



NAB Principal Series

ASX 200 Choices

Offer period – Thursday 20 August 2009
Offer Close – Friday 23 October 2009

Arranger and Structuring:
National Australia Bank Limited

Wealth Management

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ASX 200 Choices

Investment objective

An investment in ASX 200 Choices provides investors with exposure to the potential for capital growth of Australia's largest listed entities through the S&P/ASX 200 index while still providing the safety of an element of capital protection at maturity.

An investment in ASX 200 Choices has the following significant benefits:

1. A choice of two different index-linked investment strategies, strategy A and strategy B, each having different capital/coupon risk and return profiles;
2. Capital protection through the NAB guarantee amount applicable to the relevant strategy if held to maturity;
3. In the case of strategy A, the potential for up to 5 annual conditional coupons, each equal to 3% of the issue price, depending on the performance of the index during its term;
4. In the case of strategy B, a participation rate of at least 110%; and
5. Certainty of the level of exposure to the index during the term of the investment provided by a fixed participation rate for each strategy.

Investment Options

	STRATEGY A	STRATEGY B
INVESTMENT TERM	6 years	5 ½ years
DISTRIBUTIONS	Up to five annual conditional coupons of 3% of the issue price. If the level of the index on an anniversary of the issue date is more than the level of the index on the issue date then a conditional coupon will be paid.	No coupon or distribution will be paid on strategy B before its maturity.
GROWTH CAP	Set on the issue date and will be no less than 80%. Amounts received in respect of the conditional coupon are not taken into account for the purposes of determining whether the growth cap has been reached.	There is no cap on the maximum potential capital return on strategy B at its maturity.
NAB GUARANTEE AMOUNT	The maturity amount of strategy A will be at least \$1.00.	The maturity amount of strategy B will be at least: \$1.00 (if no trigger event happens); or \$0.85 (if a trigger event happens).
TRIGGER EVENT	The trigger event does not apply to strategy A.	A trigger event happens for strategy B if, on any date during the term, the level of the index is at or below 65% of its level on its issue date (in other words if there has been a fall in the index of 35% or more since the issue date).
PARTICIPATION RATE	The participation rate for strategy A is 100%.	The participation rate for strategy B will be set by NAB on the issue date and it will be at least 110%.
STARTING INDEX LEVELS	The average of 13 monthly observations of the level of the index, beginning on its issue date and ending on the first anniversary of that date.	The starting index level for strategy B is the level of the index on its issue date.
ENDING INDEX LEVELS	The average of 13 monthly observations beginning on the date that falls one year before its maturity date and ending on its maturity date.	The average of 7 monthly observations beginning on the date that falls 6 months before its maturity date and ending on its maturity date.

Key Features

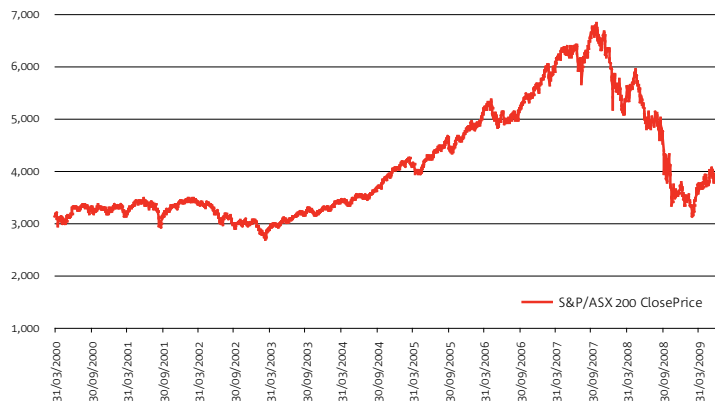
REFERENCE INDEX	S&P/ASX 200 Index
STRUCTURE	Deferred Purchase Agreement
DELIVERY ASSET	For each strategy, units in the ASX listed SPDR S&P/ASX 200 Fund or shares or units in one or more of the 10 largest ASX listed entities by market capitalisation (at the date of the Product Disclosure Statement).
ISSUE PRICE	\$1.00 for each investment in either strategy.
MINIMUM INVESTMENT	\$10,000 for each strategy (with minimum additional investment amounts of \$1,000 per strategy).
EARLY WITHDRAWAL	Solely at NAB's discretion. An early withdrawal fee will apply in the first two years. The NAB guarantee amount does not apply prior to the maturity date.
PRICING	Monthly performance updates will be provided, setting out NAB's calculation of the fair economic value of each strategy at the relevant time.
RESEARCH	Lonsec has assigned a 'Recommended' rating
NAB 100% INVESTMENT LOAN	Opportunity for investors to borrow up to 100% of the initial investment through the NAB Investment Loan (subject to approval).
NAB LIMITED RECOURSE LOAN	Opportunity for investors to borrow up to 70% of the initial investment through the superannuation compliant NAB Limited Recourse Loan (subject to approval).

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The ASX 200 index?

- The Standard & Poor's/Australian Securities Exchange 200 Index is a capitalisation weighted index measuring the performance of 200 of the largest index eligible stocks listed on the ASX by market capitalisation. The index was launched in April 2000.
- The index covers approximately 78% of the ASX market capitalisation (as at 4 August 2009)
- The top 20 constituents of the index as at 4 August 2009, which make up approximately 67% of the index, and their respective weightings as a percentage of the index as a whole were as follows:

S&P/ASX 200 index performance



source: IRESS

The above graph illustrates the performance of the *index*. S&P officially acquired the licence and maintenance of the calculation methodology of the *index* on 31 March 2000. Past performance of the *index* is not necessarily a guide to the future performance of the *index* or *investments* in *ASX 200 Choices*.

Security Name	Weighting
BHP Billiton Limited	13.42
Commonwealth Bank	6.96
Westpac Banking Corp	6.72
National Australia Bank	5.23
ANZ Banking Group Limited	4.74
Telstra Corporation	3.80
Woolworths Limited	3.38
Wesfarmers Limited	2.99
Rio Tinto Limited	2.82
Westfield Group	2.57
Woodside Petroleum	2.14
QBE Insurance Group	2.05
CSL Limited	1.88
Newcrest Mining	1.55
Macquarie Group	1.40
Origin Energy	1.32
Santos Limited	1.25
AMP Limited	1.20
Foster's Group	1.06
Suncorp-Metway Limited	0.95

source: IRESS (as at 4 August 2009)

NAB Guarantee Amount

- National Australia Bank is one of the top Australian banks* and one of Australia's largest listed institutions**.
- The NAB guarantee amount for strategy A is \$1.00, for each \$1.00 invested in strategy A.
- The NAB guarantee amount for strategy B will be:
 - \$1.00 (if no trigger event happens); or
 - \$0.85 (if a trigger event happens).

* Ranked 47 globally, industry ranking by revenue (Fortune 2009) and ranked 19 globally, industry ranking, the biggest public companies (Forbes 2009).

** By market capitalisation (ASX) and total assets (Forbes 2009).

ASX 200 Investment Strategy A

- The growth cap
- Conditional coupon
- Maximum capital return
- Hypothetical index averaging example
- Hypothetical calculation at maturity



The growth cap

- The maximum capital return for strategy A is set by reference to the growth cap.
- The growth cap will be set by NAB on the issue date and will be not less than 80%.
- If the growth cap were set at 80%, the maximum maturity amount of strategy A would be \$1.80 for each \$1.00 invested in strategy A.

Strategy A – Conditional coupon

- Strategy A might pay an annual conditional coupon of 3% of the issue price at the end of each of the first five years of its term, depending upon the performance of the index in each year.
- The conditional coupon will only be paid in respect of any of those five years if, on the anniversary of the issue date in that year, the level of the index is above the level of the index on the issue date.
- As the growth cap is solely a cap on the maximum possible maturity amount of strategy A, any conditional coupon paid during its term will not be taken into account for the purpose of determining whether the growth cap has been reached.

Hypothetical example of the conditional coupon

- In this example the closing level of the index on the issue date is 4,000. If the closing level of the index on an anniversary of the issue date is less than or equal to 4,000, then the conditional coupon will not be paid.

	Date	Closing level of the index	Coupon payment?
<i>Issue date</i>	5 November 2009	4,000	
Year 1	5 November 2010	4,400	Yes
Year 2	5 November 2011	3,960	No
Year 3	5 November 2012	4,840	Yes
Year 4	5 November 2013	4,760	Yes
Year 5	5 November 2014	5,200	Yes
<i>Maturity date</i>	5 November 2015	5,400	

The hypothetical example above is used to explain how the conditional coupon is calculated. It is not intended to be indicative of the past or future performance of the index, the conditional coupon or strategy A.

Strategy A – Hypothetical index averaging example

This hypothetical example assumes an issue date of 5 November 2009 a maturity date of 5 November 2015 and 26 hypothetical observations of the index in the first and last years of its term as set out in the table below.

Based on these 26 hypothetical index observations, the starting index level for strategy A would be 4,099.9231 and the ending index level for strategy A would be 5,436.2308.

The following hypothetical example is used to explain how the starting reference index level and the ending reference index level will be calculated. It is not intended to be indicative of the past or future performance of the index or strategy A.

Date	Index Level	Date	Index Level
5 November 2009	4,000	5 November 2014	5,300
5 December 2009	3,961	5 December 2014	5,430
5 January 2010	4,002	5 January 2015	5,546
5 February 2010	4,039	5 February 2015	5,450
5 March 2010	4,015	5 March 2015	5,213
5 April 2010	3,961	5 April 2015	5,331
5 May 2010	4,234	5 May 2015	5,106
5 June 2010	4,156	5 June 2015	5,523
5 July 2010	4,273	5 July 2015	5,443
5 August 2010	4,251	5 August 2015	5,247
5 September 2010	4,195	5 September 2015	5,546
5 October 2010	4,095	5 October 2015	5,701
5 November 2010	4,117	5 November 2015	5,835
Starting index level 4,099.9231		Ending index level 5,436.2308	

Hypothetical calculations at maturity:

Example: (index rises by more than the growth cap for Strategy A)

Strategy A

In this example, the index level on the issue date is 4,000 and the index closes after six years at 7,700 on the maturity date. If:

- an investor invests \$10,000;
- the starting index level is 4,110 (12 months average);
- the ending index level is 7,785 (12 months average);
- the participation rate is 100%; and
- the growth cap is 80%,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

maturity amount per \$1 invested in strategy A $\$1 + (\$1 \times ((\text{ending index level} - \text{starting index level}) / \text{starting index level}) \times \text{participation rate})$
 $= \$1 + (\$1 \times ((7,785 - 4,110) / 4,110) \times 100\%)$
 $= \$1.8942$
 which is greater than the maximum capital return of \$1.80 (because of the growth cap).
 Therefore the maturity amount per \$1 is \$1.80

total maturity amount of the investments \$18,000 (ie, \$1.8000 x 10,000)

ASX 200 Investment Strategy B

- Maximum capital return and participation rate
- Hypothetical index averaging examples
- Trigger event
- Hypothetical examples of the trigger event
- Hypothetical calculations at maturity



What is the maximum capital return for Strategy B?

- Unlike strategy A, there is no cap on the maximum potential capital return on strategy B at maturity.
- The participation rate for strategy B is the rate at which your investment will participate in any increase in the ending index level over the starting index level.
- The participation rate for strategy B will be no less than 110% and set by us on the issue date.
- The participation rate will be fixed for the investment term once we have set it on the issue date.

Strategy B – Hypothetical index averaging example

This hypothetical example assumes an issue date of 5 November 2009, a maturity date of 5 May 2015 and 8 hypothetical observations of the index in the first and last years of the term of strategy B as set out in the table adjacent.

Based on these hypothetical index observations, the starting index level for strategy B would be 4,000.00 and the ending index level for strategy B would be 5,339.4286.

Date	Index Level	Date	Index Level
5 November 2009	4,000	5 November 2014	5,300
		5 December 2014	5,430
		5 January 2015	5,546
		5 February 2015	5,450
		5 March 2015	5,213
		5 April 2015	5,331
		5 May 2015	5,106
<i>Starting index level</i>	<i>4,000.00</i>	<i>Ending index level</i>	<i>5,339.4286</i>

The following hypothetical example is used to explain how the starting reference index level and the ending reference index level will be calculated. It is not intended to be indicative of the past or future performance of the index or strategy B.

What is a trigger event?

- A trigger event happens if, on any date during the term of strategy B, the level of the index on that date is at or below 65% of the level of the index on the issue date (ie, there has been a fall in the index of 35% or more).
- If a trigger event happens, the maturity amount for strategy B will be reduced by \$0.15 for each \$1.00 invested (as described below).
- Your participation rate will be fixed for the term of strategy B even if a trigger event happens.

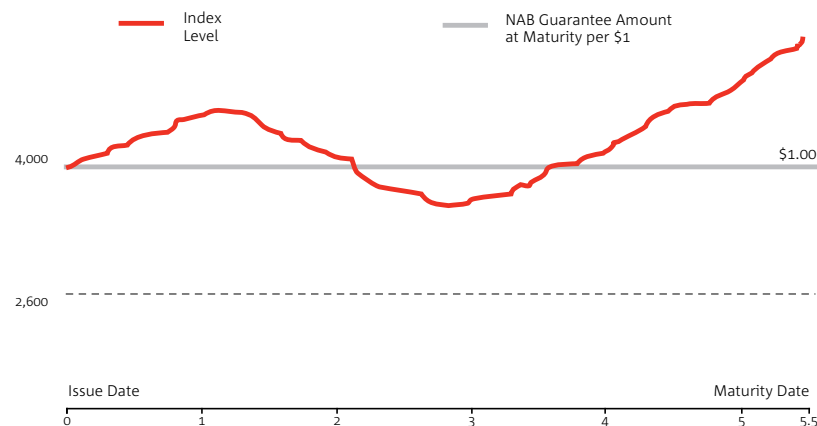
What is the NAB guarantee amount for strategy B?

- Irrespective of how the index performs over the term, NAB undertakes that the minimum maturity amount of strategy B will be:
 - \$1.00, if no trigger event happens; or
 - \$0.85, if a trigger event happens.

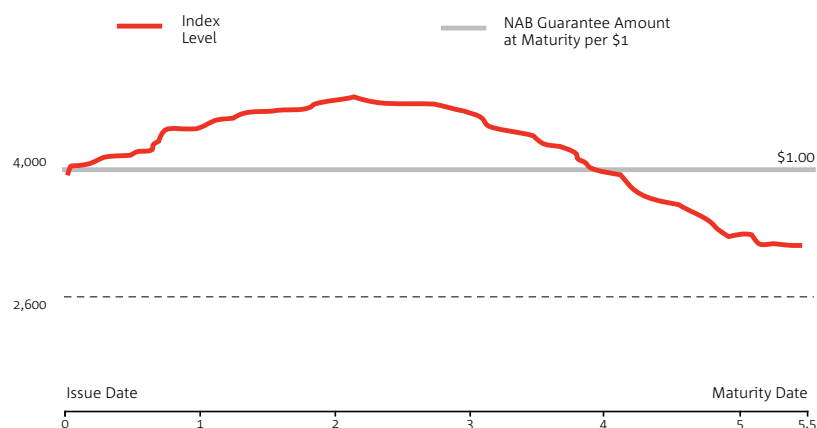
Hypothetical examples of the trigger event

The following hypothetical examples are used to explain how the *trigger event* will affect the return on *strategy B*. They are not intended to be indicative of the past or future performance of the *index* or *strategy B*.

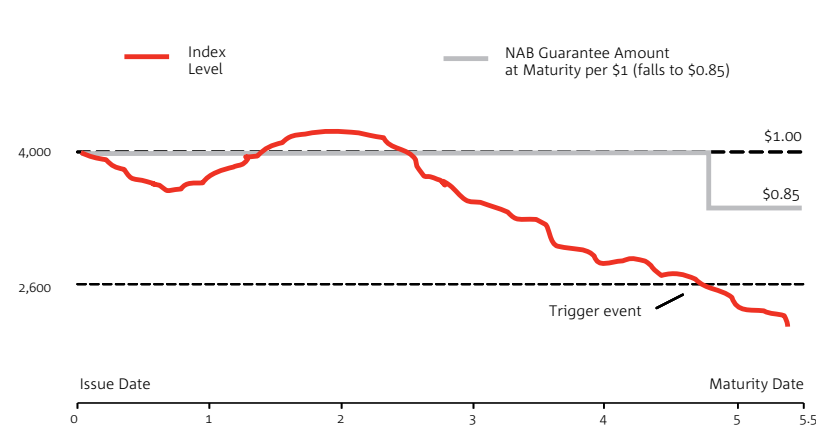
Example 1: Index increases over the term of strategy B, no trigger event



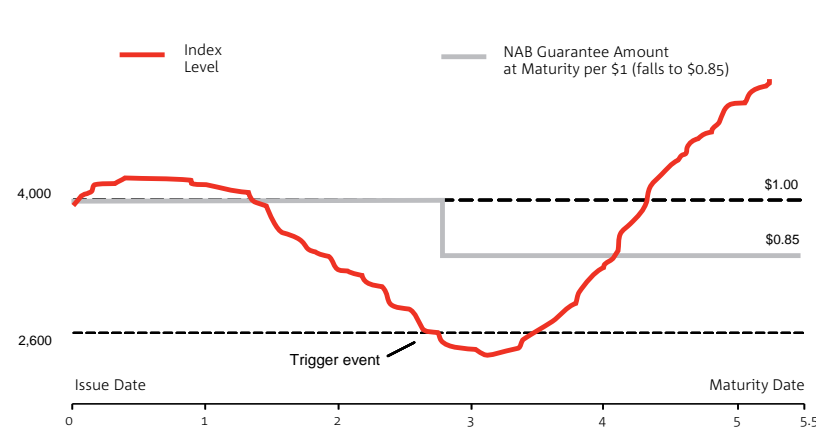
Example 2: Index decreases over the term of strategy B, no trigger event



Example 3: Index decreases over the term of strategy B, a trigger event happens



Example 4: Index increases over the term of strategy B, a trigger event happens



Hypothetical calculations at maturity:

Example: (index rises by more than the growth cap for strategy A)

Strategy B

In this example, the index level on the issue date is 4,000 (ie, the starting index level is 4,000) and the index closes after 5½ years at 7,600 on the maturity date. If:

- an investor invests \$10,000;
- the ending index level is 7,589 (six months average);
- the participation rate is 110%; and
- no trigger event happens,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

$$\begin{aligned}
 \text{maturity amount per \$1 invested in strategy B} &= \$1 + (\$1 \times ((\text{ending index level} - \text{starting index level}) / \text{starting index level}) \times \text{participation rate}) \\
 &= \$1 + (\$1 \times ((7,589 - 4,000) / 4,000) \times 110\%) \\
 &= \$1.9870
 \end{aligned}$$

$$\begin{aligned}
 \text{total maturity amount of the investments} &= \$19,870 \text{ (ie, } \$1.9870 \times 10,000)
 \end{aligned}$$

Hypothetical calculations at maturity:

Example: (index falls, trigger event happens for strategy B)

Strategy B

In this example, the index level on the issue date is 4,000 (ie, the starting index level is 4,000) and the index closes after 5½ years at 3,800 on the maturity date. A trigger event happens during the term (ie, the index fell to or below 65% of the starting index level at some point during the term of strategy B). If,

- an investor invests \$10,000;
- the ending average index level is 3,850 (six months average);
- the participation rate is 110%*; and
- a trigger event happens,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

maturity amount per \$1 invested in strategy B The ending index level is less than the starting index level (ie, $3,850 < 4,000$). Therefore, the maturity amount will be the NAB guarantee amount, ie, \$0.85 (since a trigger event has happened).

total maturity amount of the investments \$8,500 (ie, $\$0.85 \times 10,000$)

* The participation rate is only used to determine the rate at which you will participate in any percentage increase in the ending index level over the starting index level. Therefore, it is not used to calculate the maturity amount where the ending index level is less than the starting index level.

Fees

Application fees	Nil
Adviser distribution fee	<p>We may pay an upfront fee to advisers up to 2.2% of the aggregate amount invested in ASX 200 Choices. The adviser distribution fee may be rebated. Any rebated adviser distribution fee will take the form of additional investments in ASX 200 Choices.</p> <p>This fee will be funded from our revenue from the investment and is not payable separately by the investor. It will not reduce or increase the return on the investment.</p>
Ongoing fee	Nil
Early withdrawal fee	<p>1.5% of early withdrawal amount for withdrawals in the first year, 1.0% of early withdrawal amount for withdrawals in the second year after the issue date.</p> <p>Also, the proceeds of an early withdrawal, or an early termination, will reflect the costs of us unwinding or terminating our arrangements in connection with the investment (these can include break costs, administrative costs and funding costs).</p>
Brokerage fee	<p>0.55% of the sale proceeds of the delivery parcel if:</p> <ul style="list-style-type: none"> • the investor elects to receive a cash payment at maturity; or • the investor withdraws their investment before its maturity date (in addition to the applicable early withdrawal fee - see above).

Key Dates and how to apply

PDS Issue Date	14 August 2009
Offer Open Date	20 August 2009
Offer Close Date	23 October 2009
Issue Date	5 November 2009
Maturity Date	strategy A – 5 November 2015 strategy B – 5 May 2015

For more information please call NAB on 1800 652 669 or visit wholesale.nabgroup.com to download a PDS application form.

What are the key risks of the investment

It is important that investors read section 8 of the PDS dated 14 August 2009.

Three of the key risks of investing in ASX 200 Choices are as follows:

- 1.** Any capital growth on the investment, and the payment of any conditional coupon on strategy A, will depend on the performance of the index during the term. If the index does not perform investors might not receive any capital growth. Also, in the case of Strategy A investors might receive no conditional coupon and, in the case of Strategy B, the NAB guarantee amount might be less than the amount invested. The return on an investment at maturity might still be less than the NAB guarantee amount because of:
 - the difference between any price received in selling the shares or units delivered and the price at which they were valued at maturity; and
 - brokerage fees if the investor elects to receive a cash payment at maturity.
- 2.** NAB's undertaking that the value of the investment will at least equal the NAB guarantee amount applies only if the investor holds the investment until maturity. If the investor withdraws their investment before maturity, or it is terminated before maturity, they might receive less than the NAB guarantee amount.
- 3.** The investment relies on NAB's general credit worthiness and ability to meet its contractual obligations. There are also other risks including risks relating to NAB exercising its discretions, inflation risk and the risk that NAB terminates the investment before maturity (which it may do in the limited circumstances set out in the investment conditions).

NAB Investment Loan

- Potential for investors to borrow up to 100% of capital invested through the NAB Investment Loan
- You can invest in ASX 200 Choices with 0% upfront capital through a NAB Investment Loan. The Investment Loan offers the following benefits:
 - a range of interest rate options to meet your needs
 - potential tax efficiency as the loan interest may be tax deductible, however investors should obtain their own independent tax advice on this issue
 - no application or ongoing service fees for individual and joint applications
 - minimum investment loan amount is \$20,000
 - Adviser trail fee of 0.50% p.a
 - NAB 100% Investment Loan Facility Terms are available from NAB on request. NAB recommends investors consider it before making a decision to apply
 - Application subject to approval

NAB Limited Recourse Loan

- You can invest in ASX 200 Choices with 30% upfront capital through a NAB Limited Recourse Loan.
- The Limited Recourse Loan offers the following benefits:
 - Consistent with permitted borrowing requirements under superannuation legislation
 - Limited recourse
 - No margin calls
 - Potential tax efficiency as the loan interest may be tax deductible, however investors should obtain their own independent tax advice on this issue
 - Minimum Investment Loan amount is \$20,000
 - Adviser Trail Fee of 0.50%
 - A NAB Limited Recourse Loan Investment Loan booklet is available from NAB on request. NAB recommends investors consider it before making a decision to apply
 - Applications subject to approval

NAB Investment Loan and NAB Limited Recourse Loan Rates

Indicative Interest Rates as at 20 August 2009

Interest rate options	Indicative Interest Rate*
Variable rate	7.35%
Fixed rate annually in advance	
1 year	7.50%
3 years	8.60%
5 years	9.15%
Fixed rate monthly in arrears	
1 year	7.60%
3 years	8.75%
5 years	9.35%

*Note: The above Interest rates apply to both the NAB Investment Loan and the NAB Limited Recourse Loan and are indicative only. The actual interest rates may change by the time the loans are made.

Global Markets Investments

– Wealth Management

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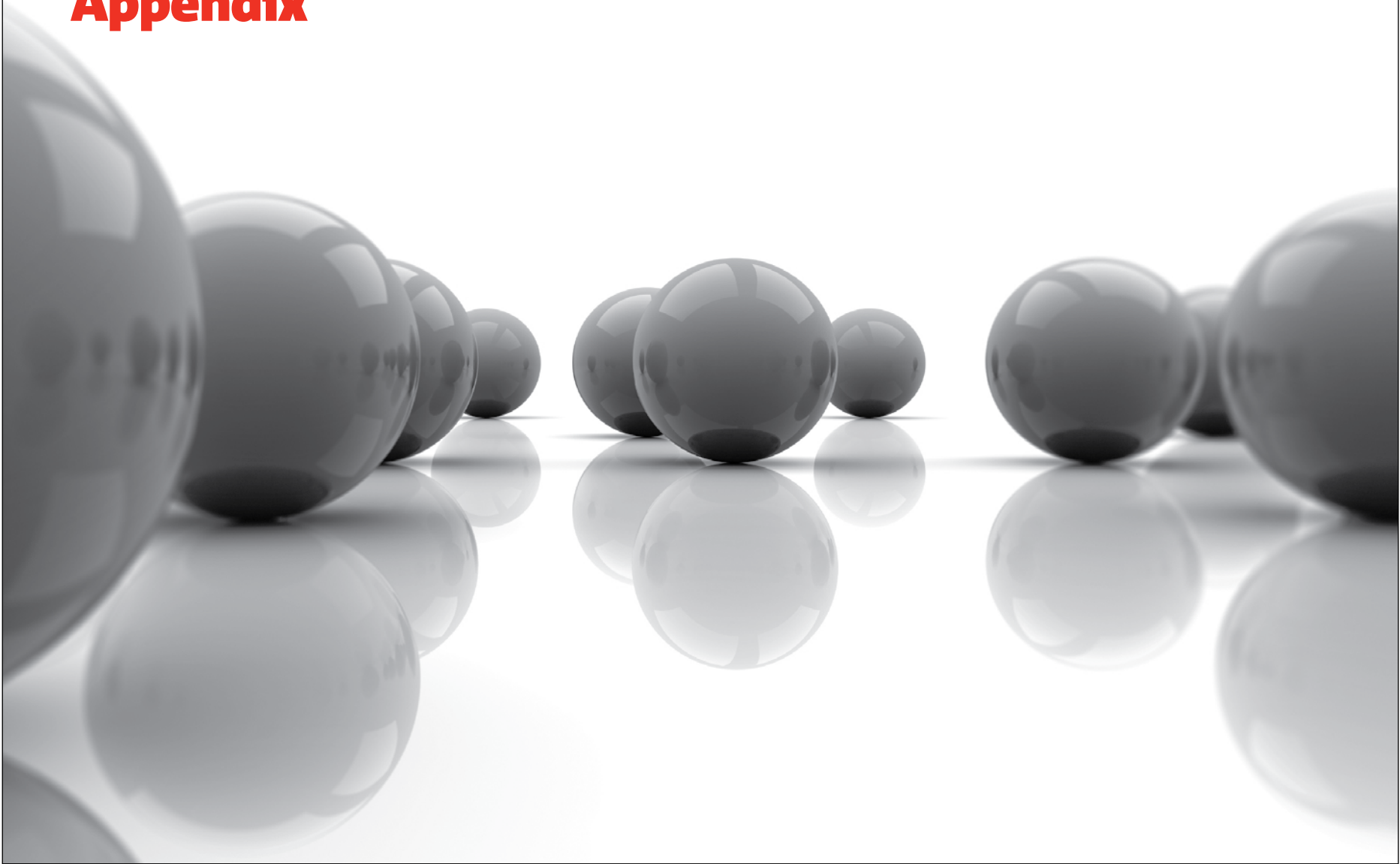
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Appendix



Hypothetical calculations at maturity:

Example: (index rises by less than the growth cap for Strategy A)

Strategy A

In this example, the index level on the issue date is 4,000 and the index closes after six years at 5,700 on the maturity date. If:

- an investor invests \$10,000;
- the starting index level is 4,110 (12 months average);
- the ending index level is 5,678 (12 months average);
- the participation rate is 100%; and
- the growth cap is 80%,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

maturity amount per \$1 invested in strategy A $\$1 + (\$1 \times ((\text{ending index level} - \text{starting index level}) / \text{starting index level}) \times \text{participation rate})$
 $= \$1 + (\$1 \times ((5,678 - 4,110) / 4,110) \times 100\%)$
 $= \$1.3815$
 The 80% growth cap does not apply because \$1.3815 is less than the maximum capital return of \$1.80
 (ie, \$1 plus \$1 x the growth cap) for strategy A.

total maturity amount of the investments \$13,815 (ie, \$1.3815 x 10,000)

Hypothetical calculations at maturity:

Example: (index falls, trigger event happens for strategy B)

Strategy A

In this example, the index level on the issue date is 4,000 and the index closes after six years at 3,800 on the maturity date. If:

- an investor invests \$10,000;
- the starting index level is 4,110 (12 months average);
- the ending index level is 3,963 (12 months average);
- the participation rate is 100%; and
- the growth cap is 80%,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

maturity amount per \$1
invested in strategy A

The ending index level is lower than the starting index level (ie, $3,963 < 4,110$). Therefore, the maturity amount will be the NAB guarantee amount for strategy A, \$1.00.

total maturity amount
of the investments

\$10,000 (ie, $\$1.00 \times 10,000$)

Hypothetical calculations at maturity:

Example: (index rises by less than the growth cap for strategy A)

Strategy B

In this example, the index level on the issue date is 4,000 (ie, the starting index level is 4,000) and the index closes after 5½ years at 5,600 on the maturity date. If:

- an investor invests \$10,000;
- the ending index level is 5,682 (six months average);
- the participation rate is 110%; and
- no trigger event happens,

the maturity amount of the investment would be calculated as follows:

This hypothetical example is used to explain how the return on the investment is calculated. It is not intended to be indicative of the past or future performance of the index or the investment.

maturity amount per \$1 invested strategy B	$ \begin{aligned} & \$1 + (\$1 \times ((\text{ending index level} - \text{starting index level}) / \text{starting index level}) \times \text{participation rate}) \\ & = \$1 + (\$1 \times ((5,682 - 4,000) / 4,000) \times 110\%) \\ & = \$1.4626 \end{aligned} $
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total maturity amount of the investments	$ \$14,626 \text{ (ie, } \$1.4626 \times 10,000) $
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