

Important Dates	
Offer Opens / Close Date	11 May 2009 / 25 June 2009
Issue Date	10 July 2009
Guarantee Effective Date or Maturity Date	10 January 2015 / 5.5 years
Key Information	
Investment Type	NAB Principal Series – ASX 200 Index Investment is a deferred purchase agreement (DPA).
Underlying Index	S&P/ASX 200 Index.
Issuer	National Australia Bank Limited (NAB).
Issue Price	\$1 per NAB ASX 200 Investment
Trigger Event	A Trigger Event occurs if on any date before maturity date , the level of the index is at or below 65% of its level on the Issue Date (i.e. there has been a fall of 35% or more).
Guarantee Amount	NAB provides a guarantee amount of 100% or 85% at maturity depending on whether or not a <i>trigger event</i> occurs.
Delivery Asset	Units in SPDR S&P/ASX 200 Fund or shares in one of the 10 largest ASX listed entities by market capitalisation.
Distributions	No coupons will be paid.
Participation Rate	Fixed between 105% - 120%*.
Loans	<p>Investment Loan: Finance of up to 100% of investment amount is available to approved applicants from NAB. Minimum loan of \$20,000.</p> <p>Limited Recourse Loan: Superannuation compliant finance of up to 70% of investment amount is available to approved applicants from NAB. Minimum loan of \$10,000.</p>
Minimum Investment	\$10,000 with increments of \$1,000 thereafter.
Liquidity	Monthly. NAB will accept early withdrawal requests at its discretion. The NAB guarantee amount will not apply to early withdrawals and are subject to early withdrawal fees.

Fees & Commissions	
Brokerage Fee**	0.55% (incl. GST).
Early Withdrawal Fee (incl. GST)	1.50% - first year, 1% - second year and Nil thereafter.
Adviser Commissions	NAB may pay adviser commissions from their own funds.

*Participation rate to be set on the issue date.

** Brokerage fee is payable if investors chooses to receive cash payment from the sale of the Delivery Asset.

What this Rating means

The **Recommended** rating indicates that Lonsec has conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has a number of competitive advantages in people, process and product design. The investment is a recommended entry point to access this asset class or strategy.

Using this Product

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- NAB Principal Series – ASX 200 Index Investment (NAB ASX 200 Investment) provides investors with the opportunity to gain exposure to the price growth potential of the Australian equities market. Maximum percentage asset class allocations for all risk profiles are outlined in Lonsec's Risk Profile Review.
- NAB ASX 200 Investment incorporates a guarantee amount **at maturity** that may provide additional comfort to more risk averse investors. Lonsec considers this product to be most suited to balanced and growth risk profile investors.

NAB ASX 200 Investment may suit:

- Investors seeking capital growth and not reliant on dividends and / or franking credits.
- Investors seeking Fixed Participation of between 105%-120% in an investment that reflects the return of the S&P ASX 200 over the investment term
- Investors who believe recent equity market turmoil provides a buying opportunity but want the safety net of NAB undertaking to provide a 85% or 100% guarantee amount **at maturity**.
- Investors utilising any Investment Loans should be comfortable with the risks associated with borrowing to invest. Investors should be comfortable funding interest payments from their own financial resources.

Product Risk Characteristics (Current Portfolio Level)

	Low	Moderate	High
Leverage			
Liquidity Risk			
Concentration			
Credit Risk			
Volatility			

Risks are categorised "Low", "Moderate" or "High", based on Lonsec's qualitative opinion of the risks inherent in the product

Lonsec Opinion of this Product

- An investment in the NAB Principal Series – ASX 200 Index Investment (NAB ASX 200 Investment) offers investors the opportunity to gain medium term fixed exposure of between 105%-120% to the price growth potential of the Australian equity index with the benefit of 85% or 100% guarantee amount **at maturity**. Lonsec views the structure created by NAB as a simple and efficient means of providing protected access to Australian equities.
- Investors can choose to gain exposure to the Australian equity market via a managed fund or an exchange traded fund, receive dividends and any franking credits and be exposed to both positive and negative price movements. NAB ASX 200 Investment offers investors fixed participation of between 105%-120% to the Australian equity market with the benefit of NAB providing a 85% or 100% guarantee amount at maturity. Investors do not receive any dividends or franking credits. NAB may also lend up to 100% of the investment proceeds to approved investors.
- Investors should note the starting and ending index levels used to determine an investor's pay-off at maturity are averaged over 13 monthly observations which has the effect of smoothing both levels. The averaging means the return on the investment might be lower or higher than it would have been if it was calculated based on the change between the actual index level on the Issue Date and the actual index level on the Maturity Date.
- Lonsec believes the index used in the product is appropriate for investors seeking passive exposure to the Australian equities. The index offers broad representation, investability and transparency. The index is widely recognised in the industry and provides clear rules for security selection and exclusion. Importantly, the Index used is sponsored and calculated independently of the Issuer.
- Lonsec considers the experience and resourcing at NAB to be appropriate in constructing structured products.
- Various components of the product pricing are based on the Issuer's costs and option hedging prices, some of which the Issuer determines in its discretion. As is often the case with structured product pricing generally, these prices will not be transparent to the investors.

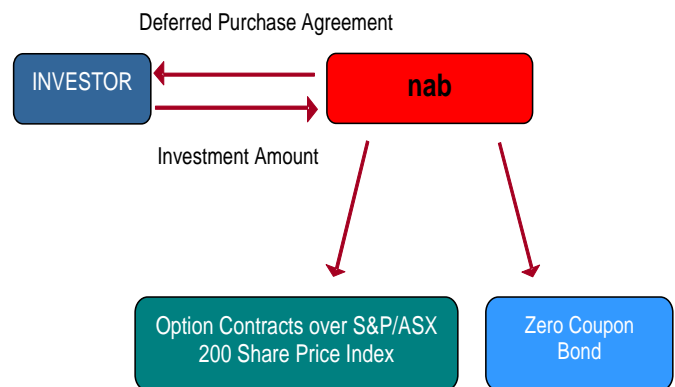
Issuer Profile

National Australia Bank Limited is one of Australia's leading financial institutions founded in 1893. As at March 2009, NAB's long term credit ratings were AA by S&P, Aa1 by Moody's and AA by Fitch Rating.

How does the Product Work?

NAB ASX 200 Investment is designed as a "set and forget" 5.5 year investment.

The structure of the product can be shown as follows:



Investors enter into a DPA with NAB. NAB then purchases a 5 yr and 6 month AUD zero-coupon bond and enters into option contracts linked to the Underlying Index. The bond provides the guarantee amount at maturity and the option contracts provide the upside potential.

Investors returns are determined by the performance of the Underlying Index averaged over first 12 month and last 12 months of the investment term.

Investors' payoff at maturity will vary depending upon whether or not a **Trigger Event** occurs. A Trigger Event occurs if, **on any date before the maturity date**, the level of the underlying Index is at or below 65% of its level on the Issue Date (i.e. there has been a fall of 35% or more). **If a Trigger Event occurs, an investor's pay-off is reduced by a fixed amount of \$0.15 per NAB ASX 200 Investment.**

An investor's pay-off at maturity is:

- If a Trigger Event **does NOT** occur:

Investment Amount + (% change in Index x Participation Rate)

- If a Trigger Event occurs:

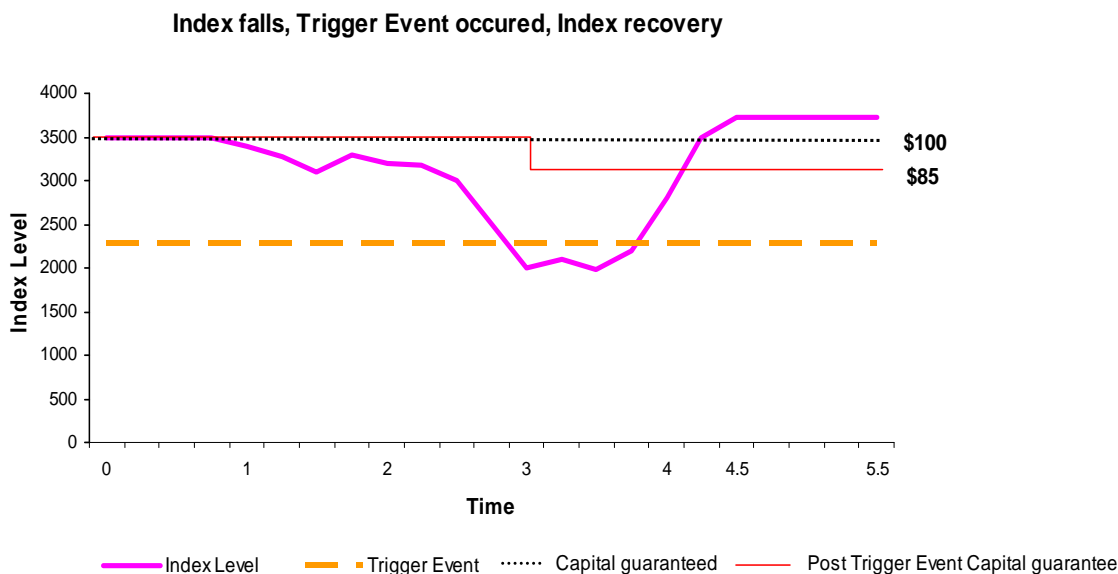
Investment Amount + (% change in Index x Participation Rate) – \$0.15

Assuming a starting average index level of 3500, an investor’s pay-off at maturity for a \$100 investment can be shown as:

Ending average Index level	% change in Index	Payoff at maturity with no Trigger Event			Payoff at maturity with Trigger Event		
		Participation Rate					
		105%	115%	120%	105%	115%	120%
4200	20	\$121	\$123	\$124	\$106	\$108	\$109
3850	10	\$111	\$112	\$112	\$96	\$97	\$97
3675	5	\$105	\$106	\$106	\$90	\$91	\$91
3500	0	\$100	\$100	\$100	\$85	\$85	\$85
3325	-5	\$100	\$100	\$100	\$85	\$85	\$85
3150	-10	\$100	\$100	\$100	\$85	\$85	\$85
2800	-20	\$100	\$100	\$100	\$85	\$85	\$85
2450	-30	\$100	\$100	\$100	\$85	\$85	\$85
1750	-50	NA	NA	NA	\$85	\$85	\$85

If a Trigger Event has not occurred, investors will receive at least \$100 at maturity, per \$100 investment. Where a Trigger Event occurs, an investor’s pay-off is reduced by \$15 of this investment amount.

Investors should note that if a Trigger Event occurs and the ending average Index level rises above the starting average Index level at maturity, investors will still participate in the rise. This is shown in the following diagram:



Early withdrawal by investors invalidates the guarantee amount and will attract an early withdrawal fee.

Full outlines of these calculations are provided on pages 10 to 17 within Section 3 of the PDS.

The Participation Rate is set on the Issue Date and is determined by, amongst other things, Australian dollar interest rates and volatility of the underlying index

Capital Guarantee

NAB undertakes that it will provide investors with a guarantee amount on the maturity date. The guarantee amount protects the initial investment of \$1.00 per NAB ASX 200 Investment provided no Trigger Event occurs during the investment term. However, if a Trigger Event does occur, NAB’s guarantee amount will be \$0.85 per dollar invested.

Underlying Index

The Standard & Poor's / Australian Securities Exchange 200 Index (S&P/ASX 200 Index) is recognised as the investable benchmark for the Australian equity market.

The S&P/ASX 200 Index is maintained by the S&P Australian Index Committee, a team of five including three S&P economists and index analysts and two Australian Securities Exchange representatives.

The Index Committee reviews constituents quarterly to ensure adequate market capitalisation and liquidity and follow transparent guidelines for stock selection. Both market capitalisation and liquidity are assessed using the previous six months data.

The following table outlines the performance of the S&P/ASX Index over the various periods ending March 2009:

S&P/ASX 200 Share Price Index				
Periods Ending March 2009				
	1 Yr	3 Yrs	5 Yrs	7 yrs
Performance (% pa)	-33.1	-11.3	1.0	0.7
Standard Deviation (% pa)	21.3	16.6	14.4	13.3
Sharpe Ratio	-1.9	-1.1	-0.4	-0.4

Source: Morningstar, Lonsec

In the 5 year period to March 2009, the Index produced a gross annualised return of 1.0% with a volatility of 14.4%. Over the 1 year period to January 2009, the Index returned -33.1%.

What Happens at Maturity?

At maturity investors have a choice of receiving physical delivery of the Delivery Asset (Units in SPDR S&P/ASX 200 Exchange Traded Fund or shares in one of the 10 largest ASX listed entities by market capitalisation) or instructing NAB to sell the Delivery Asset and realise sale proceeds equal to the final value of NAB ASX 200 Investment (calculated as described previously). This arrangement is known as a deferred purchase agreement.

If investors choose to receive cash payment from the sale of the Delivery Asset, a Brokerage Fee of 0.55% of the maturity value will be incurred.

There may be different taxation implications depending on the choice made by investors. Investors are advised to seek their own taxation advice.

Financing the Investment

Investors may use their own funds to enter into an investment in NAB ASX 200 Investment or may apply to NAB for a loan to fund their investment. Investors have the following financing option:

- **Investment Loan** – NAB may lend up to 100% of the investment amount (full recourse). Minimum investment loan amount is \$20,000.
- **NAB Limited Recourse Loan**– NAB may lend up to 70% of the investment amount on a limited recourse basis. Minimum investment loan amount is \$10,000.

The indicative interest rates outlined below are as at 22 April 2009 and applicable to both Investment Loan and NAB Limited Recourse Loan:

Interest rate options	Indicative interest rate
Variable rate	7.40%
Fixed rate annually in advance	
1 year	6.50%
3 years	7.60%
5 years	8.15%
Fixed rate monthly in advance	
1 year	6.60%
3 years	7.70%
5 years	8.30%

Risks

An investment in NAB ASX 200 Investment carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

- **Performance risk** – The value of an investment in NAB ASX 200 Investment is dependent on the performance of Underlying Index. The index is not actively managed and can be affected by many different factors including but not limited to interest rates, economic policies, political events, war and natural events. There is no guarantee the value of NAB ASX 200 Investment will increase over the investment term.
- **Leverage risk** – Investors utilising the investment or other loans should be aware that gains and losses are magnified through the use of borrowings.

- **Counterparty risk** – Investors are exposed to the creditworthiness of NAB, as NAB ASX 200 Investment returns are dependent on NAB performing its obligations as they fall due. As issuer this product is a sole obligation of NAB and is not supported by any other entity. As at March 2009, NAB's long term credit ratings are AA by S&P, Aa1 by Moody's and AA by Fitch Rating.
- **Loss of Guarantee Amount** – The guarantee amount is only provided at maturity. In certain circumstances, such as changes in the law or where an index can no longer be used, an early maturity could ensue. Loss of the guarantee amount can also result from an early redemption request from investors. Investors can receive proceeds less than their initial investment in the event of an early maturity. Investors need to be aware that \$1.00 received at maturity does not have the same real value as \$1.00 today. Based on interest rate of 5.0% over 5.5 years, \$1.00 at maturity is worth approximately 76 cents today.
- **Exercise of discretion by NAB** – NAB has wide powers under the NAB ASX 200 Investment to determine the value of the investment. This can occur where there is an adjustment event such as the cancellation of an index or where an index sponsor makes a material change to the method of calculation. This also includes substitution of the delivery asset with another security.

Taxation

Any gains made by Investors in relation to NAB ASX 200 Investment and the Delivery Asset should be subject to taxation under the capital gains tax (CGT) rules.

Investors are encouraged to read the Mallesons Stephen Jaques tax opinion on NAB ASX 200 Investment.

These comments constitute 'General Advice' only and Lonsec advises potential investors to consult a taxation specialist before making a decision to invest (or not to invest) based upon these taxation considerations. Investors should refer to Section 9 of the PDS.

Liquidity

NAB ASX 200 Investment is not listed on the Australian stock exchange or any other exchange. Due to the nature of the investment, investors should have the intention of holding an investment in NAB ASX 200 Investment to the maturity date. However early withdrawal requests can be made to NAB.

Investors should be aware that at the time of early withdrawal, NAB will take into account brokerage fees and investors will also have to pay an early withdrawal fee.

For investors utilising the Investment Loan, any withdrawal prior to maturity of the investment loan will require repayment of the Investment Loan. There may be interest break costs in the event this occurs. The benefits of the capital guarantee will be lost in respect to any investment redeemed prior to the Maturity Date.

Fees

Brokerage fee – 0.55% of the sale proceeds. Brokerage fee is payable if investors chooses to receive cash payment from the sale of the Delivery Asset.

Early withdrawal Fee – 1.50% in the first year, 1.0% in the second year of the early withdrawal amount and nil thereafter.

Adviser Commissions: NAB may pay adviser upfront Commission from their own funds of up to 2.20% (incl. GST) on the investment amount.

Further Information

Further information and monthly performance can be obtained by contacting NAB:

Phone: 1800 652 669 (Global Markets Investments)

Email: nabmarkets.investments@nab.com.au

Internet: www.nabcapital.com

Glossary

Absolute Return	Top line' actual return, after fees
Standard Deviation	Volatility of monthly Absolute Returns
Sharpe Ratio	Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

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Date Prepared: May 2009

Analyst: Shailesh Jain

Release Authorised by: Michael Elsworth

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