

NAB Principal Series

ASX 200 Index Investment

Wealth Management

Offer Period

Offer Open – 11 May 2009

Offer Close – 25 June 2009

Arranger & Structuring:

National Australia Bank Limited

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NAB ASX 200 Investments

Investment objective

NAB ASX 200 Investments provide exposure to the capital growth of Australia's largest listed entities while still providing the safety of the NAB guarantee amount at maturity.

NAB ASX 200 Investments have the following benefits:

1. Capital security through the NAB guarantee amount if held to maturity.
2. Participation in NAB ASX 200 Investments of between 105% and 120% set on the issue date. Participation rate will be fixed throughout the 5.5 year term.
3. Capital growth potential through a diversified exposure to Australia's largest companies by market capitalisation.
4. Opportunity for investors to borrow up to 100% of the initial investment through NAB Investment Loan (subject to approval).
5. Opportunity for investors to borrow up to 70% of the initial investment through the Superannuation compliant NAB Limited Recourse Loan (subject to approval).

Key Features

| | |
|-----------------------------|--|
| REFERENCE INDEX | S&P/ASX200 Index |
| STRUCTURE | Deferred Purchase Agreement |
| DELIVERY ASSET | Units in SPDR S&P/ASX 200 Fund or shares or units in one of the 10 largest ASX listed entities by market capitalisation (at the date of the Product Disclosure Statement). |
| PARTICIPATION RATE | Fixed participation rate of between 105% and 120% (to be set on the issue date). |
| TERM | 5.5 years |
| ISSUE PRICE | \$1.00 per Investment |
| MINIMUM INVESTMENT | \$10,000 |
| INVESTMENT PRICING | Monthly |
| EARLY WITHDRAWAL | Available monthly (solely at NAB's discretion), an early withdrawal fee will apply. |
| STRIKE AVERAGING | The average of 13 monthly observations over the first year starting on the Issue Date. This smooths the entry point for investors. |
| MATURITY AVERAGING | The average of 13 monthly observations over the last year starting 12 months before the Maturity Date. The averaging process mitigates single day price risk to investors. |
| RESEARCH | Lonsec recommended |
| NAB GUARANTEE AMOUNT | Either \$1.00 or \$0.85 per Investment available at maturity depending on whether a <i>trigger event</i> occurs (See the Product Disclosure Statement for more detail). |

What is a trigger event?

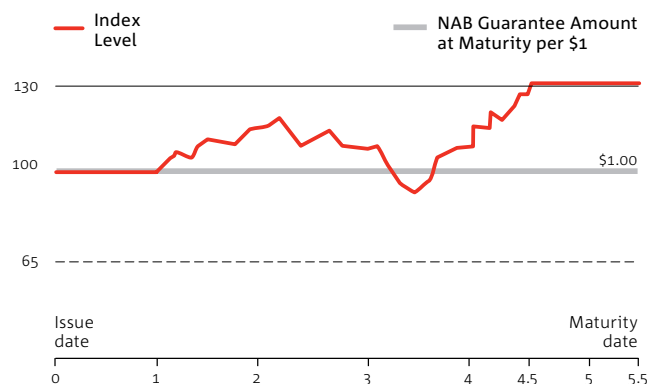
- A trigger event occurs if, at the ASX closing time on any date before the maturity date, the level of the index is at or below 65% of its level on the issue date (ie there has been a fall of 35% or more);
- Your participation rate will be fixed at between 105% and 120% (to be set on the issue date) for the term of your investment even if a trigger event occurs, although if a trigger event occurs, your maturity amount will be reduced by \$0.15 for each \$1 you invest;
- Irrespective of how the index performs over the term, the maturity amount of each NAB ASX 200 Investment will not be less than:
 - \$1.00, if no trigger event occurs during the term; or
 - \$0.85 if a trigger event occurs during the term.

Why is a trigger event used?

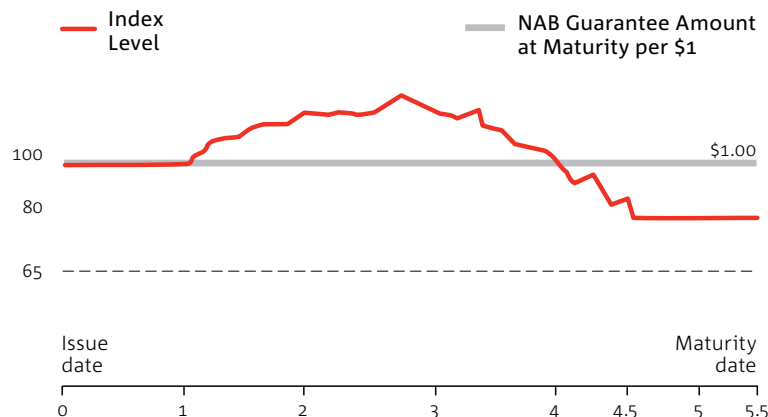
- To provide fixed minimum capital returns together with fixed participation in NAB ASX 200 Investments, while still using a very simple and transparent structure.
- The trigger event takes advantage of the current high market volatility.

Examples of the return of the investment at maturity

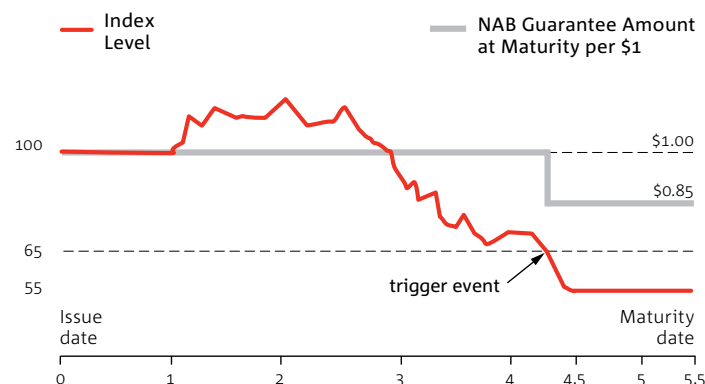
Example 1: Index increases over the term, no trigger event



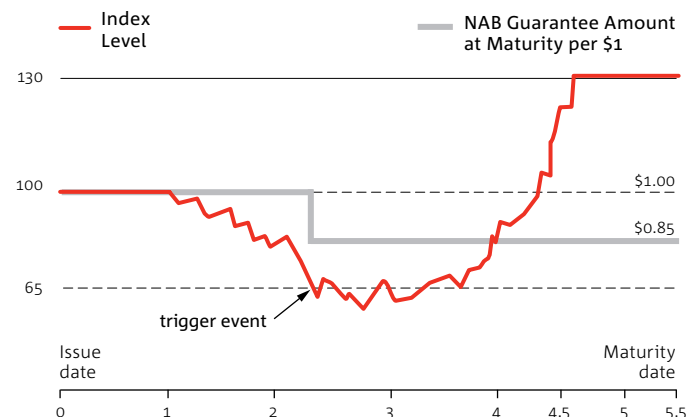
Example 2: Index decreases over the term, no trigger event



Example 3: Index decreases over the term, a trigger event occurs



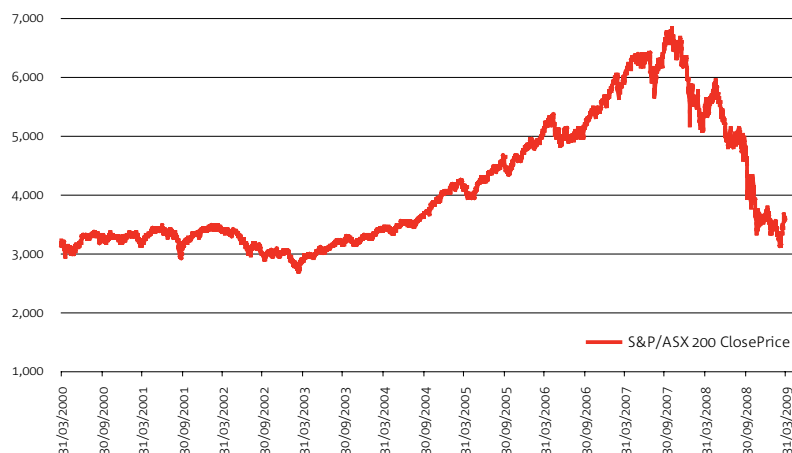
Example 4: Index increases over the term, a trigger event occurs



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 covers approximately 78% of the ASX market capitalisation.
- The top twenty constituents of the index as at 30 April 2009, which make up approximately 67% of the index.

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 NAB ASX 200 Investments. The return on NAB ASX 200 Investments may be substantially different from the performance of the index over the term because of index averaging over the first and last year of the term, the impact of the participation rate, the application of the NAB guarantee amount, the occurrence of a trigger event and because the return on NAB ASX 200 Investments does not take into account any dividends or distributions paid on the shares and units that make up the index.

| Security name | Weighting |
|---------------------------|-----------|
| BHP Billiton Limited | 13.34 |
| Westpac Banking Corp | 6.67 |
| Commonwealth Bank | 6.23 |
| National Australia Bank | 4.72 |
| Telstra Corporation | 4.15 |
| ANZ Banking Group Limited | 4.10 |
| Woolworths Limited | 3.91 |
| Wesfarmers Limited | 3.13 |
| Westfield Group | 2.68 |
| QBE Insurance Group | 2.61 |
| CSL Limited | 2.48 |
| RIO Tinto Limited | 2.20 |
| Woodside Petroleum | 2.14 |
| Newcrest Mining | 1.72 |
| Origin Energy | 1.70 |
| AMP Limited | 1.22 |
| Foster's Group | 1.21 |
| Santos Limited | 1.16 |
| Macquarie Group Limited | 1.12 |
| Brambles Limited | 0.98 |

source: IRESS

Hypothetical index averaging example

- This example assumes an issue date of 10 July 2009 a maturity date of 10 January 2015 and 26 hypothetical observations of the index in the first and last years of the term as set out in the table below.
- Based on these 26 hypothetical index observations, the starting average index level would be 102.9 and the ending average index level would be 136.9.

| Date | Index level | Date | Index level |
|-------------------------------------|-------------|-----------------------------------|-------------|
| 10 July 2009 | 100 | 10 January 2014 | 130 |
| 10 August 2009 | 99 | 10 February 2014 | 132 |
| 10 September 2009 | 100 | 10 March 2014 | 134 |
| 10 October 2009 | 101 | 10 April 2014 | 125 |
| 10 November 2009 | 100 | 10 May 2014 | 128 |
| 10 December 2009 | 99 | 10 June 2014 | 132 |
| 10 January 2010 | 106 | 10 July 2014 | 134 |
| 10 February 2010 | 104 | 10 August 2014 | 141 |
| 10 March 2010 | 107 | 10 September 2014 | 143 |
| 10 April 2010 | 109 | 10 October 2014 | 143 |
| 10 May 2010 | 105 | 10 November 2014 | 143 |
| 10 June 2010 | 105 | 10 December 2014 | 147 |
| 10 July 2010 | 103 | 10 January 2015 | 150 |
| <i>Starting average index level</i> | 102.9231 | <i>Ending average index level</i> | 137.0769 |

Maturity Amount example: A trigger event occurs

If:

- you invest \$10,000;
- the starting average index level is 102.9231;
- the ending average index level is 137.0769;
- the participation rate is 105%; and
- a trigger event occurs during the term, i.e. the index falls to or below 65% of the actual index level at the ASX closing time on the issue date,

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

| | |
|---|---|
| maturity amount per NAB ASX 200 Investment | $\begin{aligned} & \$1 + (\$1 \times ((137.0769 - 102.9231) / 102.9231) \times 1.05) - \$0.15 \\ & = \$1.1984 \text{ per NAB ASX 200 Investment} \end{aligned}$ |
| maturity amount of your total investment | $\$11,984 (\$1.1984 \times 10,000)$ |

Maturity amount example: No trigger event occurs

If:

- you invest \$10,000;
- the starting average index level is 102.9231;
- the ending average index level is 137.0769;
- the participation rate is 105%; and
- no trigger event occurs during the term,

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

| | |
|---|--|
| maturity amount per NAB ASX 200 Investment | $\begin{aligned} & \$1 + (\$1 \times ((137.0769 - 102.9231) / 102.9231) \times 1.05) \\ & = \$1.3484 \text{ per NAB ASX 200 Investment} \end{aligned}$ |
|---|--|

| | |
|---|-------------------------------------|
| maturity amount of your total investment | $\$13,484 (\$1.3484 \times 10,000)$ |
|---|-------------------------------------|

About the NAB Guarantee Amount

- As at 30th April 2009, NAB's long term credit ratings are AA by S&P, Aa1 by Moody's and AA by Fitch Rating.
- NAB is one of only 13 global banks with a AA credit rating
- Irrespective of how the index performs over the term, the maturity amount of each NAB ASX 200 Investment will be not less than:
 - \$1.00, if no trigger event occurs during the term; or
 - \$0.85 if a trigger event occurs during the term.
- NAB ASX 200 Investments are solely obligations of NAB and are not supported by any other entity.

What are the key risks of the investment

It is important that you read section 7 of the PDS dated 8 May 2009.

Two of the key risks of investing in NAB ASX 200 Investment are as follows:

1. Any capital growth on your investment will depend on the performance of the index. If the index falls to or below 65% of its level at the issue date, the NAB guarantee amount at maturity will be \$0.85 per \$1 invested or your investment return will be reduced by \$0.15 per \$1 invested. The return on your investment at maturity could still be less than the NAB guarantee amount because of:
 - the difference between any price you receive in selling the shares or units delivered to you and the price at which they were valued at maturity; and
 - brokerage fees if you elect to receive a cash payment at maturity.

2. NAB's undertaking that the value of your investment will at least equal the NAB guarantee amount applies only if you hold your investment until maturity. If you withdraw your investment before maturity, or it is terminated before maturity, you might receive less than the NAB guarantee amount.

Your 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 your investment before maturity (which it may do in the limited circumstances set out in the investment conditions).

Fees

Application and ongoing fees

There are no application fees or ongoing fees

Adviser distribution fee

NAB may pay a financial adviser up to 2.20% (incl GST) of the amount invested. This fee will be funded from NAB's revenue from your investment and is not payable separately by you. It will not reduce the return on your investment. Any upfront distribution fees are rebatable to investors as additional Investments. For example, if an Adviser elects to rebate in full, client would receive \$1.02 units for every dollar invested.

Early withdrawal fee

1.5% of early withdrawal amount for withdrawals in the first year, 1.0% of early withdrawal amount for withdrawals in the second year

Early withdrawal is at NAB's discretion. The NAB guarantee amount does not apply prior to the maturity date

Brokerage fee

0.55% (incl GST) of the sale proceeds of the delivery asset if the investor elects to receive a cash payment at maturity or you withdraw your investment before the maturity date.

NAB Investment Loan

- Potential for investors to borrow up to 100% of capital invested through the NAB Investment Loan
- You can invest in the NAB ASX 200 Investment 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 the NAB ASX 200 Investment 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 Limited Recourse Loan Rates

Indicative Interest Rates as at 11 May 2009

| Interest rate options | Indicative Interest Rate* |
|--------------------------------|---------------------------|
| Variable rate | 7.40% |
| Fixed rate annually in advance | |
| 1 year | 6.70% |
| 3 years | 7.70% |
| 5 years | 8.30% |
| Fixed rate monthly in arrears | |
| 1 year | 6.75% |
| 3 years | 7.80% |
| 5 years | 8.45% |

Note: The above Interest rates apply to both the 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.

Key Dates and how to apply

| | |
|-------------------------|-----------------|
| Offer Open Date | 11 May 2009 |
| Offer Close Date | 25 June 2009 |
| Issue Date | 10 July 2009 |
| Maturity Date | 10 January 2015 |

For more information please call NAB on 1800 652 669
or visit nabcapital.com/ASX200

Global Markets Investments

- Wealth Management

| | | | |
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Important Notices continued...

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