in respect of a National Income Security will be made to the person recorded in the Register as the Holder of that National Income Security as at 5.00pm (Melbourne time) on the Record Date.

Joint holders

18.2 When a National Income Security is held jointly, payment will be made to the Holders in their joint names.

Paying Agent

18.3 The National has entered into the Paying Agency Agreement. Holders are bound by and are deemed to have notice of the provisions of the Paying Agency Agreement.

Payment to accounts

- 18.4 (a) Payments in respect of each National Income Security will be made by the Paying Agent crediting, on the due date for payment, the amount then due to an account or address in Australia and will be made by cheque or by transfer to an account specified by the Holder in accordance with the payment instructions of the Holder recorded on the Register.
- (b) If the Holder has not notified the National of such an account by close of business on the relevant Record Date or upon application by the Holder to the National no later than close of business on the relevant Record Date, payments in respect of the National Income Security will be made by the Paying Agent by cheque, mailed on the due date for payment to (and at the risk of) the Holder (or to the first named of joint registered owners) at the address appearing in the Register as at 5.00pm (Melbourne time) on the Record Date.
- (c) Cheques so dispatched will be deemed to have been received by the Holder on the due date for payment and no further amount will be payable by the National or the Paying Agent in respect of the relevant Note as a result of payment not being received by the Holder on the due date.
- (d) All payments in respect of the National Income Securities are subject in all cases to any applicable fiscal or other laws and regulations and to normal banking practice, but without prejudice to the provisions of clause 7.

Payment constitutes release

18.5 Any payment made by the Paying Agent for the account of a person whose name is, on the relevant Record Date, inscribed in the Register as the Holder of a National Income Security constitutes for all purposes an absolute and unconditional release and discharge of the National and the Paying Agent, to the extent of such payment, of all obligations and indebtedness in respect of the National Income Security in relation to which the payment was made.

Business Days

18.6 If a payment is due in relation to a National Income Security on a day which is not a Business Day or if payment is to be made to an account on a day on which banks are not open for general banking business in the city in which the account is located, the Holder is entitled to payment of such amount on the following Business Day and is not entitled to any interest or other payment in respect of any such delay.

National Income Securities

19. Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions will (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the National and all Holders.

20. Notices

To Holders

- 20.1 A notice request, demand, consent, approval agreement or other communication (“**Communication**”) from the National to a Holder with respect to a National Income Security, a Note or a Preference Share is valid if:
- (a) dispatched by prepaid ordinary post (airmail if posted to or from a place outside Australia) to the Holder at its registered address (or, in the case of joint holders, to the address of the first holder recorded in the Register); or
 - (b) published in a daily newspaper of general circulation in Australia, being the Australian Financial Review or such other newspaper determined by the National.

To the National

- 20.2 A Communication from a Holder to the National:
- (a) must be in writing; and
 - (b) be left at the National’s address below or sent by prepaid ordinary post (airmail if posted to or from a place outside Australia) to the National’s address below or sent by facsimile with the details specified in this clause or, if the National notifies another address or facsimile number, then to that address or facsimile number:

National Australia Bank Limited
Principal Office in NSW
Address: Floor 28,
255 George Street
Sydney, NSW, 2000
Attention: Network Operations Manager
Fax: (02) 9237 1867

Effect

- 20.3 A Communication takes effect from the time it is received (or in the case of a Communication published in a newspaper, the date of first publication) unless a later time is specified in it.

Receipt

- 20.4 A Communication is taken to be received:
- (a) in the case of a posted letter, on the third (seventh, if posted to or from a place outside Australia) day after posting; and
 - (b) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicated that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purpose of this clause; and
 - (c) in the case of a publication in a newspaper, on the date of first publication.

National Income Securities

21. Further Issues

- 21.1 The National reserves the right from time to time without the consent of the Holders to issue additional Notes or Preference Shares and so that such further issue forms a single series with any outstanding Notes, Preference Shares or National Income Securities.
- 21.2 A National Income Security or a Preference Share does not confer any right to participate in any future issues by the National whether of equity, debt or some other security.

22. Governing law, jurisdiction and service of process

Governing law

- 22.1 The Notes, the Preference Shares and the National Income Securities are each governed by the law in force in Victoria, Australia.

Jurisdiction

- 22.2 The National and each Holder irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of Victoria, Australia and courts of appeal from them. The National and each Holder waives any right they have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

23. Variation of these Conditions

- 23.1 The National may vary these Conditions with the consent of a Special Resolution of Holders and otherwise in accordance with this clause.
- 23.2 Where the National proposes to vary these Conditions, it must notify the Holders of the proposal in accordance with clause 20 and give Holders not less than 21 days' notice of the meeting at which the Special Resolution relating to the proposed variation is to be proposed (exclusive of the day on which the notice is given and the meeting is held), specifying the terms of the proposed variation and the day, time and place of the meeting.
- 23.3 The accidental omission to give notice to, or the non-receipt of notice by, any Holder, does not invalidate the proceedings at any meeting of Holders.
- 23.4 A Holder may appoint a proxy to attend and vote at any meeting of Holders. Each Holder has one vote for each National Income Security held by them on the date 11 Business Days (or such other period determined under the Listing Rules from time to time) prior to the date of the meeting.
- 23.5 Any variation to these Conditions proposed by the National in accordance with this clause and agreed to by the Holders by Special Resolution is binding on all Holders.

24. Other Documents

- 24.1 A copy of the Paying Agency Agreement is available for inspection at the principal office of the National at 500 Bourke Street, Melbourne, Victoria, 3000.
- 24.2 The National reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint a successor or additional paying agents. Notice of any such variation or termination of appointment will be given in accordance with clause 20.

National Income Securities

25. Definitions

The following words have these meanings in these Conditions unless the contrary intention appears:

Additional Dividend means the dividend provided for in clause 10.5 of these terms of issue.

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and functions.

Article means an article of the Constitution.

ASX means Australian Stock Exchange Limited.

Australian dollars and **\$** means the lawful currency for the time being of Australia.

Bill means a bill of exchange within the meaning of the Bills of Exchange Act 1908 (Commonwealth).

Business Day means a day on which banks are open for general banking business in Melbourne, other than a Saturday or Sunday or public holiday in that place and which is also a business day for the purposes of the Listing Rules.

CHESS Rules has the meaning given to that term in the Constitution.

Conditions means these terms and conditions.

Constitution means the constitution of the National.

Directors has the meaning given to that term in the Constitution.

Distributable Profits means at any time the operating profits after income tax attributable to members of the National for the immediately preceding Year (or such other amount as determined by APRA in its discretion to be appropriate in the National's circumstances for the purposes of servicing the National's Tier 1 capital elements) less:

- (a) the aggregate amount of any interest payments made on the Notes previously made during the current Year; and
- (b) the aggregate amount of any dividends paid on any preference or ordinary shares of the National during the current Year; and
- (c) the aggregate amount of any income entitlement paid on TrUEPrSSM during the current Year.

Dividend means the dividends provided for in clause 10 and includes an Additional Dividend and an Optional Dividend.

Dividend Payment Date means in respect of a Quarter the last day in that Quarter.

Dividend Rate means the rate (expressed as a percentage per annum) which is:

- (a) in respect of a Quarter ending on or prior to 15 May 2000, the Market Rate for that Quarter plus the Margin, or 6% per annum, whichever is the higher; and
- (b) in respect of each subsequent Quarter, the Market Rate for that Quarter plus the Margin.

Early Redemption Amount means for each Preference Share \$100 plus the accrued but unpaid Dividend equal to:

$$\frac{\text{Dividend Rate} \times \$100 \times D}{365}$$

where D is the number of days from (and including) the last Dividend Payment Date to (but excluding) the date

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National Income Securities

of payment of the Early Redemption Amount provided that paragraphs (b), (c) and (d) of clause 10.7 apply to this amount.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security agreement or security arrangement or any other arrangement having the same effect as any of the foregoing of whatsoever nature other than liens arising by operation of law and “Encumbered” is to be construed accordingly.

Event of Default has the meaning given to it in clause 6.1 of these Conditions.

Exchange means:

- (a) in relation to a Note, to redeem; and
- (b) in relation to a Preference Share, to redeem, buy back, reduce capital on or cancel; and
- (c) in relation to a National Income Security, to Exchange the Preference Share and the Note which is stapled to it or, after the Preference Share Payment Date, to Exchange the fully paid Preference Share, and **Exchanged** is to be construed accordingly.

fully paid in relation to a Preference Share means where a Note has been transferred to the National in satisfaction of the Issue Price.

Global Note means the deed poll in the form of Part D.

Holder means a person whose name is for the time being registered in the Register as the holder of a National Income Security or a Note or Preference Share forming part of that National Income Security.

Identifier means the identifier referred to in the Constitution which identifies the rights of holders of the preference shares issued by the National.

Interest Accrual Date means the Issue Date.

Interest Payment Date in respect of a Quarter means the last day in that Quarter.

Interest Rate means the rate (expressed as a percentage per annum) which is:

- (a) in respect of a Quarter ending on or prior to 15 May 2000, the Market Rate for that Quarter plus the Margin, or 6% per annum, whichever is the higher; and
- (b) in respect of each subsequent Quarter, the Market Rate for that Quarter plus the Margin.

Issue Date means the date of issue of the Preference Shares.

Issue Price means in relation to a Preference Share, the obligation to transfer the Note stapled to that Preference Share to the National.

Listing Rules means the Official Listing Rules of ASX from time to time with any modification or waivers in their application to the National which ASX may grant.

Liquidation Event means:

- (a) a proceeding is commenced by the National or a person that controls the National for an order that the National be dissolved, wound up or liquidated or for the appointment of a provisional liquidator, liquidator, administrator, controller or similar official in respect of the National or all or substantially all of its property;
- (b) a proceeding for an order of a kind described in paragraph (i) is commenced by any other person and such proceeding is not discontinued or dismissed within 21 days of its having been filed; or

National Income Securities

- (c) a provisional liquidator, liquidator, administrator, controller or similar official is appointed in respect of the National on all or substantially all of its property and such appointment is not revoked or set aside within 21 days of such appointment.

Margin means 1.25% per annum.

Market Rate means the average mid rate for 90 day Bills (expressed as a percentage per annum) which average rate is displayed on the page of the Reuters Monitor System designated "BBSW":

- (i) in the case of the first Quarter, on the Interest Accrual Date; and
 - (ii) in the case of any subsequent Quarter, on the first Business Day of that Quarter,
- or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Melbourne time) on that date the rate specified in good faith by the National at or around that time on that date having regard, to the extent possible, to:
- (a) the rates otherwise bid and offered for 90 day Bills or for funds of that tenor, at or around that time (including, without limitation, the sets of bid and offer rates for Bills of that tenor displayed on that page "BBSW" at that time on that date); or
 - (b) if bid and offer rates for 90 day Bills are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Member has the meaning given to that term in the Constitution.

Moneys Owning in relation to a Note means its outstanding principal amount, any interest payable on it and any other moneys payable to its Holder by the National in respect of it under these Conditions.

NAML means National Australia Managers Limited (ACN 006 437 565).

National means National Australia Bank Limited (ACN 004 044 937) and **National, New York branch** means the National acting through its New York branch.

National Income Securities means a Note and a Preference Share which are stapled together as described in clause 2.3 and, after the Preference Share Payment Date, means a fully paid Preference Share.

Note means a direct, unconditional unsecured debt obligation of the National, New York branch from time to time owing under the Global Note having a principal amount and denomination of \$100 and having no fixed maturity date.

Optional Dividend means in respect of a Preference Share an amount equal to all Dividends not paid because of clause 10.7 on any prior Dividend Payment Date other than:

- (a) Dividends not paid because of clause 10.7 on any Dividend Payment Date prior to a date on which an Optional Dividend was previously paid; and
- (b) Dividends not paid because of clause 10.7 on any Dividend Payment Date prior to a date ending on the date on which the National has paid four consecutive Dividends.

Optional Interest Amount means in respect of a Note an amount equal to the interest accrued on the Note in accordance with clause 3.1 which was not paid because of clause 3.4 on any prior Interest Payment Date other than:

- (a) interest accrued prior to the date on which an Optional Interest Amount was previously paid; and
- (b) interest accrued prior to a date ending on the date on which the National has made four consecutive interest payments on the Notes.

Ordinary Share means an ordinary share in the capital of the National.

National Income Securities

Paying Agency Agreement means an agreement between the National and the Paying Agent.

Paying Agent means a person who from time to time acts as a paying agent in respect of the National Income Securities.

Preference Share means a preference share in the capital of the National issued with no amount of the Issue Price paid with the terms of issue set out in Part B of these Conditions.

Preference Share Payment Date means the date the Issue Price of the Preference Shares becomes immediately due under clause 6.2.

Principal Amount in relation to a Note means \$100.

Quarter means a period of three calendar months concluding on 15 November, 15 February, 15 May and 15 August in any year, as the case may be, or if that day is not a Business Day, the next succeeding day which is a Business Day. Each Quarter commences on the date on which the preceding Quarter concludes.

Record Date for a payment of any Moneys Owing or a Dividend means 11 Business Days (or such other period determined under the Listing Rules from time to time) before the date on which the payment in question becomes due.

Redemption Amount means, in relation to a fully paid Preference Share, \$100.

Register means the Register in respect of the Notes required to be established and maintained by clause 1.8 and includes any subregister established and maintained under the Clearing Houses Electronic Subregister System (as defined in the Listing Rules).

Registration Event means the receipt by the National from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement prospective change) in, any law or regulation thereunder affecting securities laws of Australia or the United States of America or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective or such pronouncement, action or decision is announced on or after the Issue Date, would impose additional requirements on the National or the National, New York branch in relation to the National Income Securities which the National determines, at its sole discretion, to be unacceptable.

Regulatory Event means the determination by the National to the effect that, as a result of:

- (a) the introduction of, or an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in):
 - (i) a law or regulation of the Commonwealth of Australia or the United States of America or any State, Territory or other political subdivision thereof or therein; or
 - (ii) any directive, order, requirement, guideline or statement (whether or not having the force of law) of APRA or any other central bank or government or governmental, fiscal, monetary, supervisory or other authority in Australia or elsewhere (any such central bank, government or authority to be for the purpose of this definition an “Authority”); or
- (b) any statement, notification or advice by APRA or an Authority, or a decision by any court, interpreting, applying or administering any such law, regulation, directive, order, requirement, guideline or statement,

which introduction, amendment or clarification or change (or announcement of a prospective introduction, amendment or clarification or change) or statement, notification or advice or decision occurs on or after the Issue Date, there is a risk that the National is not or will not be entitled to treat all of the National Income Securities (or the Preference Shares when fully paid up) as “Tier 1 Capital” (or the then equivalent thereof) for the purposes of the capital adequacy directives, requirements, guidelines or statements of APRA, as then in effect and applicable to the National.

National Income Securities

SCH Business Rules means the business rules made by ASX Settlement and Transfer Corporation Pty Limited, being approved as the securities clearing house under the Corporations Law.

Special Resolution means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution.

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Commonwealth) or the Income Tax Assessment Act 1997 (Commonwealth) as the case may be as amended and a reference to any section of the Income Tax Assessment Act 1936 (Commonwealth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Commonwealth);
- (b) any other Act setting the rate of income tax payable; and
- (c) any regulation promulgated thereunder.

Tax Event means the receipt by the National of an opinion from a reputable legal counsel or other tax adviser in the United States of America or Australia as appropriate, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of such jurisdictions or any political subdivision or taxing authority thereof or therein affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (“**Administrative Action**”); or
- (c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known,

which amendment, clarification, change or Administrative Action is effective or such pronouncement or decision is announced on or after the Issue Date, there is more than an insubstantial risk that the National or the National, New York branch would be exposed to more than a de minimus increase in its costs in relation to the National Income Securities as a result of increased taxes, duties or other governmental charges or civil liabilities.

Tier 1 capital means the core capital of the National as defined by APRA.

Tier 1 Capital Ratio means at any time the ratio so described by APRA.

Total Capital Adequacy Ratio means at any time the ratio so described by APRA.

TrUEPrSM means Trust Units Exchangeable for Preference Shares of NAB Exchangeable Preferred Trust issued under a prospectus dated 23 September 1998.

Vary includes amend, add to or delete and **variation** is to be construed accordingly.

Year means a financial year of the National.

SM Service mark of Merrill Lynch & Co, Inc.

National Income Securities

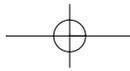
26. Interpretation

26.1 In these Conditions unless the contrary intention appears:

- (a) a reference to these Conditions is a reference to these Conditions as modified, supplemented or replaced from time to time;
- (b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (c) the singular includes the plural and vice versa;
- (d) the word “person” includes a firm, body corporate, an unincorporated association or an authority;
- (e) a reference to a person includes a reference to the person’s executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually;
- (g) a reference to time is a reference to Melbourne time;
- (h) a reference to a clause is a reference to a clause of these Conditions;
- (i) a reference to “New York branch” includes a reference to a branch of the National located in any other place in the United States of America; and
- (j) a reference to a rate expressed as a percentage per annum is a reference to that rate expressed as a fraction determined by dividing that percentage number by 100 to four decimal places rounded up or down to the nearest ten thousandth. That is, 5.251% is a reference to 0.0525.

Headings

26.2 Headings are inserted for convenience and do not affect the interpretation of these Conditions.



National Income Securities

PART D – FORM OF GLOBAL NOTE

National Australia Bank Limited, New York Branch undertakes to pay the Moneys Owing in respect of each Note to the person entitled under, on the dates specified in, and otherwise in accordance with the Conditions set out in Annexure A to this Global Note (“Conditions”).

This Global Note is issued on and subject to the Conditions.

This Global Note is an unsecured note for the purposes of section 1045 of the Corporations Law.

Terms defined in the Conditions have the same meanings when used in this Global Note.

Executed as a deed poll in New York on 10 May 1999.

SIGNED, SEALED AND DELIVERED by)

)

as attorney for NATIONAL AUSTRALIA)

BANK LIMITED, NEW YORK)

BRANCH under power of attorney)

dated)

)

in the presence of:)

)

)

.....
Signature of witness)

)

)

.....
Name of witness (block letters))

)

)

.....
Address of witness)

)

)

.....
Occupation of witness)

)

.....
By executing this deed poll the attorney states that the attorney has received no notice of revocation of the power of attorney.



Section 6 – Taxation

Investors should seek independent taxation advice having regard to their personal circumstances before making a decision to invest in National Income Securities.

The following is a summary of the principal Australian and U.S. Federal income tax consequences of the acquisition, holding and disposal of National Income Securities.

The comments are of a general nature and are not intended to cover all the possible taxation consequences for the Holders of National Income Securities. The comments are based on Australian and U.S. Federal income tax laws (and any regulations, public rulings or determinations made thereunder) operative at the date of this Prospectus. The comments are only relevant to Holders of National Income Securities who:

- (a) are residents of Australia for Australian tax law purposes;
- (b) do not hold National Income Securities as part of a business of trading or dealing in securities; and
- (c) are not U.S. persons for U.S. Federal income tax purposes and do not hold National Income Securities as part of a trade or business carried on at or through a branch in the U.S.

6.1. Tax Position of Holders of National Income Securities

Outlined below are the anticipated tax consequences for Holders of National Income Securities while they remain a stapled Note and Preference Share.

Liability to Australian Income Tax for Amounts Received on the Notes

Amounts payable on the Notes should be assessable income of the Holders of National Income Securities. The amounts paid should be treated as interest for Australian tax law purposes.

Disposal of National Income Securities

National Income Securities should be treated as “traditional securities” for the purposes of Australian tax law and accordingly will be subject to those specific provisions relating to the taxation of gains and deduction of losses arising from the disposal or redemption of traditional securities.

On the disposal of National Income Securities through a sale on ASX, if the amount received as a result of the sale exceeds the cost of the National Income Securities to the Holder, the resulting gain should be assessable income of the Holder under Australian tax law in the income year in which the sale takes place. Conversely, if the amount received is less than the cost of the National Income Securities to the Holder, the resulting loss should be deductible to the Holder under Australian tax law in the income year in which the sale takes place.

Should the National redeem the Notes, each Note will be redeemed for \$100 plus any outstanding accrued interest. The traditional securities provisions will also apply in these circumstances and any gain or loss will be assessable or deductible (as the case may be) as for a sale of the National Income Securities. In these circumstances, the National will also buy back or cancel the unpaid Preference Shares for no consideration. This should not give rise to any gain or loss on the Preference Shares for Australian tax purposes.

Further, as National Income Securities should constitute “CGT assets” they will be subject to the Australian capital gains tax provisions. However, the amount of any capital gain arising from a disposal of a National Income Security will be reduced by the amount included in the Holder’s assessable income as a result of that disposal under the specific provisions relating to traditional securities.

There should be no U.S. Federal income tax consequences on the disposal or the redemption of National Income Securities or the buyback of the Preference Shares for the Holders.

Taxation

6.2. Tax Position Where Preference Shares Paid Up

Outlined below are the expected tax consequences where the Preference Shares become fully paid due to:

- (i) an Event of Default by the National; or
- (ii) other circumstances in which the National makes a call on the Preference Shares, which is satisfied by the transfer of the Note to the National.

The circumstances in which (i) or (ii) may occur are limited and are summarised in Section 5 and set out in full in the Terms and Conditions.

Payment up of the Preference Shares

The satisfaction of the obligation to pay the Issue Price on a Preference Share (by the transfer of the corresponding Note to the National) should be regarded as a disposal of the Note. As described above, the Australian taxation consequences of the disposal of a Note involve a consideration of both those specific provisions relating to the taxation of gains and deduction of losses arising from the disposal or redemption of traditional securities and the capital gains tax provisions.

For the purposes of the traditional securities provisions, the only consideration received by the Holder for the disposal of the Note to the National is the discharge of the Holder's obligation to pay the Issue Price. Accordingly, no actual gain or loss will arise which is assessable or deductible (as the case may be) to the Holder under these provisions.

However, for Australian capital gains tax purposes, the Holder will be deemed to have received the market value of the Note. That market value should be determined as at the time when the Holder entered into the contract to acquire National Income Securities. Therefore, if the Holder acquired National Income Securities as a result of an application made under this Prospectus, the market value deemed to be received by the Holder should be equal to the Issue Price paid by the Holder. As the cost base of the Note to the Holder would be expected to be the Issue Price, no gain or loss should arise upon a disposal of the Note in these circumstances.

Similarly, if the Holder acquired National Income Securities subsequently by way of sale or other transfer from another Holder on an arm's length basis, the market value deemed to be received by the Holder would be the market value as at the time the Holder entered into the sale or transfer contract, which should be equal to the purchase price paid by the Holder for the Note. The cost base of the Note to the Holder should be the purchase price (plus any transaction costs such as brokerage) paid to acquire the Note. Consequently, no gain should arise upon a disposal of the Note in these circumstances. However, a capital loss may arise if the purchase price (plus any transaction costs) exceeds the market value of the Note deemed to have been received by the Holder.

Upon satisfaction of the payment obligation on the Preference Shares, the cost base of the Preference Shares, for Australian capital gains tax purposes, should include the market value of the Notes at the time the Holder entered into the relevant contract to acquire the National Income Security, as explained above. The cost base should be subject to indexation for inflation for capital gains tax purposes from the time the Note is delivered to the National. That is, indexation on the Notes for the period prior to its delivery to the National will not be taken into account.

The payment up of the Preference Shares should not give rise to any U.S. Federal income tax consequences for the Holders.

Taxation

Liability to Australian Income Tax for Dividends Received on fully paid Preference Shares

If the Preference Shares become fully paid, dividends will be payable to Holders of the Preference Shares if and when determined by the National.

Under Australian tax law, dividends paid to Holders of the fully paid Preference Shares will be assessable to them. Such dividends may be franked for dividend imputation purposes. No assurance can be given by the National regarding the extent to which any dividends may be franked.

Any withholding or deduction that is required to be made from the dividends for Australian tax purposes will be borne by the holder of the fully paid Preference Shares.

The dividends paid to Holders of fully paid Preference Shares should not be subject to U.S. withholding tax.

Disposal of fully paid Preference Shares

Following satisfaction of the payment obligation on the Preference Shares, a disposal of the fully paid Preference Shares, whether by sale or otherwise, may give rise to Australian capital gains tax consequences for the Holders.

A capital gain made on the disposal of the fully paid Preference Shares may be included in the assessable income of the Holder disposing of such shares. The capital gain will equal the excess of the consideration received on the disposal less the cost base of the Preference Shares (with indexation of the cost base if the Preference Shares are owned for more than 12 months). If the consideration received is less than the (unindexed) cost base of the Preference Shares, the holder will incur a capital loss. Under Australian tax law, a capital loss can only offset capital gains arising in the same or subsequent year of income.

The disposal of the fully paid Preference Shares should not give rise to any U.S. tax consequences.

Exchange of fully paid Preference Shares

In specified circumstances, a fully paid Preference Share may be subject to a capital reduction followed by a redemption of the Preference Shares for the balance of the capital (plus accrued dividends, if any) by the National.

If a reduction of the capital on the fully paid Preference Shares occurs, the amount attributable to the capital reduction (i.e. \$99.99) should not be treated as a dividend for Australian tax purposes. However, for Australian capital gains tax purposes, if the amount received by a Holder as a result of the capital reduction exceeds the cost base (indexed, if applicable) of the fully paid Preference Shares, the excess will be treated as a capital gain. The amount paid on a subsequent redemption of the Preference Share, being the balance of the capital (i.e. \$0.01), if paid out of the National's profits, plus accrued dividends (if any), should be treated as assessable dividends for Australian tax purposes.

Instead of a capital reduction, the National may redeem or buy back the fully paid Preference Shares, if from the perspective of an Australian resident individual Holder, the redemption or buyback would not result in the Holder being assessed to a greater amount of Australian income tax.

A redemption, buyback or capital reduction should not have any U.S. Federal income tax consequences.

Taxation

6.3 Withholding Tax

Australia – Tax File Number Withholding Tax

The Application Forms allow investors to disclose their tax file number (TFN) or exemption category. Under Australian tax law, an investor who fails to provide their TFN or exemption category may have an amount of tax deducted from any interest paid on the Notes or the unfranked portion of any dividends paid on the fully paid Preference Shares equal to the top marginal tax rate plus the Medicare levy (currently 48.5%). It is, therefore, in the interests of investors to provide their TFN or exemption category.

U.S. Withholding Tax

The Holders of National Income Securities should not be subject to U.S. withholding tax on the amounts paid to them on the Notes.

6.4 Stamp Duty

There will be no stamp duty payable on the issue of National Income Securities to successful Applicants under this Offer.

There should be no stamp duty payable on the transfer of National Income Securities (except for transfers lodged through a broker in the Northern Territory). The relevant authorities in Victoria, New South Wales, Tasmania and South Australia have confirmed that no stamp duty should be payable in respect of the transfer of unpaid Preference Shares which comprise part of the National Income Securities where the buy and sell order is placed with a broker in that jurisdiction. However, there is a possibility that in other Australian jurisdictions stamp duty may be payable in respect of the transfer of unpaid Preference Shares where the order to buy or sell is lodged with a broker in those jurisdictions.

If the Preference Shares become fully paid, stamp duty will be payable on any subsequent transfer.

6.5 Goods and Services Tax

It is the Government's stated intention to introduce a Goods and Services Tax (GST) from 1 July 2000.

Under the proposed Australian GST legislation reflected in the A New Tax System (Goods and Services Tax) Bill 1998, there will be no requirement for GST to be imposed in respect of:

- the issue of the National Income Securities;
- the payment of interest in respect of the Notes;
- the redemption of the Notes, should this occur;
- the cancellation of the Preference Shares, should this occur; or
- the paying up of the unpaid amounts on the Preference Shares, should this occur.

Section 7 – Additional Information

7.1 Material Contracts

(a) Note Subscription Agreement

Under an agreement dated 10 May 1999, a subsidiary of the National, National Australia Managers Limited (“NAML”), agreed with the National, New York branch to subscribe for Notes with a total face value of \$1,500,000,000, to be issued to NAML as initial holder of the Notes, and the National, New York branch agreed to issue and allot those Notes to NAML.

The subscription price for each Note is \$100. At the time of issue and allotment to NAML of the Notes, NAML will not have to pay any amount in respect of the subscription price of the Notes.

NAML must pay or otherwise satisfy its obligation to pay the subscription price by the Closing Date or, if Applications have not then been received for the amount underwritten by the Underwriters, the date by which the Underwriters must subscribe for the shortfall.

Payment of Subscription Price

NAML may satisfy its obligation to pay the subscription price for a Note by transferring that Note to a Successful Applicant for a National Income Security of which that Note is to form part.

Redemption of the remaining Notes

If Applications for the Notes are less than \$1,500,000,000 the National, New York branch will redeem the remaining Notes held by NAML and NAML's obligation to pay the subscription price for those Notes will be extinguished.

The National, New York branch is not required to pay NAML any interest on the Notes.

Indemnity and release by the National

The National has agreed to indemnify NAML and its directors, officers, employees and agents and to hold them harmless from and against all third party claims, demands, damage(s), losses, costs, expenses and liabilities suffered or incurred directly or indirectly as a result of the Offer by the National of National Income Securities. The National has also agreed to release NAML and its directors, officers, employees and agents from all liability arising out of or in connection with the Offer.

(b) Underwriting Agreement

Under an agreement dated 10 May 1999, Salomon Smith Barney and J B Were & Son have agreed with the National to underwrite severally the issue of 5,000,000 National Income Securities (the Underwritten Securities) for a total amount of \$500 million (the Underwritten Amount). If Applications are not received for all of the Underwritten Securities, the Underwriters will lodge or cause to be lodged applications for the shortfall up to a maximum of \$250 million each.

Commissions and Expenses

The Underwriters will receive:

- (a) an underwriting commission of 2.25% of the Underwritten Amount;
- (b) a management fee of 0.5% of the total proceeds received pursuant to the Offer;
- (c) broker non-firm fees of 1.5% of the total proceeds of the Offer in excess of the Underwritten Amount received in respect of Applications bearing the stamp of a broker and which are not stamped firm;
- (d) non-broker fees of 0.25% of the total proceeds of the Offer in excess of the Underwritten Amount received in respect of Applications not bearing the stamp of a broker; and
- (e) all reasonable costs and expenses of and incidental to the Offer.

Additional Information

Right to Terminate

An Underwriter may (whether or not with the consent of the other Underwriter) terminate its obligations under the Underwriting Agreement if any of the following events occurs prior to allotment of the Underwritten Securities:

- (a) the Prospectus is not registered with the ASIC on or before 25 May 1999 (or such later date agreed in writing by the Underwriters);
- (b) there is an outbreak of hostilities (whether war has been declared or not) not presently existing, or an escalation of existing hostilities occurs (other than in relation to the hostilities presently occurring in Yugoslavia and East Timor), involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, Japan or Indonesia which, in the opinion of the Underwriters has, or is likely to have, an adverse effect on the issue of the National Income Securities (Issue);
- (c) the introduction of legislation into the Parliament of the Commonwealth of Australia or any State or Territory of Australia or any U.S. Government, the public announcement of prospective legislation or policy by the Federal or any State or Territory Government or any U.S. Government or the adoption by the ASIC, its delegates, or APRA of any regulations or policy which, in the opinion of the Underwriter, has, or is likely to have, an adverse effect on the Issue or has created or is likely to create a liability of the Underwriter;
- (d) the National is in breach of any of the material terms and conditions of the Underwriting Agreement including but not limited to any material representation or warranty made or given by the National other than with the written consent of the Underwriters, and such breach is not rectified within five business days of receiving notice from the Underwriter;
- (e) after the signing of the Prospectus, there is any material adverse change, or development involving a likely future material change, in the condition or financial or trading position of the National or National Australia Managers Limited (including but not limited to an administrator, trustee or similar official being appointed over the assets or undertaking of the National or National Australia Managers Limited);
- (f) the Underwriter reasonably forms the opinion that there is a material omission from, or a material statement which is, or has become, false or misleading in the Prospectus or any person, other than the Underwriters, who has previously consented to be named in the Prospectus withdraws that consent;
- (g) the Underwriter reasonably forms the view that a supplementary prospectus must be lodged with the ASIC under section 1023B(2), or section 1024(2) of the Corporations Law and the National or National Australia Managers Limited does not lodge a supplementary prospectus in the form and content and within the time reasonably required by the Underwriters;
- (h) without the prior written consent of the Underwriters (which shall not be unreasonably withheld), any of the material contracts summarised in the Prospectus are terminated, rescinded, altered or amended in a material respect;
- (i) the National or National Australia Managers Limited alters its share capital or its constitution in any material respect without the prior consent of the Underwriters (which shall not be unreasonably withheld);
- (j) the ASIC issues, or threatens to issue, a stop order under section 1033 of the Corporations Law or commences a hearing in relation to the Prospectus pursuant to section 1033 and the reasons for the issue, threat or commencement of that hearing are not resolved to the Underwriter's reasonable satisfaction within five business days of such issue, threat or commencement (whichever occurs first);
- (k) ASX makes a decision, (whether or not by way of an official statement) that official quotation of all the National Income Securities will not be granted by ASX or the National's application for quotation of the

Additional Information

National Income Securities is not granted by ASX before the date on which the Underwriters are required to subscribe for any shortfall;

- (l) an application is made by the ASIC under section 1004 of the Corporations Law concerning the Prospectus or any Supplementary Prospectus and that application is not dismissed or withdrawn before the date on which the Underwriters are required to subscribe for any shortfall;
- (m) after the date of the Underwriting Agreement, a director of the National or National Australia Managers Limited is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action or criminal prosecution (other than in respect of a matter of which the Underwriters are aware at the date of the Underwriting Agreement) against the National or National Australia Managers Limited or any of the directors of the National or National Australia Managers Limited in his or her capacity as a director of the National or National Australia Managers Limited or announces that it intends to take any such action;
- (n) before the Allotment Date, the National or National Australia Managers Limited knowingly committing, being involved in or acquiescing in any activity which breaches:
 - (i) the Corporations Law (a breach for which the purposes of this paragraph will be regarded as having occurred (among other things) if an order under section 1004 or 1033 of the Corporations Law is made against it);
 - (ii) any other applicable legislation;
 - (iii) the National's or National Australia Managers Limited's Constitution or
 - (iv) any requirement of the ASIC or ASX,
- (o) before the Allotment Date, the National varying or agreeing to the variation of any term (in any material respect) of the National's Constitution without the prior written consent of the Underwriters to the terms of the variation;
- (p) during the period from the date of this Agreement to the Allotment Date, the National or National Australia Managers Limited failing either to carry on business in the ordinary course or to enter into any agreement or commitment which is material in the context of the National or National Australia Managers Limited (as applicable) or which contains a substantial or onerous obligation, other than as disclosed in the Prospectus, without the prior written consent of the Underwriters, which consent must not be unreasonably withheld.

An Underwriter may not terminate its obligations under the Underwriting Agreement because of the happening of an event set out in paragraphs (b), (c), (d), (e), (f), (h), (i), (j), (m), (n), (o) or (p) unless the Underwriter has reasonable grounds to believe that the event has, or is likely to have, a material adverse effect on the outcome of the Issue, or has given rise to, or is likely to give rise to, a material liability for the Underwriters under any law or regulation.

Termination by an Underwriter of its obligations under the Underwriting Agreement will also terminate the obligations of the other Underwriter unless that Underwriter elects to continue with its obligations.

Indemnities

The National indemnifies each Underwriter, its related bodies corporate and the directors, officers, employees and advisors of any of them (Indemnified Person) against any claim, loss, liability, cost and expense (including legal costs) (Losses) that may be incurred or sustained by the Indemnified Person as result, whether directly or indirectly, of:

Additional Information

- (a) any material breach or failure by the National to observe any of the material terms and conditions of the Underwriting Agreement including but not limited to any representation or warranty made or given by the National becoming incorrect;
- (b) any announcement, advertising, publicity or other promotion made, authorised or issued by the National or National Australia Managers Limited in relation to the Issue or the Prospectus or made or issued by the Underwriters to the extent it is made or issued in reliance on the Prospectus or information provided by the National or National Australia Managers Limited;
- (c) any material non-compliance by the National or National Australia Managers Limited, its officers or employees with any applicable law in relation to the Issue or the Prospectus;
- (d) any review, inquiry or investigation undertaken by the ASIC, ASX or any other regulatory body or Government agency in relation to the Issue or the Prospectus.

The indemnity does to apply to the extent that the Losses:

- (a) constitute a penalty or fine which the Indemnified Person is required to pay for any contravention of the Corporations Law; or
- (b) are determined by a court of competent jurisdiction to be incurred as a result of the fraud, wilful misconduct or negligence of the Underwriters.

(c) Paying Agency Agreement

Under an agreement dated 10 May 1999, a subsidiary of the National, National Nominees Limited (“NNL”), agreed with the National, New York branch that it would act as the paying agent of the National, New York branch in respect of the Notes.

Payment of interest

At least two Business Days prior to the payment of interest, the National, New York branch must transfer the total amount required for the payment in full of all interest on the Notes becoming due on that date to the account maintained by NNL at the National in Australia for that purpose. NNL will arrange for the payment to Holders of all interest payments due on the date for payment of interest to be made from that account.

Withholdings and deductions

Upon instructions from the National, New York branch, NNL shall be entitled to and shall withhold or deduct from all payments to Holders any amounts which it is required to withhold or deduct by law.

Indemnity by the National

The National indemnifies NNL against certain liabilities, losses, costs, charges and expenses arising from its role.

Fees

NNL will be paid a fee for the provision of its services as a paying agent. The fee paid will be on normal commercial terms and will be commensurate with fees normally charged for a service of this nature.

Global Note

Under the Paying Agency Agreement, the National is obliged to lodge the Global Note with NNL for safe

Additional Information

custody and on trust for Holders from time to time. NNL will produce the Global Note to a court at the request of a Holder in any action brought by a Holder against the National to enforce the Terms and Conditions.

7.2 Regulatory Information

Capital Adequacy

As at the date of this Prospectus, National Income Securities constitute Tier 1 capital of the National for purposes of the capital adequacy guidelines of APRA.

ASIC relief

The ASIC has declared that the National is an “excluded corporation” for the purpose of section 65 of the Corporations Law. The effect of this declaration is that the National is not required to comply with certain parts of the Corporations Law relevant to the issue of debentures such as the Notes. In particular, the National is not required to make provision in a trust deed relating to the Notes for the appointment of a trustee for the holders of the Notes. Accordingly, there is no trust deed for the Notes, nor a trustee for the holders of the Notes.

The ASIC has indicated its in-principal approval to various exemptions and modifications of the Corporations Law in relation to the Offer including:

- (a) relief from sections 1023 and 1096 of the Corporations Law so as to permit the issue, sale and transfer of National Income Securities without certificates or other documents evidencing the National’s debt being prepared;
- (b) modifying sections 1020 and 1025 of the Corporations Law to permit the Application Forms to be sent to National shareholders to be personalised and to accompany, rather than be attached to, the Prospectus;
- (c) modifying sections 1030(2), 1030(4) and 1030(6) of the Corporations Law so that the National Australia Managers Limited is not deemed to be a director of the National and is therefore not required to sign the Prospectus;
- (d) modifying section 1025(2) of the Corporations Law to permit the National to publish notices relating to the Offer by use of radio or television; and
- (e) modifying sections 173 and 1047 of the Corporations Law limiting inspection of the register.

These exemptions and modifications will be granted prior to registration of this Prospectus.

ASX Relief

ASX has indicated that on application by the National for official quotation of National Income Securities, ASX would be likely to grant certain waivers from the requirements of the Listing Rules including:

- (a) a waiver from Listing Rule 2.5, Condition 4 to the extent necessary not to require the National to provide a defined call program on the Preference Shares;
- (b) a waiver from Listing Rule 2.5, Condition 5 to the extent necessary not to require the National to provide a trust deed in relation to the issue of National Income Securities;
- (c) a modification to Listing Rule 3.20 to the extent necessary to allow the record date in relation to the priority in allocation for National shareholders to be 4 Business Days after the date of the date commencement of the Offer;

Additional Information

- (d) a waiver from Listing Rule 8.10 to allow the National to refuse to register a transfer of a Note or a Preference Share, where it is not accompanied by a transfer to the same transferee of the Preference Share or Note (as the case may be) to which it is stapled; and
- (e) a waiver from Listing Rule 10.11 to allow directors of the National to participate in the Offer and invest in National Income Securities without the approval of National shareholders.

Section 1028 disclosure

For the purpose of section 1028 of the Corporations Law, the National states that:

- (a) it expressly reserves the right to accept or retain oversubscriptions up to a limit of \$500 million (ie \$1 billion in total); and
- (b) if oversubscriptions up to the limit of \$500 million were accepted or retained:
 - (i) the total assets of the National would be \$255.975 billion on a consolidated basis; and
 - (ii) the total liabilities of the National would be \$238.922 billion on a consolidated basis, in each case based on the National's unaudited consolidated financial statements for the half year ended 31 March 1999.

7.3 Directors' Interests

Directors are not required to hold any National Income Securities.

No director as at the date of this Prospectus is a beneficial holder of National Income Securities. However, directors may acquire National Income Securities under this Prospectus.

7.4 Interests of Experts

KPMG has acted as independent auditors of the National. In this capacity, KPMG has been paid audit fees of approximately \$9.7 million over the past two years before the date of lodgment of this Prospectus. During this period, KPMG has also acted as taxation advisers and provided accounting assistance and other services to the National for which normal professional fees have been paid. The National has paid or agreed to pay to KPMG approximately \$8.9 million for these services to the date of lodgment of this Prospectus.

The National pays Standard & Poor's (Australia) Pty Ltd for providing ratings services.

7.5 Allotment and Transfer of National Income Securities

The National is admitted to participate in CHESS in accordance with the Listing Rules of ASX and the securities clearing house SCH Business Rules. The National maintains an electronic issuer sponsored subregister and an electronic CHESS subregister.

Holders of National Income Securities who elect to hold their securities on the issuer sponsored subregister will be provided with a holding statement on allotment that sets out the number of National Income Securities allocated to them. For Holders of National Income Securities who hold their securities on the CHESS subregister, the National will, on allotment, issue an advice that sets out the number of National Income Securities allocated to them under this Offer, and at the end of the month of allocation, SCH or the National will provide each such holder with a holding statement that confirms the number of securities allotted.

The holding statement (whether issued by SCH or the National) will also provide details of a holder's Holder

Additional Information

Identification Number (HIN) in the case of a holding on the CHESSE subregister or a Securityholder Reference Number (SRN) in the case of a holding on the issuer sponsored subregister. A new statement will be sent to a holder of National Income Securities if, at the end of a month, the balance of the holding of National Income Securities has changed.

None of the advices or statements of holding referred to above is a certificate of title or an acknowledgment of debt.

The Terms and Conditions of National Income Securities make various provision for the transfer and the transmission of National Income Securities (see Section 5).

7.6 Use of Proceeds

The proceeds raised from the Offer will be used to fund the New York branch of the National, which in turn will use the proceeds exclusively to make loans to, or acquire debt securities of, U.S. residents (including U.S. resident subsidiaries of the National) in the ordinary course of its business.

7.7 Expenses of the Offer

The total expenses of the Offer incurred by the National (excluding fees to be paid to the Underwriters in respect of the underwriting) but including advisory fees, legal fees, accounting fees, listing fees, printing, advertising and other expenses, are estimated to be approximately \$8.87 million.

The amount of total expenses may increase if there are oversubscriptions.

The payments to be made by the National to the Underwriters in relation to the underwriting are summarised in the description of the Underwriting Agreement in Section 7.1.

7.8 Consents and disclaimers of Responsibility

Consents to be named

The following parties have given and have not, before the issue of this Prospectus, withdrawn their written consent to be named in this Prospectus in the following context in which they are named:

- Salomon Smith Barney Australia Securities Pty Ltd, as Structurer of the Security, Joint Lead Manager and Underwriter to the Offer and Broker to the Offer;
- JB Were & Son, as Joint Lead Manager and Underwriter to the Offer and Broker to the Offer;
- Merrill Lynch, as Broker to the Offer; and
- Mallesons Stephen Jaques, as Solicitors to the Offer.

Consents to be named and to the inclusion of information

The following parties have given and have not, before the issue of this Prospectus, withdrawn their written consent to the issue of this Prospectus with the inclusion of the following information in the form and the context in which it is included:

- KPMG - to being named as the auditors of the National and to the inclusion of references in this document

Additional Information

(at pages 1, 3, 12, 14, 15, 16, 17, 18, 19, 20, 22, 23 and 26) to the audited accounts of the National;

- Standard & Poor's (Australia) Pty Ltd – to the reference to the credit ratings, it has assigned to the National and the National Income Securities on page 3.

Disclaimers of responsibility

Each person named above in this section “Consents and Disclaimers of Responsibility”:

- has not authorised or caused the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus other than, in the case of a person referred to under the heading “Consent to be named and to the inclusion of information”, a statement included in this Prospectus with the consent of the party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and, in the case of a person referred to under the heading “Consents to be named and to the inclusion of information”, any statement which has been included in this Prospectus with the consent of that party.

Merrill Lynch are named for information purposes only. It has not had any involvement in the preparation of any part of this Prospectus except to the reference to their name.

7.9 Inspection of Documents

Copies of the following documents are available for inspection at the registered office of the National (Level 24, 500 Bourke Street, Melbourne, Victoria) during normal business hours free of charge for 12 months after lodgment of this Prospectus:

- Consents to be named and consents to the inclusion of information referred to above;
- the Constitution of the National;
- Declarations and Instruments of Exemption issued by the ASIC from provisions of the Corporations Law; and
- the material contracts described in section 7.1.



Section 8 – Directors’ Authorisation

This Prospectus has been signed by each of the Directors of the National (or their authorised representative) as required by the Corporations Law.

MR Rayner

DK Macfarlane (by his agent authorised in writing, BT Loton)

BT Loton

DCK Allen (by his agent authorised in writing, MR Rayner)

DR Argus (by his agent authorised in writing, FJ Cicutto)

WF Blount (by his agent authorised in writing, MR Rayner)

FJ Cicutto

CM Deeley

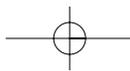
GJ Kraehe (by his agent authorised in writing, MR Rayner)

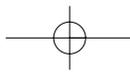
TP Park

ED Tweddell (by his agent authorised in writing, BT Loton)

CM Walter

Date: 10 May 1999



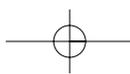


Glossary

The following is a glossary of the terms used in this Prospectus. There is also a list of defined terms that are used in the detailed Terms and Conditions of the National Income Securities in Section 5, commencing on page 44. The most commonly used terms are also contained in this glossary.

Acceptance	acceptance by the National of an offer contained in an Application Form.
Allotment Date	the date on which National Income Securities are allotted to Successful Applicants.
Application	a valid application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of National Income Securities.
Application Form	each form attached to or accompanying this Prospectus upon which an offer to subscribe for National Income Securities must be made.
Application Monies	the monies payable on Application, being the product of multiplying the number of National Capital Securities applied for by the amount of \$100.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities & Investments Commission.
ASX	Australian Stock Exchange Limited (ACN 008 624 691).
Banking Act	the Banking Act 1959 (Commonwealth).
Bill	means a bill of exchange within the meaning of the <i>Bills of Exchange Act</i> 1908 (Commonwealth).
Board	the Board of directors of National from time to time.
Business Day	means the day on which banks are open for general banking business in Melbourne, other than a Saturday or a Sunday or public holiday in that place and which is also a business day for the purposes of the Listing Rules.
CHESS	Clearing House Electronic Subregister System.
Closing Date	the last day on which Application Forms will be accepted.
defined Market Rate	see the definition of Market Rate.
Distributable Profits	is defined in the Terms and Conditions in Section 5 as, at any time, the operating profits after income tax attributable to members of the National for the immediately preceding Year (or such other amount as determined by APRA in its discretion to be appropriate in the National's circumstances for the purposes of servicing the National's Tier 1 capital elements) less: <ul style="list-style-type: none"> (a) the aggregate amount of any interest payments made on the Notes previously made during the current Year; and (b) the aggregate amount of any dividends paid on any preference or ordinary shares of the National during the current Year; and (c) the aggregate amount of any income entitlement paid on TrUEPrSSM during the current Year.

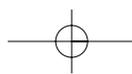
SMService mark of Merrill Lynch & Co, Inc.

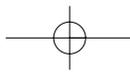




Glossary

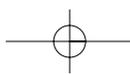
<i>Event of Default</i>	has the same meaning as given to that term in clause 6.1 of the Terms and Conditions on page 33.
<i>Exchange</i>	is defined in the Terms and Conditions in Section 5 as meaning: <ul style="list-style-type: none"> (a) in relation to a Note, to redeem; and (b) in relation to a Preference Share, to redeem, buy back, reduce capital on or cancel; and (c) in relation to a National Income Security, to Exchange the Preference Share and the Note which is stapled to it or, after the Preference Share Payment Date, to Exchange the fully paid Preference Share.
<i>Global Note</i>	the deed poll in the form set out in Part D of the Terms and Conditions on page 50.
<i>Holder</i>	the holder, from time to time, of a National Income Security.
<i>Issue Date</i>	means the date of issue of the Preference Shares.
<i>Issue Price</i>	the price payable for a National Income Security under this Offer, being \$100.
<i>Long term credit rating of "A"</i>	an obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still STRONG.
<i>JB Were & Son</i>	Were Stockbroking Limited (ACN 006 797 897).
<i>Joint Lead Managers</i>	Salomon Smith Barney and JB Were & Son.
<i>Listing Rules</i>	the Listing Rules of ASX.
<i>Market Rate</i>	is the 90 Day Bank Bill Rate. This is defined in the Terms and Conditions in Section 5 as the average mid rate for 90 day Bills (expressed as a percentage per annum) which average rate is displayed on the page of the Reuters Monitor System designated "BBSW". <ul style="list-style-type: none"> (i) in the case of the first Quarter, on the Issue Date; and (ii) in the case of any subsequent Quarter, on the first Business Day of that Quarter, <p>or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Melbourne time) on that date the rate specified in good faith by the National at or around that time on that date having regard, to the extent possible, to:</p> <ul style="list-style-type: none"> (a) the rates otherwise bid and offered for 90 day Bills or for funds of that tenor, at or around that time (including, without limitation, the sets of bid and offer rates for Bills of that tenor displayed on that page "BBSW" at that time on that date); or (b) if bid and offer rates for 90 day Bills are not otherwise available, the rates

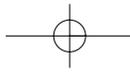




Glossary

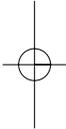
	otherwise bid and offered for funds of that tenor at or around that time.
<i>Merrill Lynch</i>	Merrill Lynch International (Australia) Limited (ACN 002 892 846).
<i>National</i>	National Australia Bank Limited (ACN 004 044 937) and <i>National, New York branch</i> means the National acting through its New York branch.
<i>National Australia Managers Limited</i>	National Australia Managers Limited (ACN 006 437 565) being a wholly owned subsidiary of the National.
<i>National Group</i>	the National and its subsidiaries.
<i>National Income Security</i>	means a Note and a Preference Share which are stapled together in accordance with the Terms and Conditions.
<i>National Nominees Limited</i>	National Nominees Limited (ACN 004 278 899) being a wholly owned subsidiary of the National.
<i>90 Day Bank Bill Rate</i>	see the definition of Market Rate.
<i>Note</i>	means a direct, unconditional unsecured debt obligation of the National, New York branch from time to time owing under the Global Note having a principal amount and denomination of \$100 and having no fixed maturity date.
<i>Offer</i>	the invitation to make an Application made by this Prospectus for members of the public to purchase National Income Securities.
<i>Ordinary Shares</i>	ordinary shares in the capital of the National.
<i>Preference Share</i>	means a Preference Share in the capital of the National issued with no amount of the Issue Price paid with the terms of issue set out in Part B of the Terms and Conditions commencing on page 35.
<i>Prospectus</i>	this document setting out the terms and conditions on which National Income Securities are offered.
<i>Quarter or quarter</i>	a period of three calendar months concluding on 15 November, 15 February, 15 May and 15 August in any year, as the case may be or if that day is not a Business Day, the next succeeding day which is a Business Day. Each Quarter commences on the date on which the preceding Quarter concludes.
<i>Record Date</i>	in relation to a payment of interest or dividends in relation to the National Income Securities means 11 Business Days (or such other period determined under the Listing Rules from time to time) before the date on which the payment in question becomes due.
<i>Salomon Smith Barney</i>	Salomon Smith Barney Australia Securities Pty Limited (ACN 003 114 832).
<i>Successful Applicant</i>	an applicant whose Application is accepted by the National, whether in part or in full.
<i>Terms and Conditions</i>	the terms and conditions of National Income Securities set out in full in Section 5.



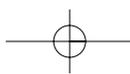


Glossary

<i>Tier 1 capital</i>	the core capital of the National as defined by APRA.
<i>Tier 1 Capital Ratio</i>	at any time, the ratio so described by APRA.
<i>Total Capital Adequacy Ratio</i>	at any time, the ratio so described by APRA.
<i>TrUEPrSSM</i>	means Trust Units Exchangeable for Preference Shares of NAB Exchangeable Preferred Trust issued under a prospectus dated 23 September 1998.
<i>Underwriters</i>	Salomon Smith Barney and JB Were & Son.
<i>U.S.</i>	United States of America.
<i>Year</i>	a financial year of the National.



SMService mark of Merrill Lynch & Co, Inc.



How to complete the Application Form

The Acknowledgments on the reverse of the Application Form should be read carefully.

Please complete all relevant sections of the Application Form in **BLOCK LETTERS** using **Black or Blue ink**.

- A** Enter the **Number of National Income Securities** you wish to apply for.
Applications must be for the minimum of 50 securities and thereafter in multiples of 10 securities.

- B** Enter the **Total Amount** of application money payable.
Minimum investment – 50 National Income Securities\$5,000
Additional investment amounts in multiples of 10 National Income Securities ... \$1,000 multiples

- C** Payment must be made by cheque or bank draft in Australian dollars drawn on an Australian branch of a financial institution.
Cheques or bank drafts must be payable to **National Income Securities Offer Trust Account** and crossed Not Negotiable. **Cheques not properly drawn will be rejected.**
Cheques will be deposited on the day of receipt by the National. If cheques are dishonoured the application may be rejected.

- D** Enter the **Full name/s** and **Title/s** of all legal entities that are to be recorded as the registered security holder/s. Refer to the **Name Standards** below for guidance on valid registration.

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	MR JOHN SMITH	J SMITH
Joint	MR JOHN SMITH AND MRS MICHELLE SMITH	J & M SMITH
Company	ABC PTY LTD	ABC P/L
Trusts	MR JOHN SMITH <JOHN SMITH FAMILY A/C>	SMITH FAMILY TRUST
Partnership	MR JOHN SMITH AND MR MICHAEL SMITH <JOHN SMITH AND SONS A/C>	JOHN SMITH & SONS
Clubs/Unincorporated bodies	MS JANE SMITH <SMITH INVESTMENT CLUB A/C>	SMITH INVESTMENT CLUB
Superannuation Funds	JOHN SMITH PTY LTD <SUPERANNUATION FUND A/C>	JOHN SMITH SUPERANNUATION FUND

- E** Enter the **Postal Address** for all communications from the National. Only one address can be recorded.

- F** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.

- G** If you are sponsored in **CHESS** by a stockbroker or other CHESS participant enter your holder identification number (HIN).

- H** Enter the **Tax File Number/s (TFN)** or Exemption category. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory.

- I** Please complete this section to have distributions credited to your account. If not completed you will receive a cheque.

Where to send your completed Application Form

Completed Application Forms and accompanying cheque/s or bank draft/s may be mailed to:

REPLY PAID 81041
National Income Securities Register
Locked Bag 14131
MELBOURNE CITY MC VIC 8001

or

lodge with either of the Joint Lead Managers

or

if applicable, use the envelope provided by your broker.

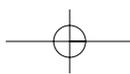
Applications must be received by 5.00pm Melbourne time on 21 June 1999. Please note this date may be varied.

For further enquiries telephone 1300 364 324.



Acknowledgments

- I/We acknowledge that all details and statements made on this Application Form are complete and accurate. I/We apply to subscribe for Preference Shares in the National and to purchase Notes of National Australia Bank Limited (together National Income Securities) in the number set out in the Application Form.
- I/We agree to be allocated any number of National Income Securities applied for or less than that applied for, in accordance with the Prospectus. I/We authorise each of National Australia Bank Limited, National Australia Managers Limited and any of their officers or agents to complete and execute any transfer of Notes or to do any other acts on my/our behalf necessary to transfer the Notes to me/us and for the Preference Shares to be issued to me/us. I/We agree to be bound by National Australia Bank Limited's Constitution (as it may be amended from time to time).
- I/We acknowledge that National Income Securities are not bank deposits nor ordinary shares.
- I/We acknowledge that National Australia Bank Limited may not, in certain circumstances, pay interest on the Notes or dividends on the Preference Shares (see section 5 of the Prospectus).
- I/We acknowledge that, until further notice, all payments in connection with the National Income Securities will be made to the address specified on this Application Form or in accordance with the account details specified on this Application Form.
- By returning this Application Form together with a cheque/s for the application monies, I/we acknowledge that I/we will be deemed to have accepted the terms and conditions of the National Income Securities and of this offer including the Acknowledgments set out above.





Pin cheque here (Do not staple)



National Australia Bank Limited
A.C.N. 004044937

Broker's Code

Broker's Stamp

Adviser/Financial Planner

National Income Securities Application Form

A I/We apply *for , , **0** National Income Securities in National Australia Bank Limited at \$100.00 per security or such lesser number of securities which may be allocated to me/us by the Directors (which may be less than 50 securities).
*Minimum application of 50 securities and thereafter multiples of 10 securities.

B I/We lodge full application monies of **A** \$, , **0 0 0** ~~.00~~ *Minimum investment \$5,000 and thereafter in multiples of \$1,000*

C Cheque details

Drawer	Bank	BSB no.	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>

D Single/Joint Applicant no. 1 or Company name

Title Given name/s Family name

Joint Applicant no. 2 or account Designation

Title Given name/s Family name

Joint Applicant no. 3 or account Designation

Title Given name/s Family name

E Postal address details

Unit number Street number Street name

Or
Post Office Box or other Mail Box details (if applicable)

City/Suburb/Town State Postcode

F Contact details

Contact name Telephone number during business hours Telephone number after business hours

G CHESS Participant – HIN

H Tax File Number Notification/Exemption

First Applicant Tax File Number Second Applicant Tax File Number

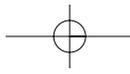
I Account details for interest payments

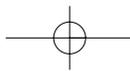
Quarterly interest will be credited to this account.
Name and address of Bank, Building Society or Credit Union (within Australia only)

Family name and initials or Company name

BSB number Account number

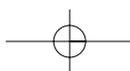
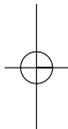
Note: If you are unsure of your BSB number or Account number, please check with your Bank, Building Society or Credit Union (as applicable) before filling out the form.





Acknowledgments

- I/We acknowledge that all details and statements made on this Application Form are complete and accurate. I/We apply to subscribe for Preference Shares in the National and to purchase Notes of National Australia Bank Limited (together National Income Securities) in the number set out in the Application Form.
- I/We agree to be allocated any number of National Income Securities applied for or less than that applied for, in accordance with the Prospectus. I/We authorise each of National Australia Bank Limited, National Australia Managers Limited and any of their officers or agents to complete and execute any transfer of Notes or to do any other acts on my/our behalf necessary to transfer the Notes to me/us and for the Preference Shares to be issued to me/us. I/We agree to be bound by National Australia Bank Limited's Constitution (as it may be amended from time to time).
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Offices of Salomon Smith Barney

1800 22 22 62

Sydney

Level 16
225 George Street
Sydney NSW 2000
Ph: (02) 9321 4000

Melbourne

Level 52
525 Collins Street
Melbourne Vic 3000
Ph: (03) 9268 9111

Offices of J B Were & Son

1800 00 33 55

Melbourne

Level 17
101 Collins Street
Melbourne Vic 3000
Ph: (03) 9679 1111

Sydney

Level 42
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Ph: (02) 9321 8777

Brisbane

37th Floor
Riverside Centre
123 Eagle Street
Brisbane Qld 4000
Ph: (07) 3258 1111

Gold Coast

65-67 Thomas Drive
Chevron Island
Gold Coast Qld 4217
Ph: (07) 5582 2444

Adelaide

Level 13
45 Pirie Street
Adelaide SA 5000
Ph: (08) 8407 1111

Perth

Level 19
140 St George's Terrace
Perth WA 6000
Ph: (08) 9422 3333

Canberra

60 Marcus Clarke Street
Canberra City ACT 2601
Ph: (02) 6218 2000

Sunshine Coast

63 The Esplanade
Maroochydore Qld 4558
Ph: (07) 5475 6555

Hobart

Level 7
AMP Building
86 Collins Street
Hobart Tas 7000
Ph: (03) 6237 9888

Launceston

Level 3
87 George Street
Launceston Tas 7250
Ph: (03) 6332 8000

