

# **National Australia Bank Limited (NAB) – Refinancing of Convertible Preference Shares (NABPA) with Capital Notes (NABPF)**

## **Transaction Summary:**

On 11 February 2019, NAB announced their intention to issue NAB Capital Notes 3 (expected to trade on the ASX under 'NABPF') in order to raise \$1.650b, reserving the right to raise more or less.

The purpose of the issue was for general corporate purposes and to refinance NAB Convertible Preference Shares (trading on the ASX under 'NABPA'). A redemption and reinvestment offer was made available to eligible NABPA investors.

***This summary is relevant for NABPA holders who participated in the redemption and reinvestment offer only.***

- **Record date** – 7 February 2019
- **NABPA redemption proceeds** – \$100 (face value).
- **Redemption date** – 20 March 2019
- **NABPF reinvestment price** - \$100 (face value)
- **Implementation date** – 20 March 2019

## **What is the structure of an initial investment in NABPA?**

NABPA represents an investment in perpetual fully paid mandatorily convertible preference shares in the capital of NAB.

## **What is the structure of the new investment in NABPF?**

NABPF represents an investment in perpetual fully paid mandatorily convertible, subordinated, perpetual debt securities issued by NAB.

## **What was the structure of the reinvestment offer?**

On 11 February 2019, NAB issued a 'resale notice,' to all NABPA security holders. Under the resale notice, on 20 March 2019, all NABPA securities on issue were mandatorily acquired (i.e. redeemed by NAB).

Eligible NABPA security holders received a reinvestment offer from NAB, whereby the proceeds from the redemption of NABPA securities may be wholly or partly reinvested in NABPF securities.

Where NABPA security holders participated in the reinvestment offer, redemption proceeds would be directed to NAB in exchange for NABPF securities (i.e. no cash would be received by the investor).

## **What was the implementation date of the reinvestment?**

20 March 2019

## **What does a NABPA security holder hold after the reinvestment?**

After the reinvestment, NABPA security holders will hold NABPF securities.

## **What are the income tax and CGT consequences of the redemption and investment\*?**

### *Redemption - Capital Gains Tax*

NABPA security holders will recognise CGT event A1 (disposal of a CGT asset) on the redemption date (20 March 2019). Capital proceeds will be \$100 per NABPA security (face value).

Where the capital proceeds received (\$100) exceed the cost base of the NABPA, a capital gain will be recognised of the amount that the capital proceeds exceed the cost base. Conversely, where the capital proceeds received are less than a security holders' cost base, a capital loss will be made of the amount which capital proceeds are less than the cost base of NABPA.

*Note: Despite no cash having been received (as the proceeds were reinvested) investors are still treated as having received \$100 in capital proceeds.*

### *Reinvestment*

NABPF securities will be acquired for \$100 each (face value and cost base) on 20 March 2019.

## **What is the acquisition date of NABPF securities\*?**

NABPF securities will have an acquisition date of 20 March 2019 (implementation date).

## **How will the reinvestment proceeds be treated for tax purposes for investors?**

The reinvestment will be treated as either a capital gain or capital loss for NABPA investors, depending on the cost base of their NABPA securities. This amount was not received as a cash payment.

## **Has the ATO issued any rulings relating to the demerger?**

The ATO has issued Class Ruling [CR 2019/22](#) *National Australia Bank Limited – issue of NAB Capital Notes 3*, released on 28 March 2019.

[CR 2013/18](#) *National Australia Bank Limited – issue of convertible preference shares* was issued 6 March 2013 and is relevant for the tax consequences that relate to an original investment in NABPA securities.

## **How is the transaction reported by us\*?**

The capital proceeds received in respect of the redemption, less the cost base of NABPA securities will be treated as a capital gain or capital loss.

Reinvestments into NABPF were recorded as new investments.

*\* This analysis is based on NABPA security holders who held their securities on capital account, are Australian tax residents and acquired their NABPA securities after 20 September 1985.*