

# Capital Markets Allocation Policy Summary

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## 1. Introduction

National Australia Bank's (**NAB**) Capital Markets Allocation Policy (**Policy**) and related procedures form part of NAB Group's Conflicts of Interest Framework and describe our approach on executing or participating in Capital Markets Transactions (**CMTs**).

The allocation of securities issued pursuant to a CMT may give rise to actual, potential and/or perceived conflicts between NAB's obligations to the Issuer who has mandated us and NAB's other interests (including our obligations to, or desire to assist, other clients and our own interests as a principal investor or trader of securities). There is also a risk that conduct by a Manager or the Issuer in relation to allocations of securities pursuant to a CMT (including statements made prior to, during or after the book build process) may mislead or deceive market participants.

The purpose of this Policy is to:

- articulate our approach to the management of allocations in CMTs;
- support compliance with our obligations, including where applicable, the requirements under the UK and EU Markets in Financial Instruments Regulations and Directives (**UK MiFIR/MiFID and EU MiFIR/ MiFID**)<sup>1</sup>; and
- align to industry recommended conventions and standards to the extent adopted by NAB.

## 2. Scope

This Policy applies to all CMTs involving NAB where:

- we are appointed Manager and required to provide an allocation recommendation to the Issuer; or
- we are a Broker in relation to a CMT.

This Policy does not apply to:

- Issuances in US markets managed by nabSecurities LLC;
- Issuances in New Zealand markets managed by Bank of New Zealand Limited; and
- Where we are part of a syndicate, and another Manager is responsible for preparing and agreeing the final allocation recommendations to the Issuer.

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<sup>1</sup> UK MiFIR means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 (as amended). UK MiFID means UK MiFIR together with the Markets in Financial Instruments Directive 2014/65/EU, as implemented in the UK by the Financial Conduct Authority in its FCA rules. EU MiFID means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("EU MiFIR") together with the revised Markets in Financial Instruments Directive 2014/65/EU

## 3. Where NAB is Manager – allocation recommendations

NAB will agree allocation objectives and preferences with the Issuer prior to bookbuild<sup>2</sup>.

Where we are part of a syndicate, we will agree the allocation recommendation approach with other syndicate members.

NAB (directly or via the syndicate) will provide Issuers with bookbuild information, including Investor interest and any conditional interest, price updates, time of bids, Investor identities, proposed deal updates and market communications.

Our allocation recommendations will be based on the considerations set out in the table below:

Permitted allocation considerations	Prohibited allocation considerations
<ul style="list-style-type: none"> <li>• Issuer allocation preferences and objectives, such as: <ul style="list-style-type: none"> <li>- the category of Investor</li> <li>- whether the Issuer wants to target one geographic region over another for investor diversity</li> </ul> </li> <li>• Investor participation, engagement and support in past dealings or other securities of the Issuer</li> <li>• The size of the bid appears consistent with the Investor’s investment profile</li> <li>• The Investor’s anticipated holding period of any allocation</li> <li>• The nature and level of interest shown by the Investor, for example, involvement in market sounding, ‘reverse inquiry’, roadshow meetings and market colour to support the deal</li> <li>• The credit worthiness of the Investor, including the ability to settle in accordance with the process and timetable</li> <li>• The timeliness of the bid and size of order (i.e., price leadership)</li> <li>• Other factors such as price and timing – to establish the price NAB may consider the known Investor demand, internal views on fair value and market conditions or the pricing of similar offerings</li> <li>• Any indication or evidence or belief that the Investor has exaggerated the true extent of its interest in the expectation of being scaled back</li> <li>• Any applicable selling restrictions in jurisdictions with which the Investor is connected</li> </ul>	<p>Any preferential treatment for an Investor based on consideration of NAB’s own interests, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Preferential treatment of NAB House and Treasury bids</li> <li>• “quid pro quo” arrangements with an Investor or affiliate (e.g., an investor agrees to buy other products or services, or engage in future business with NAB or one of our affiliates)</li> <li>• NAB and an Investor sharing the profits accrued in connection with the trading of new issue securities</li> <li>• NAB making allocations to the senior management or directors of an Investor in consideration for future or past award of corporate business (‘Spinning’)</li> <li>• Soliciting an “aftermarket order” from an Investor, prior to completion of the distribution of the offering of the relevant securities</li> <li>• Requiring an Investor to purchase an allocation of a parcel of securities in an offering that is not a “hot issue” (such as an issue which is not fully subscribed) in exchange for that Investor being considered by NAB as eligible for an allocation in an offering that is a “hot issue” (such as an issue which is oversubscribed)</li> <li>• An allocation made to incentivize the payment of disproportionately high fees for unrelated services provided by the investment firm (so called “laddering”)</li> <li>• An allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from NAB by the Investor, or any entity of which the Investor is a corporate officer</li> </ul>

<sup>2</sup> In accordance with its Target Market Assessment, National Australia Bank London branch (NAB London) and National Australia Bank Europe S.A. (NAB Europe) will agree a set of allocation principles with other members of the syndicate and its Issuer clients.

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NAB will obtain the Issuer's approval of final allocations, including any issuer required changes.

For NAB London and NAB Europe, the final Issuer allocations will be clearly justified and recorded line by line where Investors fit the following two categories:

- Investors that have received a final allocation in the top 20% of the total allocations by volume of overall deal size ranked by Investor in descending order of size of allocation to each Investor; and
- Investors that receive a final allocation in the top 20% of the total allocation ranked by Investor in descending order of the percentage allocation granted to each Investor.

## 4. Where NAB is Broker<sup>3</sup> – allocation considerations

Where we receive a full allocation as Broker, Investors within our channels also receive full allocation (unless the parcel and bid size don't align).

Where we receive a scaled back allocation as Broker, allocation to Investors is determined accordingly:

- Where applicable, direct clients will be allocated to satisfy the minimum investment hurdle as defined in the relevant Offer Document or Access Bond Service or Bond Custody Service (including Prospectus, Product Disclosure Statement, or Information Memorandum).
- Prior participation across previous Capital Markets Transactions, past interest in the Issuer's sector and broader Investor Sales activities.
- Value of the Investor/sub-distributor relationship to the NAB Group.
- For rounding purposes to satisfy the denominations detailed in the Offer Document.
- Brokerage payable, if any, to financial intermediaries (defined by relevant AFSL).

## 5. Allocation to internal clients

NAB House is any Division or desk of NAB that is permitted to take a principal or proprietary position and includes NAB's Debt Market Portfolio and Underwriting (DMPU) business and Markets trading desks but excludes NAB's Group Treasury function.

The following principles apply in relation to NAB House bids (excluding pre-agreed cornerstone investment commitments and underwriting commitments)<sup>4</sup>:

- Where we are part of a syndicate group of Managers making allocation recommendations to the Issuer, NAB House allocations must be determined by the Issuer in consultation with the other syndicate members without our involvement.
- The Issuer should determine NAB House allocations.
- If the Issuer defers to NAB to make allocation decisions, the following applies:
  - NAB House must not be treated any better than any bona fide third-party Investor's bid, regardless of volume or price leadership.
  - An exception applies where the Issuer expressly makes an unsolicited request for NAB to place a house bid for the purposes of secondary market support.

<sup>3</sup> This section does not apply to NAB London or NAB Europe as they do not conduct this activity.

<sup>4</sup> Whether Sole Manager or acting as part of a syndicate, NAB London and NAB Europe can provide an allocation in respect of any House Bid which is larger than other investor bids, providing the House Bid is in line with pre-agreed allocation principles and/or the Issuer's preference in accordance with UK MiFIR/MiFID or EU MiFIR/MiFID, when required to do so (e.g. has provided feedback on the proposed issuance via a MAR Market Sounding exercise).

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## 6. Communications

When publicising book size, we will (in agreement with other syndicate banks) disclose the amount of Joint Lead Manager interest characterised as 'JLM interest'. Where there is JLM interest in a transaction and the Issuer refuses to disclose the JLM interest in a book update, then any update should specify 'excluding JLM interest'. If final allocations include JLM interest, then this will be disclosed in the final allocation message.

Our public communications on final allocations are restricted to Investor categories. We will not identify individual Investors, nor disclose allocations in a way that would enable others to identify them.

We will publicly disclose any rebates offered to private banks.

## 7. Compliance review

Our Compliance team provides independent second line review and challenge of NAB's Capital Markets business, including communications surveillance and periodic reviews.