



NAB Term Deposits (via IDPS)

**Product Disclosure Statement
including Terms and Conditions**

effective 1 August 2006

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Product Disclosure Statement

This document is the Product Disclosure Statement (PDS) for NAB Term Deposits (via IDPS).

National Australia Bank Limited consents to the use of this PDS by IDPS Operators that include NAB Term Deposits (via IDPS) on their investment menus as disclosure to investors and prospective investors of an Investor Directed Portfolio Service (IDPS).

Indirect Investors should note that you are directing the Operator of the IDPS to arrange for your monies to be invested in a term deposit with NAB on your behalf. As an Indirect Investor you do not become a deposit holder with NAB or acquire rights against NAB as a deposit holder. The IDPS Operator becomes the deposit holder and investor and acquires these rights against NAB. The IDPS Operator can exercise or decline to exercise the rights of a deposit holder on your behalf according to the arrangement governing the IDPS.

As an Indirect Investor in the IDPS you must read this PDS in that context. You should refer to the Operator's IDPS Guide for information relating to your rights and responsibilities as an investor through the IDPS, including information on any fees and charges applicable to your investment. Information regarding how to invest in a term deposit (including an application form) will also be contained in the IDPS Guide. Please ask your financial adviser or the IDPS Operator if you have any questions about investing with NAB through an IDPS.

This PDS sets out important information about NAB Term Deposits (via IDPS). By using this PDS you will be able to understand:

- significant characteristics and features applicable to this product; and
- the benefits and risks associated with this product.

Make sure you read this PDS thoroughly before making a decision to acquire NAB Term Deposits (via IDPS).

Any advice in this PDS has been prepared without taking account of your objectives, financial situation or needs. Before acting on any advice in this PDS, NAB recommends that you consider whether it is appropriate for your circumstances.

NAB Term Deposits (via IDPS) covered by this PDS are issued by National Australia Bank Limited ABN 12 004 044 937.

Part A

General Information

Features and benefits

NAB Term Deposits (via IDPS) are fixed rate, fixed term investments providing a secure return on funds, for each agreed term.

Risks

There are aspects to holding NAB Term Deposits (via IDPS) that may involve some risks, including those detailed below.

1. Fixed interest rate

For each term of a NAB Term Deposit (via IDPS) the interest rate remains fixed for that term, even if market rates increase during the term.

2. Reduction of return

If you withdraw an amount early (including if the whole of the deposit is withdrawn or repaid) in circumstances approved by the IDPS Operator, NAB may reduce the interest generated on the deposit.

Significant taxation implications

Interest earned on NAB Term Deposits (via IDPS) may form part of your assessable income. NAB recommends that you seek independent tax advice relevant to your particular circumstances and that of your IDPS.

Non Australian residents for tax purposes may have a different tax considerations and NAB recommends you obtain professional tax advice.

Labour, environmental, social or ethical standards

NAB does not take labour, environmental, social or ethical standards into account for the purpose of selecting, retaining or realising any investment relating to NAB Term Deposits (via IDPS).

How can I get more information?

You can obtain more information about NAB's:

- Term Deposits (via IDPS) or
- current indicative interest rates

by contacting your financial adviser or IDPS Operator.

What do I do if I have a problem or dispute relating to my account?

As an Indirect Investor, if you are not satisfied with any aspect of your investment, you should first contact the IDPS Operator directly.

If a complaint is not resolved within a reasonable time, or you are not satisfied with the response, you may seek assistance from an independent complaint resolution scheme, the Financial Industry Complaints Service (FICS). FICS was set up to provide free assistance to customers. You can contact them at:

Financial Industry Complaints Service

PO BOX 579

Collins Street West

Melbourne, Victoria 8007

Toll free: 1300 780 808

Facsimile (03) 9621 2291

Website: www.fics.asn.au

Does NAB pay remuneration to financial advisers?

NAB currently does not pay remuneration to financial advisers in respect of NAB Term Deposits (via IDPS). However, your financial adviser may be entitled to receive remuneration from the fees and charges you pay to the IDPS Operator. You should refer to the Operator's IDPS Guide for further information about your financial adviser's entitlement to any remuneration.

Updating information

Information in this PDS is subject to change. We will notify the IDPS Operator of any changes that have a materially adverse impact on your investment or other significant events that affect the information in this PDS. Any updated information that is not materially adverse may be obtained by contacting your financial adviser. A paper copy of the updated information will be provided free of charge on request. As an Indirect Investor, the Operator of the IDPS will also be able to assist you with obtaining updated information.

Meaning of words

Words defined in Part B of this PDS have the same meaning in Part A.

Part B

Terms and Conditions

NAB Term Deposits (via IDPS)

How to invest in a term deposit through an IDPS

You may invest in a term deposit with NAB through an IDPS by directing the IDPS Operator to invest an approved deposit amount with NAB on your behalf. You should review the IDPS Guide for information on how to invest in a term deposit with NAB through an IDPS. You must complete the documents that your IDPS Operator requires.

The effective date of your term deposit will be the date your funds are invested with NAB on your behalf as settled between NAB and the IDPS Operator.

An Indirect Investor does not become a deposit holder with NAB for a term deposit. It is the IDPS Operator that invests for you and so, has the rights of an investor. The IDPS Operator can exercise these rights of a deposit holder and investor or decline to exercise them on your behalf, according to the arrangements governing the IDPS.

You will receive reports from the IDPS Operator, not NAB. Enquiries should be directed to that Operator.

Interest

For NAB Term Deposits (via IDPS), NAB will pay interest on the deposit calculated on a daily basis on the amount of the term deposit from time to time.

The rate for a term of the deposit will remain the same until the maturity of that term. NAB provides indicative interest rates to the IDPS Operator for a given deposit amount and term. The actual rate to apply to a deposit made on your behalf will be the rate agreed between NAB and the IDPS Operator from the effective date of your deposit and notified to you by the IDPS operator.

Interest will be credited to the cash account you hold as part of your investment in an IDPS. You should review the IDPS Guide for information on how and when the Operator receives income (in the form of interest) payments.

Depending on the arrangements with the IDPS Operator, NAB will credit and pay interest monthly, annually or at some other interval requested by the IDPS Operator. You should review the IDPS Guide for the intervals at which interest will be credited to your cash holding account.

Early repayment

In accordance with the IDPS Guide, you may not withdraw amounts from the deposit at any time prior to maturity except in certain circumstances at the IDPS Operator's discretion.

If you withdraw an amount from the term deposit prior to the maturity of a term and within the first 5 years starting on the day on which the funds are first deposited, NAB may reduce the interest generated on the term deposit by NAB's reasonable estimate of the cost to it of meeting the early repayment, up to the amount of accrued interest (any reduction in the interest generated on the term deposit will never exceed the accrued interest).

Where approved, access to a term deposit during the term is subject to a minimum balance, determined from time to time by the IDPS Operator, being retained in your deposit. If a withdrawal request is made which would result in

the minimum not being met, we may not comply with the request unless the total balance is withdrawn.

Maturity

At the maturity of a term your deposit amount will be credited to your cash holding account unless you direct the IDPS Operator to extend your investment for a further term.

In the absence of a direction to extend your investment for a further term before maturity of a term, NAB will repay the whole of the term deposit at the maturity of that term by crediting that amount to your cash holding account.

Extension of term deposit

You can direct the IDPS Operator to extend your investment for a further term with or without additional funds. The IDPS Operator may accept or reject your request on such terms and conditions as it determines. Such acceptance is effective from the date of maturity of the term that has ended. You need to complete the documents that the IDPS Operator requires of you to the extend your investment for a further term. You do not need to complete any of our forms.

Bank fees

NAB will not charge you any bank fees in respect of the term deposit.

Your IDPS Operator may charge other fees and charges applicable to the IDPS (and set out in the IDPS Guide). You should read all the information about fees and charges because it is important to understand their impact on your investment.

General Matters

Government charges and taxes

NAB may deduct from the term deposit or interest payable on it any government charges, duties and taxes relating to either the term deposit or interest.

Keeping you informed

When you invest through an IDPS, the Operator of that service will send you information relating to your investment.

Your IDPS Operator can provide you with reports on the progress of your deposit. You will not receive any statements or other information directly from NAB.

Personal Information

The Privacy Policy of the IDPS Operator will apply to your investment.

NAB will not collect or hold any personal information about Indirect Investors who invest through an IDPS. Indirect Investors should contact their IDPS Operators for details on the collection, storage, use or disclosure of personal information.

Governing law

You agree that this agreement and the investment of monies in a term deposit as contemplated by this agreement are governed by the law in force in Victoria and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of those courts.

Meaning of words

Banking day means a day other than a Saturday or Sunday, or a public, special or bank holiday in the State or Territory where the product is opened.

IDPS Guide means the Financial Services Guide (incorporating the Investor Directed Portfolio Service Guide) and contract issued by an IDPS Operator.

IDPS means an Investor Directed Portfolio Service as defined by ASIC Policy Statement 148 and Class Order 02/294. IDPS includes investor directed portfolio service-like scheme, Master Trust or Wrap Account.

IDPS Operator means any operator of an IDPS Service that NAB authorises to list NAB Term Deposits (via IDPS) on their investment menu.

IDPS Service means any IDPS for which NAB has entered into a Service Level Agreement concerning the listing of NAB Term Deposits (via IDPS) on its investment menu.

Financial adviser means a licensed financial adviser or the authorised representative of a licensed financial adviser.

Master Trust means an investment vehicle that lets investors consolidate multiple investments in managed funds, direct shares and other investment types into one consolidated investment service.

NAB means National Australia Bank Limited and its successors and assigns.

Wrap Account means a type of investment service, similar to a master trust, that consolidates various investments such as managed funds or direct investments into a single administration and reporting service. The Wrap Account acts as a custodial service for assets held in an individual's name.

You means the customer or customers who instructs the IDPS Operator to invest in NAB Term Deposits (via IDPS). You includes your successors and assigns.

For more information call your IDPS Operator or financial adviser.

Preparation of this PDS was completed on 27 July 2006.

For more information about NAB Term Deposits
(via IDPS) call your IDPS Operator