

Contents

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information, each of which forms part of this PDS. By using this PDS you will be able to understand:

1. About NAB and NAB Equity Lending	3
2. Benefits of NAB Equity Lending	3
3. How NAB Equity Lending works	3
4. What is a margin call?	4
5. The risk of losing money	5
6. The costs	6
7. How to apply	6

Use the references marked with a [!] to see important disclosure about this product online.

You should consider the information in this PDS thoroughly before making a decision to acquire a NAB Equity Lending Facility.

The information in this PDS is general information and has been prepared without taking into account your objectives, financial situation or needs. You should obtain financial advice tailored to your personal financial situation and needs before making a decision to apply for a NAB Equity Lending Facility.

Information relating to NAB Equity Lending that is not materially adverse, may change from time to time. This information may be updated and made available to you on our website at www.nab.com.au/equitylending or by contacting us on 1300 135 145. A paper copy of any updated information is available free on request.

For further information, speak to your financial adviser or call NAB on 1300 135 145.

1. About NAB and NAB Equity Lending

A margin loan is an investment loan (or line of credit) that is secured by shares, managed funds or cash. You can use the borrowed money to access a greater range of investment opportunities enabling you to increase the size and diversity of your investment portfolio.

Some key information to consider about margin lending is as follows:

- Borrowing using a margin lending facility to invest can potentially generate higher investment returns, but it can also increase your losses if the value of the investment falls.
- You should regularly monitor your portfolio and margin lending facility so you can take steps to avoid a margin call or quickly respond to and reduce potential losses and so you are aware of any changes to the terms of your facility (such as interest rates and loan to value ratios on your investments).
- You may be required at short notice to pay additional funds into your facility or sell some of the investments securing your loan.
- In certain circumstances we may sell part, or all, of your investments without giving you any prior notice.
- If the sale proceeds from your investments do not cover your loan balance, you may need to access other funds to repay the margin loan.
- If you have provided other assets as security (e.g. your residential property) we may sell those assets if the proceeds from the sale of your investments do not cover your margin loan.

The issuer of a NAB Equity Lending Facility is National Australia Bank Limited (NAB). NAB is a financial services organisation providing products, advice and services through our major Australian franchise and business in the United Kingdom, New Zealand, Asia and United States. On application, NAB can provide you with a margin lending facility.

From 1 January 2011, before issuing a margin loan we are required by law to assess whether it is not unsuitable for you. If your loan is approved we will send you a copy of this assessment on request.

2. Benefits of NAB Equity Lending

A NAB Equity Lending Facility may provide the following benefits:

Increase investment returns:

Using a margin loan to increase your investment portfolio means you can potentially generate greater investment returns on your equity as the value of your investments increase.

Increase portfolio diversity:

By borrowing against your existing investments you can potentially diversify your investment portfolio and spread your investment risk.

Investment flexibility & liquidity:

Increasing your investment capacity also gives you a greater degree of investment flexibility and agility when presented with investment opportunities. This may avoid the need to sell one part of your portfolio to take advantage of another investment opportunity, which in turn could cause an unwanted capital gain or loss.

Taxation & interest deductibility:

Depending on your personal circumstances, using margin lending to gear your investments may provide tax benefits. Before proceeding, you should seek advice from your tax adviser.

3. How NAB Equity Lending works

NAB will lend you an amount to invest in shares or managed funds and will hold these investments as security against your loan. Whilst we hold your investments as security for your loan, you still retain beneficial ownership of your investment portfolio. As they will be used as security for your margin loan, they may be sold to satisfy a margin call or repay your margin loan.

How much can you borrow?

The amount you can borrow is determined by the type and value of shares or managed investments you purchase or lodge as security for your Facility. NAB will lend different amounts against different types of securities.

To determine the amount you can borrow we will apply a percentage, known as a **Loan to Value Ratio (LVR)**, to the market value of each investment in your portfolio. The LVR we apply to shares and managed funds can range from 30% to 75% depending on the type and nature of the investment. We may change an LVR at any time, including by reducing it to zero.

NAB has an extensive list of approved shares and managed funds that you can use as security. To access the current Approved Investment List go to nab.com.au/nelapprovedlist or call us on 1300 135 145 to obtain a copy at no charge.

! You should read the important information about the Approved Investment List before making a decision.

Go to www.nab.com.au/nelapprovedlist. The material relating to the Approved Investment List may change between the time when you read this statement and the day when you sign the application form.

Example

Let's assume you have \$50,000 in cash and you want to buy XYZ Ltd shares using a margin loan with NAB. NAB's LVR on XYZ is 50%.

Now let's assume you use the full extent of your borrowing power and borrow \$50,000. You can now purchase \$100,000 of XYZ shares.



As your margin loan is secured by shares or managed funds, the amount you can borrow may change as the value of the investments securing your loan change.

Credit limits

NAB will also apply a credit limit to your Facility. Your credit limit represents the maximum amount that NAB will lend you based on your application. Your credit limit is assessed based on financial information provided by you.

Loan calculator

A loan calculator is available on the NAB website and may assist you to calculate the amount you can borrow from NAB. To access the loan calculator go to nab.com.au/nelcalculator.

! You should read the important information about this calculator before making a decision. Go to www.nab.com.au/nelcalculator. The material relating to this calculator may change between the time when you read this statement and the day when you sign the application form.

Details of the rights and obligations of borrowers under a NAB Equity Lending Facility are contained in the NAB Equity Lending Facility Terms. You should read this document carefully before deciding whether to apply for a margin loan with NAB Equity Lending. The Facility Terms are available at nab.com.au/nelterms or by calling us on 1300 135 145 to obtain a copy at no charge.

4. What is a margin call?

It is important to understand that the security value of your portfolio should always exceed your loan balance. If the value of your portfolio drops so that your security value is less than your outstanding loan balance, a shortfall will occur. This may result in you, or NAB on your behalf, having to take action to correct your borrowing position.

Buffer zone

NAB will allow you to have a small shortfall, or buffer, on your NAB Equity Lending Facility. The maximum shortfall, or buffer, is calculated as a percentage of the market value of each security held in your account. These buffers are added to each security's LVR and are currently calculated as follows:

ASX listed investments: 5% of market value
Unlisted managed funds: 10% of market value

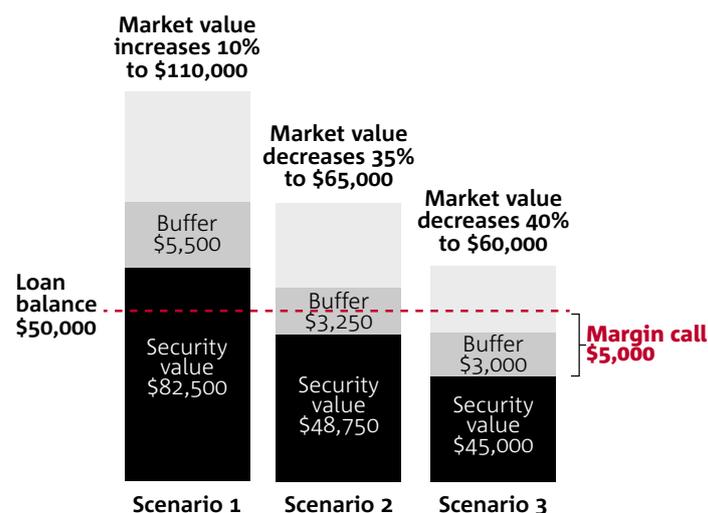
Margin calls

If your borrowing or 'gearing' level is too high, we will ask you to take steps to reduce it. This is called a 'margin call'. If you receive a margin call, you may need to pay money into your loan account, add investments to your portfolio or sell some or all of your investments at short notice.

In the event of a margin call we will attempt to contact you, or contact your financial adviser if you have authorised them to speak to us on your behalf. You, or anyone authorised to act on your behalf, must remain contactable at all times.

Market movements and margin calls

The example below demonstrates how changes in the market value of your portfolio can impact your security value and result in a margin call.



In scenario 1 we can see that an increase in your ASX listed share portfolio by 10% increases your security value to \$82,500, which in turn increases the finance available to you by \$7,500 to \$32,500.

In scenario 2 the value of your ASX listed share portfolio has dropped by 35%, which has reduced your security value to \$48,750. Your security value has now dropped below your loan balance, but you are still within the buffer zone on your Facility. At this stage NAB would not require you to take corrective action.

In scenario 3 the value of your ASX listed share portfolio has dropped by 40% from its original level to \$60,000. Your security value and buffer (which total \$48,000) is now below your loan balance. This means your Facility is now in a "margin call" position.

Events that can trigger a margin call

- The market value of your portfolio falls too far (as described above).
- We reduce the security ratio (LVR) assigned to an investment in your portfolio.
- We remove an investment in your portfolio from our list of eligible investments.
- A reduction in the buffer.
- An increase in your loan balance.
- A failure to make required payments such as interest.
- Any combination of these.

5. The risk of losing money

Whilst a margin loan can increase your gains in a rising market, it can also magnify your losses when the market declines. Consequently, you should consider investing in a diversified portfolio of quality assets and ensure you have enough time to ride out investment market fluctuations.

The table below highlights some of the risks involved in gearing and how you could potentially manage each of these:

Risk	Possible consequences	How you could manage
Reduction in the value of the security portfolio	<ul style="list-style-type: none"> Your Facility goes into margin call If a margin call is made you will need to find other funds, lodge additional security or sell some securities in your margin loan portfolio 	<ul style="list-style-type: none"> Gear conservatively Diversify your investments Frequently monitor your investments and loan balance
Going into margin call	You will need to find other funds to reduce the margin loan, lodge additional security or sell some securities in your margin loan portfolio	<ul style="list-style-type: none"> Gear conservatively Diversify your investments Frequently monitor your investments and loan balance
The security ratio (LVR) assigned to an asset may reduce	<ul style="list-style-type: none"> Your Facility goes into margin call If a margin call is made you will need to find other funds, lodge additional security or sell some securities in your margin loan portfolio 	By gearing conservatively, you can potentially reduce the possibility that a reduction in the security ratio could result in a margin call.
Shares and managed funds removed from approved list	<ul style="list-style-type: none"> Your Facility goes into margin call If a margin call is made you will need to find other funds, lodge additional security or sell some securities in your margin loan portfolio 	You should ensure that your portfolio is diverse to reduce the impact of a share or manage fund in your portfolio being removed from the Approved Investment List.
Rising interest rates	<ul style="list-style-type: none"> Your interest repayments may be more than your investment returns, and you may not be able to meet your interest payments Your Facility goes into margin call 	You should ensure that you have enough surplus cash flow to absorb interest payments. You could consider fixing the interest rate on some (or all) of your margin loan to offer protection.
Falling investment income or failure to receive returns on your investments	<ul style="list-style-type: none"> Your interest repayments may be more than your investment returns, and you may not be able to meet your interest payments Your Facility goes into margin call 	You should think about ensuring that you have enough surplus cash flow to cover any income shortfall.
Loss of salary due to illness	You will need to meet any payments on your loan from other sources.	You should consider if you have enough income protection and life insurance.
Change in tax law	It may have an adverse effect on your tax or financial position.	Seek advice from your tax adviser regarding your personal circumstances and financial position.
Loss of other assets (e.g. residential property)	You may be required to sell other assets such as residential property, if you are in margin call and the proceeds of the sale of your investment portfolio are less than your loan amount.	<ul style="list-style-type: none"> Gear conservatively Diversify your investments Frequently monitor your investments and loan balance
You don't comply with the NAB Equity Lending Facility Terms (a default event)	You may be required to repay all or part of your margin loan and we may sell all or some of the margin loan portfolio or other assets we hold as security for the margin loan.	Ensure you read the NAB Equity Lending Facility Terms and monitor your Facility on a regular basis.

For more information regarding margin lending go to

<http://www.asic.gov.au/fido/fido.nsf/byheadline/borrowing+money+to+invest+margin+lending?opendocument>

! You should read the important information about managing the risks of a margin call before making a decision.

Go to www.nab.com.au/nelrisks. The material relating to the risks associated with margin lending may change between the time when you read it and the day when you sign the application form.

6. The costs

This section does not show any dollar amounts or percentages for the costs involved with a margin loan. Interest rates can change on a daily basis, any fees charged may depend on the service you use and adviser remuneration will depend on what you agree directly with your adviser.

For current interest rates and fees go to www.nab.com.au/nelrates or call us on 1300 135 145 to obtain a copy of this information at no charge.

Interest

We offer fixed and variable interest rates. Interest will be calculated daily on the outstanding amount and you must pay accrued interest monthly in arrears if you have a variable rate loan. Fixed interest rates are available at the time of your loan application and do not change for the period of time that you nominate.

Default interest may be charged on any loan amount that exceeds the approved facility limit and otherwise if you default under the Facility Terms. Default interest is charged at NAB Equity Lending's published variable rate for loans of less than \$250,000 plus a margin of 2.0% (p.a.). Therefore, if the variable rate for loans less than \$250,000 changes, so will the default interest rate.

Fees

There are no application fees, establishment fees or account fees payable unless you're applying as a company or a trustee or are a Tasmanian resident. Fees may be varied by us.

Your financial adviser and stockbroker may charge fees for advice and share transactions.

Economic costs

Early repayments of a fixed rate loan (including a conversion to a variable rate loan) may be subject to payment of economic costs. These represent a reasonable estimate of costs that we incur if you terminate a fixed interest rate loan early.

Adviser remuneration

We may pay a commission to your financial adviser when the margin loan is initiated and for the period that it is maintained. If you invest in a fund at the recommendation of your financial adviser, your financial adviser may also receive a commission from the fund manager. For further information on what commission may be paid, see the Statement of Advice provided to you by your financial adviser.

Your financial adviser will not receive any commission for this service where your account commenced after 1 July 2014. However, we may still make payments to your financial adviser or their dealer group that are permitted by law under arrangements that were in place before the Future of Financial Advice reforms.

! You should read the important information about the interest, fees and costs that may be applied to your margin loan before making a decision. Go to www.nab.com.au/nelrates. The material relating to the current interest rates and other information about the fees and costs that may be applied may change between the time when you read this statement and the day when you sign the application form.

7. How to apply

You may apply directly, or through a financial adviser. Before applying you may wish to speak to a financial adviser to see if margin lending is suitable for you.

You can:

1. Apply directly online
 - Go to nab.com.au/equitylending and click on the 'Apply Now' button
2. Or, obtain a copy of the NAB Equity Lending Application Kit by downloading a copy from nab.com.au/nelapplication. Alternatively call 1300 135 145 and we can send you a copy of the application kit.

Problems or disputes

If you have a problem or dispute regarding your NAB Equity Lending Facility contact NAB on 1800 152 015, or ask at any NAB branch.

If you subsequently feel that an issue has not been resolved to your satisfaction, you may be able to raise your concerns with the Australian Financial Complaints Authority if you are an individual or small business customer covered by the Service.

Australian Financial Complaints Authority
GPO Box 3
Melbourne Victoria 3001

Telephone: 1800 931 678
Website: www.afca.org.au

For more information call

1300 135 145

Email: equity.lending@nab.com.au
Or visit nabmarginlending.com.au