

Overseas Property Finance

The National Australia Bank offers you simple and flexible ways to purchase or refinance properties in Australia, New Zealand, and the United Kingdom. Our loans are designed to give you maximum flexibility in choosing an overseas property finance package that best suits your needs.

Some of the great loan features include:

- No upfront fees.** You only pay the application fee if your loan is approved and you accept the Bank's loan offer.
- Pre-approval** can be granted before you find a property to purchase subject to submission of the documentation listed in the "Application Documents" page below.
- Loans are available in a **range of currencies** including **Japanese Yen, Australian Dollars, New Zealand Dollars, US Dollars, Pounds Sterling and Euro.**
- A loan **currency switch** facility is available to help you manage currency risks.
- You can borrow **up to 80%** of the property value or purchase price for a same-currency loan and **up to 75%** for a cross-currency loan.
- Flexible loan terms** from 1 to 25 years.
- Competitive interest rates** depending on your choice of loan structure.
- Interest only repayment** terms for up to 3 years subject to approval.
- For standard loans there are **no fees for making extra payments or for fully pre-paying the loan** (please note that special conditions for prepayment fees may apply to one-off promotions).
- Convenient **monthly or quarterly repayments.**
- Easy management** of your banking with staff in Tokyo handling your accounts and loan repayments payable locally.

Can we help you?

For more information, including fees and the risks and benefits of borrowing in foreign currencies please refer to the attached information.

Of course, our staff are always available to discuss your financing requirements and answer any questions you may have.

Please do not hesitate to contact us on **03-3241-8923** or on e-mail to tokyocs@nabasia.com.

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Overseas Property Finance – Fact Sheet*

LOAN PURPOSE	<p>The purchase or refinance of residential property in Australia, New Zealand and the United Kingdom.</p> <p>Borrowers may be of any nationality and must be able to read and fully understand the loan and mortgage documentation in English.</p>
LOAN TERM	<p>Minimum – 1 year Maximum – 25 years (or age 65, whichever is the shortest)</p>
LOAN AMOUNT	<p>Minimum – A\$100,000 or the foreign currency equivalent Maximum – no set maximum</p>
LOAN CURRENCY	<p>Multiple currency options available including: JPY, AUD, NZD, USD, GBP and EURO</p> <p>Borrowers applying for loans in a currency not aligned to the security (cross-currency option) must be able to show that they have income in such currency to service the debt.</p>
CURRENCY SWITCH	<p>For facilities with the cross-currency option, one free currency switch may be applied on a regular repayment date subject to a minimum of 10 business days advance notice in writing to the Bank.</p>
REPAYMENT	<p>Frequency <u>Principal and interest</u> repayments are payable either monthly or quarterly in arrears. <u>Interest only</u> (in arrears) repayments are available up to a maximum term of 3 years.</p> <p>Partial/Full Repayment Partial or full repayment (subject to set minimum amounts) is allowed without penalty provided that at least five business days advance notice is given and payment is on a regular repayment date. NOTE: Prepayment penalties may apply to loans contracted under one-off promotional offers.</p> <p>Adjustments Loans will be subject to an annual review by the Bank.</p> <p>Top-Up (Cross Currency Loans) When the loan balance exceeds the approved maximum percentage of the value of the property (due to currency exchange rate movements or changes in property values), the borrower may be required to top-up the security or reduce the loan balance in order to reduce the percentage to the approved amount (refer to 'Loan to Property Value Ratio' below).</p>
INTEREST RATE	<p>Variable Rate: Cost of Funds* + 2% p.a. (fixed rate not available) * <i>The Cost of Funds is based on the interest rate applicable to the repayment frequency (either monthly or quarterly) chosen by the borrower i.e. if the borrower makes monthly repayments, the interest rate would be the 1 month Cost of Funds plus 2% p.a. Should the borrower choose to make quarterly repayments, the interest rate would be the 3 month Cost of Funds plus 2% p.a.</i></p> <p>The interest rate will be set two business days prior to loan drawdown, fixed for each repayment term and then adjusted on each repayment date (using the Cost of Funds rate applicable two business days before the repayment date).</p>

SECURITY	A first registered legal mortgage over residential property located in Australia, New Zealand or the United Kingdom.
LOAN TO PROPERTY VALUE RATIO	<ul style="list-style-type: none"> ▪ The loan may not exceed 80% of the property value for same-currency loans. ▪ The loan may not exceed 75% of the property value for cross-currency loans. ▪ For CBD or Inner City property, reduce the above percentages by 10%*.
FOREIGN EXCHANGE	Any and all foreign exchange transactions relating to the loan proceeds (including currency switch transactions) will be conducted at the Bank's Telegraphic Transfer (TT) Sell/Buy rate as applicable two business days prior to loan funding.
FEES	<p>Application Fee</p> <p>0.75% of loan amount (payable only if the loan application is approved by the Bank and accepted by the Borrower)</p> <p>Associated Costs</p> <p>All costs (including but not limited to legal, government, security registration, valuations etc.) relating to both the opening and closing of the loan are payable by the borrower.</p> <p>Late Payment</p> <p>A late payment penalty of 4% p.a. (minimum) over the Bank's cost of funds on the amount(s) overdue will apply if a payment is not received on the due date.</p> <p>Loan Restructure</p> <p>A fee of 20,000 yen applies for amendments to repayment terms or loan restructure.</p> <p>Currency Switch</p> <p>The first currency switch is free. Second and subsequent switches will incur a fee of 20,000 yen per switch.</p> <p>Economic Cost</p> <p>An economic cost will be payable by the borrower if a part or full prepayment is made on a date other than a regular repayment date.</p>

* All information is valid as of 30 September 2005 and is subject to change without notice. For further details please contact bank staff.

Overseas Property Finance – Frequently Asked Questions

<p>HOW MUCH CAN I BORROW?</p>	<p>The loan amount is limited by:</p> <ul style="list-style-type: none"> • the value of the security property - please refer to the <i>Loan to Property Value Ratios</i> section of the Fact Sheet, and • your financial situation – each loan applicant is assessed individually based on their income, expenses, savings and debts. There is no set ratio for the amount you can borrow against your annual income.
<p>CAN I GET PRE-APPROVAL BEFORE FINDING A PROPERTY?</p>	<p>YES – a conditional approval can be given subject to you locating a suitable property and the Bank completing a satisfactory valuation of the property.</p> <p>Pre-approvals are valid for 3 months.</p>
<p>WHEN IS THE APPLICATION FEE PAYABLE?</p>	<p>If your loan application is approved, the Bank will issue you with a formal letter of offer. The loan application fee is only payable if and when you accept the Bank's loan offer.</p>
<p>CAN I PAY THE LOAN OFF EARLY?</p>	<p>YES – you can make extra payments or a full pre-payment without penalty during the term of the loan. Extra payments must be made on a regular repayment date with 5 business days advance notice in writing and should be in set minimum amount (e.g. the extra repayment amount for yen loans is multiples of ¥1 million yen). NOTE: Prepayment penalties may apply to loans contracted under one-off promotional offers.</p> <p>Please note that there is no re-draw facility on the loan. Any increase in your borrowings even after making extra repayments would be subject to a new loan application.</p>
<p>CAN I BORROW FOR COMMERCIAL PROPERTY?</p>	<p>YES, we may consider commercial property as security. However, the lending criteria for commercial property is different to that of the standard loans detailed in this material. Please contact our staff directly for more details.</p>
<p>WHAT HAPPENS TO THE LOAN IF I LEAVE JAPAN?</p>	<p>Please advise the bank if your circumstances change. If you no longer earn your income in the same currency as the loan, the currency of the loan must be switched into the currency of your new income, or into the currency of the country where your property is located. If you prefer to re-finance your loan with a local bank upon your return to your home country, we can assist you through one of the National's Group Banks in Australia, New Zealand, the United Kingdom or Ireland. Please note that there may be tax implications if you maintain a loan in Japan while a resident of another country. The Bank strongly recommends that you seek independent financial and tax advice in this regard.</p>

Overseas Property Finance – Understanding the Risks and Benefits

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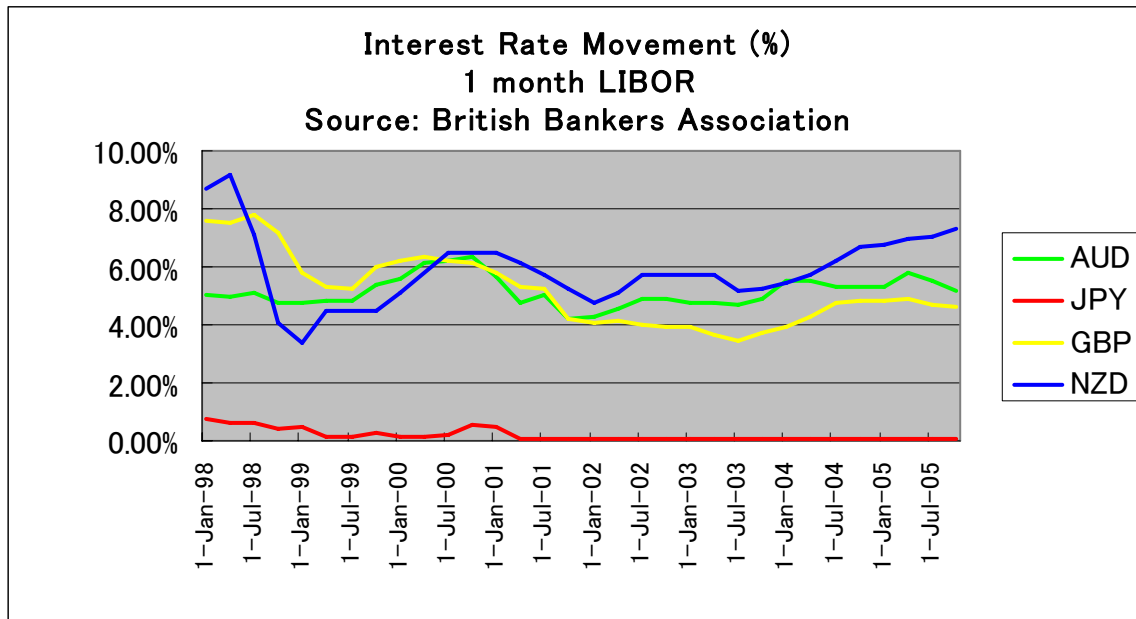
The following information is provided by National Australia Bank Ltd. (the "Bank") to assist you in understanding the potential benefits and risks involved in borrowing in foreign currencies. It is **for information purposes only** and in no shape or form substitutes or forms part of the loan contract or terms and conditions.

You should make your own assessment of the potential risks and benefits of Overseas Property Finance loans. The Bank is under no obligation to give you advice or make any recommendation on whether to enter into a loan contract. The Bank strongly recommends that you seek independent financial and/or legal advice regarding the risks involved in Overseas Property Finance.

Interest Cost Saving

The difference between the interest rate of two currencies offers borrowers a potential interest cost saving if they are able to switch their debt into the currency with the lower interest rate.

For example, the graph below shows interest rates for the Australian dollar, New Zealand dollar, Sterling pound and the Japanese yen since January 1998. Although the interest rate for all currencies moved considerably, the interest rate differential against the yen been significant over this period.



Exchange Rate Risk

Borrowing in a currency different to the currency of the supporting asset (i.e. the property) exposes the Borrower to exchange rate risk. Fluctuations in the exchange rate between the two currencies can cause the value of the loan to change as a percentage of the value of the property in local currency terms. For Overseas Property Finance loans with the cross currency option (i.e. the loan currency is different to the currency of the country where the security property is located) the loan amount cannot exceed a set maximum percentage of the value of the property value.

The value of the loan as a percentage of the value of the property will change due to a change in:

- a) the value of the security property; or,
- b) the balance of the loan.

For cross currency loans, as the currency of both (a) and (b) above are different, the exchange rate between those two currencies will also effect the relative values of the loan and the property. **Changes in the exchange rate will cause the value of the loan to appreciate or depreciate against the value of the security property independently from changes in the loan balance.**

Consider the example of a Japanese yen loan of ¥45.5 million secured by a property in Australia valued at A\$1,000,000. If the exchange rate is ¥65 = A\$1 when the loan is established, the Australian dollar equivalent of the loan balance would be A\$700,000. This is 70% of the value of the property.

If, after the loan is established, the Australian dollar depreciates against the Japanese yen (say by 10% from ¥65 to ¥58.5), the Australian dollar equivalent of the Yen loan balance of ¥45.5M would increase to A\$777,777 which is 77.77% of the value of the property.

It is the borrower's responsibility to ensure that the value of their loan does not exceed the contracted percentage of the value of the property. If the contracted percentage is breached, it must be returned to the maximum contracted percentage within a specified period of time. This can be done by either increasing the security amount or by decreasing the loan balance.

a) Increase the Security Amount

In the above example, by providing extra security in a form acceptable to the Bank (e.g. a cash deposit or additional property) to the value of A\$111,111 the loan amount will be reduced to 70% of the total security.

b) Decrease the Loan Balance

Alternatively, the balance of the loan (¥45.5M) could be reduced by 10% (¥4.55M) to ¥40.95M to restore the value of the loan to 70% of the security property.

Early Exit Exchange Rate Risk

Borrowers should also consider the case and likelihood of needing to convert their loan back into the security currency during the term of the loan. Fluctuations in the exchange rate between the time the loan is established and the time the outstanding debt is converted into the security currency exposes the borrower to the **risk of losses or increased liabilities.**

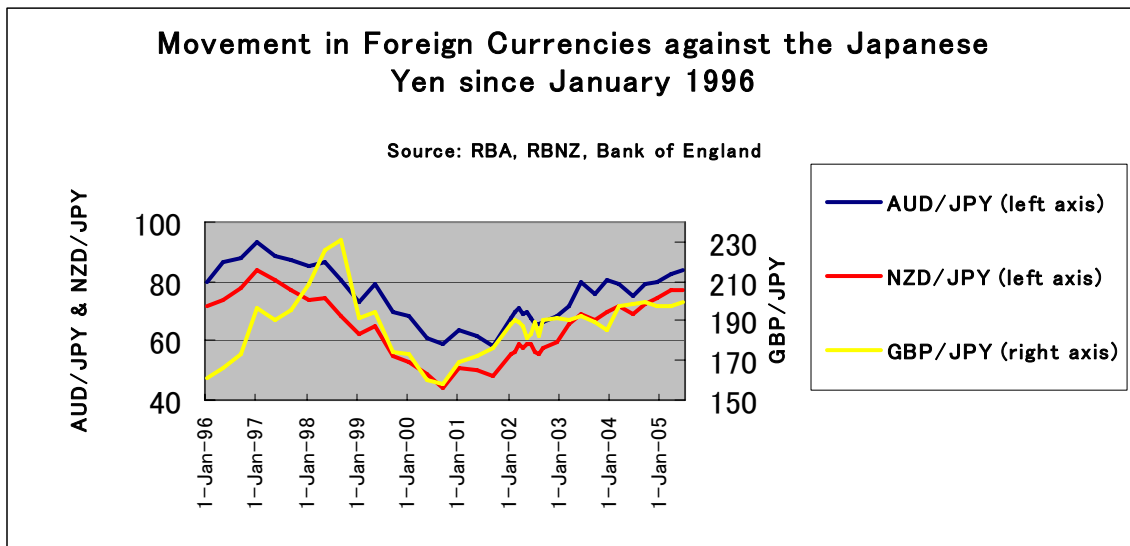
Consider the previous example of a ¥45.5M loan established at ¥65=A\$1, providing A\$700,000 to purchase a property. If, due to a change in circumstances, the borrower must convert the loan back into Australian dollars after 1 year, how much will it cost them to refinance or switch the outstanding debt? The cost will depend on the exchange rate at the time to loan currency is switched.

If the Australian dollar has depreciated (say by 10%) as per the previous example from ¥65 to ¥58.5, the original debt of ¥45.5M will now cost A\$777,777 to refinance (less the principal amount repaid during the first year), i.e. the borrower has made a **Loss** on the foreign exchange transaction.

If, on the other hand, the Australian dollar appreciates (say by 10%) from ¥65 to ¥71.5, it will only cost A\$636,363 to repay the original debt of ¥45.5M (less the principal amount repaid in the first year) i.e., the borrower has made a **Profit** on the foreign exchange transaction.

Exchange Rate Fluctuations

As the graph below shows, fluctuations in exchange rates can be sudden, unpredictable and significant in size.



When borrowing in a currency not aligned to the security currency, borrowers are exposed to exchange rate risk, which may result in **losses and/or increases in liabilities due to adverse movements in exchange rates.**

In addition, movements in exchange rates may result in the borrower being required to **provide additional security or make additional repayments to the loan at short notice.**

Potential borrowers should consider both the risks and benefits of borrowing in foreign currencies and seek independent legal and/or financial advice before entering into a loan contract.

Overseas Property Finance – Application Documents

At the National we are committed to making your application for a loan as simple and efficient as possible. To handle your request quickly and accurately, we ask that you provide the following information and/or documentation.

All Applications

- A completed and signed application form. When completing the application form, please list all monetary amounts in the applicable currency without conversion i.e. if you earn income in Japanese yen, list the actual yen amount you receive, or if you hold assets in US dollars, list the dollar value of the assets.
- Personal identification: Your passport and identification to verify your current residential address (e.g. driver's licence, alien registration card).
- Evidence of salary: 3 recent salary slips and employment contract for salaried employees. For self employed applicants, the last 3 years' tax returns are required.
- Proof of any other sources of income: e.g. rental income, dividends, interest etc.
- Documentation evidencing all assets and/or liabilities: loan/deposit account statements, share certificates, title deeds/rates notice for property/ies owned etc.
- Details of insurance cover or a copy of a cover note for the security property (name of the insurance company, policy number, insured amount etc.).

New Property Purchases

- A copy of the Contract of Sale for the property being purchased.
- Details of the agent or solicitor handling settlement of the property being purchased.

Refinance Loans

- Documentation verifying satisfactory loan repayment history with your current financier by way of the last six months of loan statements.
- The name and contact details of your current financier.

Please forward the above documents (as applicable) to the address below. Should you have any questions or require help completing the application form, please feel free to contact our lending staff on **03-3241-8923** or alternatively you can e-mail us at **tokyocs@nabasia.com**.

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