

Currency Linked Structured Deposit

Terms and Conditions

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 **National Australia Bank**

This document sets out the terms and conditions on which National Australia Bank Limited, Singapore branch (“NAB”) is prepared to accept Currency Linked Structured Deposits and is current as at 1st July 2007. This document supplements and form part of the Currency Linked Structured Deposit Agreement between NAB and you. Currency Linked Structured Deposits are protected capital deposits offered by NAB. Further information can be obtained by speaking to your Relationship Manager. All calls to NAB are recorded.

Updated information

The information in this Product Information Document is subject to change.

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Currency Linked Structured Deposit Overview

What are Structured Deposits?

Structured deposits are term deposits which give you the opportunity to receive an interest rate higher than you would receive from a standard NAB term deposit. This is achieved by allowing you to risk part of your interest income in return for the opportunity of earning an above market rate of interest.

What are Currency Linked Structured Deposits?

Currency linked structured deposits are structured deposits which link your interest rate to movements in the **Spot Exchange Rate** between two currencies.

A currency linked structured deposit (“CLSD”) is a type of deposit that provides you with a known Minimum Interest Rate and which is capital protected (which means that at maturity, you will not suffer any loss of the amount you placed on deposit).

What CLSDs are offered by NAB?

- Currency Range Deposit
- Currency Bull Deposit
- Currency Bear Deposit

(each a “Deposit” or together the “Deposits”).

The Deposits are further described below.

What Currencies can be used?

- Deposits can be made in Australian Dollars (AUD), United States Dollars (USD), New Zealand Dollars, Sterling, Euros and other traded currencies acceptable to NAB (“Accepted Currencies”). The complete list of Accepted Currencies is available from your Relationship Manager.
- A Deposit made in any of the Accepted Currencies can be linked to foreign exchange rate movements between the Deposit Currency and one other Accepted Currency.

What is the minimum transaction amount?

The amount of each Deposit must not be less than the Deposit Currency equivalent of USD 50,000 as determined by NAB in good faith.

What terms are available?

Terms can vary from 1 week to 1 year.

When is interest paid?

Interest is paid on the Maturity Date.

Who is eligible to transact?

- You must satisfy your Relationship Manager that you have the power and authority to invest in the product and/or enter into the specific transaction contemplated;
- You must provide a list of names of the people authorized to deal on your (company, partnership, trust, non-profit organization) behalf; and
- You need to meet NAB's identification requirements if you are a new client to NAB.

What is the procedure for transacting?

We have full discretion at any time as to whether we wish to quote terms for a Deposit, and, if so, what terms are quoted. You may contact your Relationship Manager at any time by telephone or in writing to request a quote, and we may provide a quote over the telephone or in writing.

If you accept the terms quoted for a Deposit, whether orally or in writing, such acceptance shall constitute a binding transaction as of the date of such acceptance (which date shall be the Trade Date of the transaction), and you shall be bound to place, and we shall be bound to accept, the Deposit on the agreed Commencement Date for the Deposit and otherwise on the terms agreed. The Deposit shall be repaid by us on the agreed Maturity Date, subject to the terms agreed. Such transaction will not be subject to delivery or receipt of any written confirmation and if you fail to place a Deposit following agreement on the terms, you will be liable for our costs and losses, including the cost of unwinding any hedging positions taken by us to cover our obligations under the Deposit.

We are authorised to debit the necessary funds to be placed as a Deposit from any account maintained by you with us, should you fail to place or transfer the necessary funds with us by the agreed Commencement Date.

We will deliver to you, promptly after each Deposit is agreed, a written confirmation of the terms of such Deposit. Such confirmation may be delivered at our discretion by electronic mail,

fax, post or any other form of written communication. The terms specified in a confirmation shall be conclusive and binding in the absence of manifest error unless you give written notice to us of any error within 48 hours of receipt.

What charges are payable?

There are no charges associated with the transaction. However, when you withdraw funds from the account upon maturity or termination of the CLSD, our usual charges for issuing a cheque or demand draft or effecting a telegraphic transfer (as the case may be) shall apply. These charges are set out in our Guide to Fees and Charges.

Can the Deposit be withdrawn before the Maturity Date?

The Deposit Amount is only repaid in full if you hold the CLSD to the Maturity Date. You are not permitted to withdraw the CLSD (or any part of it) prior to maturity. However, we may, in our absolute discretion, permit you to terminate the CLSD before the Maturity Date, subject to costs related to the termination of the CLSD being deducted from the Deposit Amount. As the returns on a CLSD are determined by reference to a currency option as well as the cost of us obtaining funds from the market for the balance of the Deposit Period, these costs may be considerable. Further details are available upon request.

Product Descriptions

Currency Range Deposit (“Range Deposit”)

How do you transact?

On or before the Commencement Date you and NAB agree the following:

- Deposit Currency and Deposit Amount
- Exchange Currency
- Ceiling Currency Rate (Ceiling) and/or Floor Currency Rate (Floor) as applicable
- Maximum Interest Rate and Minimum Interest Rate
- Maturity Date.

The agreed amounts, currencies, exchange rates, interest rates and dates will be set out in the Confirmation you will receive confirming your Deposit.

Description

On the Maturity Date, NAB will determine whether or not the **Spot Exchange Rate** of the Deposit Currency/Exchange Currency at any time during the Deposit Period was equal to or above the Ceiling or equal to or below the Floor (“Trigger Event”). On the Maturity Date, NAB will pay to you an interest amount based on an interest rate of either, the Maximum Interest Rate if a Trigger Event **has not occurred**, or the Minimum Interest Rate if a Trigger Event **has occurred**.

NAB will notify you of the occurrence of a Trigger Event.

Uses of a Range Deposit

Range Deposits may suit a depositor who is seeking the opportunity of interest rate enhancement and is of the view that the Spot Exchange Rate between two Accepted Currencies is likely to stay between the Ceiling and Floor for the Deposit Period. Setting of Maximum Interest Rates and Minimum Interest Rates and Ceiling and Floor Rates.

- You can set the Maximum Interest Rate and Minimum Interest Rate with NAB on or before the Commencement Date to achieve a Ceiling and a Floor that meet your views on the Spot Exchange Rate of the Deposit Currency/Exchange Currency.
- Narrowing the range between the Ceiling and the Floor will increase the Maximum Interest Rate and/or the Minimum Interest Rate.
- Conversely, widening the range will decrease the Maximum Interest Rate and/or the Minimum Interest Rate.

Example 1

You wish to invest in a Range Deposit for a Deposit Period of 1 year in order to have the opportunity to receive an interest rate higher than the NAB standard term deposit rates. The NAB standard term deposit rate for 1 year is 6.50%p.a. You are of the view that the AUD/USD Spot Exchange Rate is unlikely to trade below 0.7450 or above 0.8550 at any time during the next year. A Minimum Interest Rate of 1.00%p.a. is acceptable to you. Based on the Deposit Period, the Ceiling and Floor, the NAB standard term deposit rate and the Minimum Interest Rate, NAB offers a Maximum Interest Rate of 12.00%p.a.

Example 2

You consider the above offer from NAB but you are concerned that the AUD/USD Spot Exchange Rate may trade above 0.8550 over the course of the next year. You ask NAB to quote on the basis that the Ceiling is to be 0.8750. NAB now offers a Maximum Interest Rate of 9.50%p.a. as the range between the Ceiling and Floor has been widened.

Range Deposit Examples - Results on Maturity Date

Example 1

Floor and Ceiling Touched	Your Interest Rate for the Year	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays between 0.7451 and 0.8549 <i>for the whole year</i>).	12.00%p.a.	AUD12,000*
YES (AUD/USD Spot Exchange Rate touches or moves lower than 0.7450 or touches or moves higher than 0.8550 <i>at any time during the year</i>).	1.00%p.a.	AUD1,000*

Example 2

Floor and Ceiling Touched	Your Interest Rate for the Year	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays between 0.7451 and 0.8749 <i>for the whole year</i>).	9.50%p.a.	AUD9,500*
YES (AUD/USD Spot Exchange Rate touches or moves lower than 0.7450 or touches or moves higher than 0.8750 <i>at any time during the year</i>).	1.00%p.a.	AUD1,000*

* Interest on a term deposit for 1 year at 6.50%p.a. is AUD6,500 per AUD100,000.

Currency Bull Deposit ("Bull Deposit")

How do you transact?

On or before the Commencement Date, you and NAB agree all the components of a Range Deposit except for a Floor.

Description

Whereas the Maximum Interest Rate is achieved in a Range Deposit when the Ceiling or Floor is **not** touched, the Maximum Interest Rate with a Bull Deposit is earned when the Ceiling **is touched**. There is no Floor Trigger Event.

On the Maturity Date, NAB will determine whether or not the **Spot Exchange Rate** of the Deposit Currency/Exchange Currency at any time during the Deposit Period was equal to or above the Ceiling ("Trigger Event")

On the Maturity Date, NAB will pay you an interest amount based on an interest rate of either, the Maximum Interest Rate if a Trigger Event **has occurred**, or the Minimum Interest Rate if a Trigger Event **has not occurred**.

NAB will notify you of the occurrence of a Trigger Event.

Uses of a Bull Deposit

A Bull Deposit may suit a depositor who is seeking the opportunity of yield enhancement and is willing to risk a significant amount of their interest return.

A Bull Deposit may also lessen your financial risk from an unhedged currency exposure. The adverse effect of an unfavourable currency movement may be partly offset by the higher interest return that may be earned from a Bull Deposit for which there has been a Trigger Event. It may be the case however that you suffer loss from an adverse currency movement which is not large enough to cause a Trigger Event. In this instance your loss from an adverse currency movement is not partly offset by receiving the Maximum Interest Rate.

Setting of Maximum Interest Rate, Minimum Interest Rate and Ceiling

You set the Maximum Interest Rate and Minimum Interest Rate with NAB on or before the Commencement Date to achieve a Ceiling that meets your views on the Spot Exchange Rate of the Deposit Currency/Exchange Currency.

Raising the Ceiling increases the Maximum Interest Rate and/or the Minimum Interest Rate. Conversely, lowering the Ceiling will decrease the Maximum Interest Rate and/or the Minimum Interest Rate.

Example 1

You wish to invest in a Bull Deposit for a Deposit Period of 1 year in order to have the opportunity to receive an interest rate higher than standard NAB term deposit rates. The NAB standard term deposit rate for 1 year is 6.50%p.a. You are of the view that the AUD/USD Spot Exchange Rate is likely to trade above 0.8550 over the next year. A Minimum Interest Rate of 1.00%p.a. is acceptable to you. Based on the Deposit Period, the Ceiling, the NAB standard term deposit rate and the Minimum Interest Rate, NAB offers a Maximum Interest Rate of 13.50%p.a.

Example 2

You consider the above offer from NAB but you would like a higher Minimum Interest Rate. You ask NAB to quote on the basis that the Minimum Interest Rate is 2.00%p.a. NAB now quotes a Maximum Interest Rate of 11.75% p.a.

Currency Bull Deposit Examples - Results on Maturity Date

Example 1

Ceiling Touched	Your Interest Rate for the Year	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays at or below 0.8549 <i>for the whole year</i>).	1.00%p.a.	AUD1,000*
YES (AUD/USD Spot Exchange Rate touches or moves above 0.8550 <i>at any time during the year</i>).	13.50%p.a.	AUD13,500*

Example 2

Ceiling Touched	Your Interest Rate for the Year	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays at or below 0.8549 <i>for the whole year</i>).	2.00%p.a.	AUD1,000*
YES (AUD/USD Spot Exchange Rate touches or moves above 0.8550 <i>at any time during the year</i>).	11.75%p.a.	AUD11,750*

* Interest on a term deposit for 1 year at 6.50%p.a. is AUD6,500 per AUD100,000.

Currency Bear Deposit ("Bear Deposit")

How do you transact?

On or before the Commencement Date, you and NAB agree all the components of a Range Deposit except for a Ceiling.

Description

Whereas the Maximum Interest Rate is achieved in a Range Deposit when the Floor or Ceiling is not touched, the Maximum Interest Rate with a Bear Deposit is earned when the Floor **is touched**. There is no Ceiling Trigger Event.

On the Maturity Date, NAB will determine whether or not the **Spot Exchange Rate** of the Deposit Currency/Exchange Currency at any time during the Deposit Period was equal to or lower than the Floor ("Trigger Event").

On the Maturity Date, NAB will pay to you an interest amount based on an interest rate of either, the Maximum Interest Rate if a Trigger Event **has occurred**, or the Minimum Interest Rate if a Trigger Event **has not occurred**.

NAB will notify you of the occurrence of a Trigger Event.

Uses of a Bear Deposit

A Bear Deposit may suit a depositor who is seeking the opportunity of yield enhancement and is willing to risk a significant amount of their interest return.

A Bear Deposit may also lessen your financial risk from an unhedged currency exposure. The adverse effect of an unfavourable currency movement may be partly offset by the higher interest return that may be earned from a Bear Deposit for which there has been a Trigger Event. It may be the case however that you suffer loss from an adverse currency movement which is not large enough to cause a Trigger Event. In this instance your loss from an adverse currency movement is not partly offset by receiving the Maximum Interest Rate.

Setting the Maximum Interest Rate, Minimum Interest Rate and Floor.

You set the Maximum Interest Rate and Minimum Interest Rate with NAB on or before the Commencement Date to achieve a Floor that meets your views on the Spot Exchange Rate of the Deposit Currency/Exchange Currency.

Lowering the Floor will increase the Maximum Interest Rate and/or the Minimum Interest Rate. Conversely, raising the Floor will decrease the Maximum Interest Rate and/or the Minimum Interest Rate.

Example 1

You wish to invest in a Bear Deposit for a Deposit Period of 1 year in order to have the opportunity to receive an interest rate higher than standard NAB term deposit rates. The NAB standard term deposit rate for 1 year is 6.50%p.a. You are of the view that the AUD/USD Spot Exchange Rate is likely to trade below 0.7450 over the next year. A Minimum Interest Rate of 1.00%p.a. is acceptable to you. Based on the Deposit Period, the Floor, the NAB standard term deposit rate and the Minimum Interest Rate, NAB offers a Maximum Interest Rate of 12.00%p.a.

Example 2

You consider the above offer from NAB but you would like a shorter term. You ask NAB to quote on the basis that the term is for 6 months. NAB now quotes a Maximum Interest Rate of 14.00%p.a. The term deposit rate for 6 months is 6.25%p.a.

Currency Bear Deposit Examples - Results on Maturity Date

Example 1

Floor Touched	Your Interest Rate for the Year	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays at or above 0.7451 <i>for the whole year</i>).	1.00%p.a.	AUD1,000*
YES (AUD/USD Spot Exchange Rate touches or moves below 0.7450 <i>at any time during the year</i>).	12.00%p.a.	AUD12,000*

Example 2

Floor Touched	Your Interest Rate for 6 months	Your Interest Amount per AUD100,000
NO (AUD/USD Spot Exchange Rate stays at or above 0.7451 for the whole 6 month period).	1.00%p.a.	AUD500*
YES (AUD/USD Spot Exchange Rate touches or moves below 0.7450 at any time during the 6 month period).	14.00%p.a.	AUD7,000*

* Interest on a term deposit for 1 year at 6.50%p.a. is AUD6,500 per AUD100,000.

** Interest on a term deposit for 6 months at 6.25% p.a. is AUD3,125 per AUD100,000.

Benefits of Currency Linked Structured Deposits

NAB offers capital protection for CLSDs at maturity. This means that, at maturity, you will not suffer any loss of the amount you placed on deposit in a CLSD.

All the CLSDs provide you with the opportunity to earn an interest rate above the interest rate on standard NAB term deposits. Bull Deposits and Bear Deposits may lessen the financial impact of adverse currency movements.

Risks of Currency Linked Structured Deposits

Investment involves risk. Unlike traditional deposits, CLSDs have an investment element and returns may vary. Before entering into a CLSD with us, you should (i) consult your own advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the CLSD; (ii) carefully consider whether the CLSD is appropriate for you in light of your investment objectives, experience, financial and operational resources, and other relevant circumstances; (iii) understand the nature of the CLSD and the related contract (and contractual relationship) including, without limitation, the nature and extent of your exposure to risk; and (iv) understand any regulatory requirements and restrictions applicable to you. In the event that you choose not to seek advice from a licensed or an exempt financial adviser, you should carefully consider whether the CLSD is suitable for you.

The Minimum Interest Rate is always significantly below comparable NAB term deposit rates. A CLSD is not the same as, and should not be treated as a substitute for, a traditional term deposit. The returns from the CLSD will depend upon a number of market factors prevailing during the Deposit Period of the CLSD. The value of the Deposit Currency and Exchange Currency may go up or down and this will affect the return on the CLSD. If foreign exchange rates do not move in your favour and you receive the Minimum Interest Rate under a CLSD, the return on the Deposit Amount will be significantly less than that payable on a normal term deposit. You must be prepared to risk the interest that you might otherwise have earned on money placed as a traditional term deposit.

Range Deposits may increase your financial exposure to adverse currency movements. You may suffer loss from an adverse

currency movement on an unhedged currency and also suffer the loss from only receiving the Minimum Interest Rate. The Maximum Interest Rate remains fixed until the Maturity Date. This will be the case even if market interest rates for similar deposit terms increase during the term of the CLSD.

There is no guarantee a Trigger Event will or will not occur. Historical volatility may not be a good predictor of future volatility.

A CLSD cannot be withdrawn, either in full or in part, prior to its Maturity Date. If the Deposit is set to mature against the date of a known liability, you may not be able to meet that liability in a timely fashion if the date the liability is due to be paid changes after the Maturity Date of the Deposit is agreed. If you choose to withdraw a CLSD before the Maturity Date, the CLSD will not be repayable in full and this may result in considerable losses to you.

A CLSD should only be entered into if its use is consistent with your risk management strategy and financial circumstances.

You should refer to the relevant Terms and Conditions, fact sheets and other supporting documents for details of a particular CLSD.

A CLSD is not transferable nor negotiable.

A CLSD is not an insured deposit for the purposes of the Deposit Insurance Act (Chapter 77A).

Other terms applicable to Currency Linked Structured Deposits

If a payment scheduled to be made under a CLSD is to be made on a day which is not a business day in Singapore or the principal financial centre of the Deposit Currency or the Exchange Currency, then the payment will be made on the next day which is a business day in the above locations.

A CLSD will not be automatically renewed or rolled over upon maturity, unless so agreed between you and us and specified in the confirmation.

You agree to reimburse us for all government taxes and duties payable by us in connection with the CLSD.

Definitions

Deposit Period means the period of time from and including the time the Deposit is accepted on the Commencement Date to and including the maturity time on the Maturity Date.

Maturity Date If the Maturity Date is not a Business Day (being a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Singapore and the principal financial centre of the Deposit Currency and the Exchange Currency) the repayment will be made on the next Business Day. All Currency Linked Structured Deposits mature at 10am Singapore time on the Maturity Date.

Spot Exchange Rate means the foreign exchange price in the **spot market** for foreign exchange transactions as set by NAB in good faith and in accordance with prevailing inter-bank market practice.

Spot market means the global spot foreign exchange market which will be treated as being open continuously from 5am Sydney time on a Monday in any week to 5pm New York time on the Friday of that week.

DISCLAIMER

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Issuer

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