NAB CORPORATE MARKETS LOAN

Product information summary

Depending on your risk profile, needs and circumstances, NAB's Markets Specialists can offer your business a range of financial solutions to assist in managing interest rate risk. Please contact your Relationship Manager to arrange an appointment.

IMPORTANT INFORMATION

This document is a guide only. It is intended to be read alongside the full terms and conditions.

NAB Corporate Markets Loans are only available to approved customers.

For more information about NAB Corporate Markets Loans, or for full terms and conditions, please contact your Relationship Manager.

Australian distribution only

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General information only

The information set out in this document is general in nature. By providing this document, National Australia Bank Limited ("NAB") does not intend to provide financial advice or any financial recommendations.

NAB CORPORATE MARKETS LOAN

What is a Corporate Markets Loan?

A Corporate Markets Loan is an interest in arrears fee-based term loan with market-linked pricing and embedded interest rate risk management options.

How does it work?

The Corporate Markets Loan has the flexibility to help you manage interest rate risk and market linked pricing.

Once a single limit and expiry date is approved, any combination of components can be set up under this limit, as long as the sum of the components does not exceed the facility limit and any one component does not exceed the expiry date or the relevant term/limit (if any) for that specific component.

What components are available?

- Floating Rate
- Fixed Rate(s)
- Cap Rate(s)
- Range Rate(s)

What Loan Structures are available?

The cash flow of the loan can be tailored to match your business's specific requirements. Available structures are:

- Principal and Interest Loans – principal payments and interest payments are required. The principal amount may be a regular or variable amount each period.
- Interest Only Loans – you elect to pay only interest.

The availability of each loan structure is subject to credit approval.

What is the minimum amount of each loan?

As approved by NAB.

What fees are applicable?

Fees, charges and premiums apply for the Corporate Markets Loan, depending on the component selected.

For more information, call your Relationship Manager.

For Other Fees and Charges, see NAB's 'A Guide to Fees and Charges – Business'.

What term is available?

Up to 15 years, with longer terms subject to our lending criteria.

When is interest paid?

Interest is payable up to 2 Banking Days following the end of each pricing period and on the Termination Date.

How are interest rates determined?

Interest rates are based on the weighted average of the interest rates applicable to each of the loan components.

How are fixed interest rates determined?

Fixed interest rates are determined and advised by NAB and apply for the term of the fixed rate component.

How are floating interest rates determined?

Floating interest rates are calculated using the applicable BBSY Bid Rate plus a funding margin and drawn margin. The floating rate is reset on the first banking day of each pricing period and is effective for that period.

If such a rate is not available, a comparable rate will be used.

BBSY rates are only produced on and for days that are business days in Sydney. The rate determined by NAB is the Australian Bank Bill Swap Reference Rate (Bid) administered by ASX Benchmarks displayed on the "BBSY" page of the Thomson Reuters Screen on the first day of that pricing period.

FLOATING RATE COMPONENT

Description

A floating rate component with no interest rate risk management function. For each pricing period, the applicable interest rate will be the floating rate.

Applications

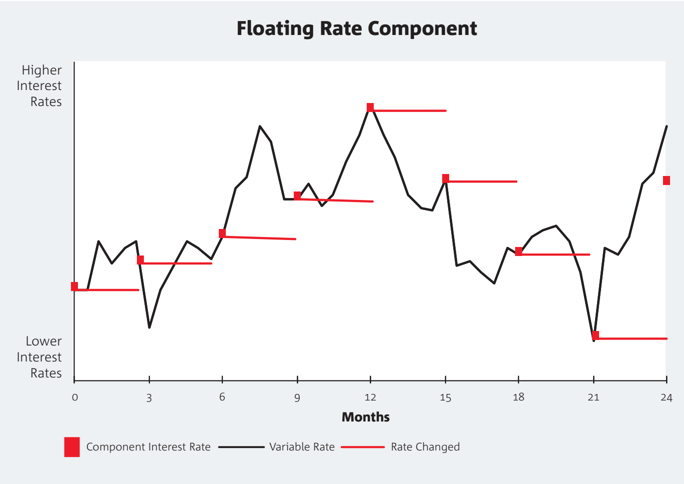
This component may suit a business that is comfortable with the risk of any changes in the interest rates during the term of the component whilst retaining the opportunity to enter into one of the other components at a future date.

Advantages

- The ability to enter into one of the other components with no switching costs.
- The business can still benefit from floating rates falling between pricing periods.
- The business can make early repayments of principal without incurring the Economic Cost that may be incurred in early repayment of principal for other components (if one business day's notice is provided).

Disadvantages

- There is no maximum interest rate established for the term of this component. Therefore, the business may be disadvantaged by floating rate increases between pricing periods.



FIXED RATE COMPONENT

Description

A component with a fixed interest rate that applies for the term of that component.

Applications

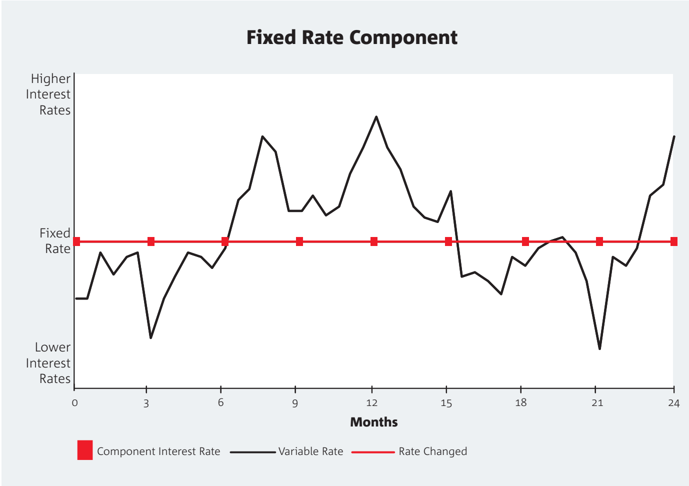
This may suit a business that wishes to fix their funding cost for the term of the component and thus have known funding costs for the amount borrowed.

Advantages

- This component protects the business from the direct impact of any increase in interest rates, for the term of that component.
- The business can structure the principal drawdown and repayment structure (determined at the outset) to suit their cash flow forecast (subject to credit approval).

Disadvantages

- The business will not receive any direct benefit if interest rates fall during the term of this component.
- The contracted terms of the component are fixed at the outset therefore any alterations to the amount drawn down or any other term, including early repayment in full or in part, may incur significant Economic Costs.



CAP RATE COMPONENT

Description

A floating interest rate term component that incorporates an agreed maximum interest rate (the 'Cap'). The Cap provides a maximum known funding cost, for the term of the component.

For each pricing period, the interest rate applied for the component will be:

- The lower of the Cap and the applicable floating rate. The business pays a premium for the Cap which is payable either in advance as a single payment, or as regular payments on a pre-agreed schedule.

Applications

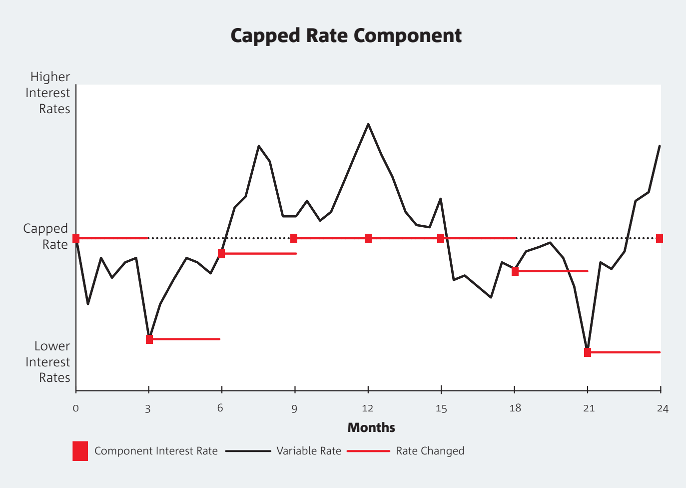
This component may suit a business that is seeking protection against the direct impact of interest rates rising above the Cap but also wishes to benefit from being able to achieve interest rates below the Cap.

Advantages

- A maximum interest rate is established for the term of the component.
- The business can still benefit from floating rates being below the Cap on the first day of any pricing period.
- The business can make early repayments of principal without incurring the Economic Cost that may be incurred in early repayment of principal for other components (providing one business day's prior written notice is provided).

Disadvantages

- A premium is payable for receiving the benefit of having a known maximum interest rate.
- If the component is repaid ahead of the agreed schedule, in whole or in part, then any unpaid premiums will still be payable.



RANGE RATE COMPONENT

Description

A floating rate component which incorporates agreed maximum (Cap) and minimum (Floor) interest rates.

The Cap provides a maximum known funding cost for the term of the component. The Floor provides a minimum known funding cost for the term of the component. For each pricing period, the applicable interest rate will be:

- The floating rate if, on the first day of that pricing period, the floating rate is between the Cap and the Floor, or equal to either of those rates.
- The Floor if, on the first day of that pricing period, the floating rate is less than the Floor.
- The Cap if, on the first day of that pricing period, the floating rate is more than the Cap.

The business pays a premium to enter into this component. It is possible to set a Cap and a Floor that will result in zero net premium being payable.

Applications

This component may suit a business wanting a level of protection from the impact of any increase in interest rates during the term of the component whilst retaining the opportunity to benefit, at least in part, from any falls in floating interest rates during the term of the component.

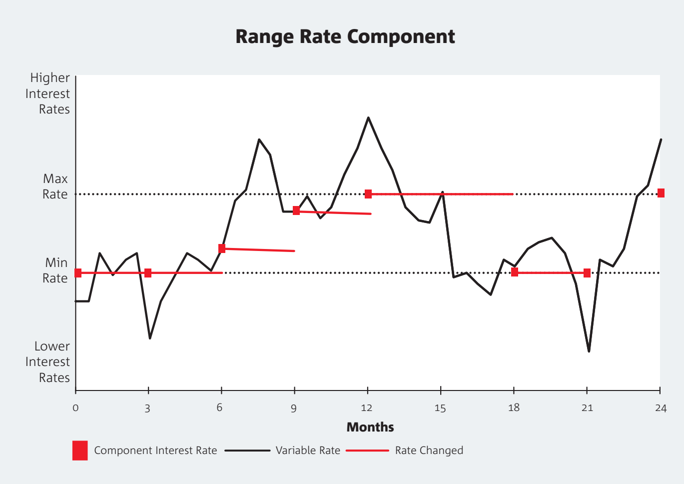
The business may be of the view that falls in floating interest rates are likely to be small and will not result in floating interest rates falling significantly below the Floor during the term of the component.

Advantages

- A maximum known interest rate is established for the term of the component.
- The premium payable will be less than for a Cap Rate component with the same term and the same maximum rate.
- Floor Rate may generally be chosen at a certain level to ensure there is no premium payable for the Cap Rate.

Disadvantages

- A premium is payable for receiving the benefit of having a known maximum interest rate.
- If the component is repaid ahead of the agreed schedule, in whole or in part, then any unpaid premiums will still be payable. The contracted terms of the component are fixed at the outset, therefore any alterations to the amount or any other term, including early repayment in full or in part, may incur significant Economic Costs.
- If floating interest rates fall below the Floor then you will not receive any direct benefit.



ECONOMIC COST/BENEFIT

If a Corporate Markets Loan Fixed or Range Rate component is terminated early for any reason, in whole or in part before the end of the component maturity date, or is repriced, cancelled or reduced before the component maturity date, is not fully drawn or the borrower defaults, NAB may incur a cost or receive a benefit; known as an Economic Cost or Economic Benefit, under any equal or opposite contracts it has entered into in wholesale interest rate markets. This is standard industry practice.

The Economic Cost represents NAB's costs and losses, including by reason of the liquidation of deposits or other funds, or the termination or reversing of any swap or option agreement or other agreement or arrangement entered into by NAB to fund or maintain the facility component or to hedge, fix or limit NAB's effective cost of funding in relation to a Facility.

An Economic Cost occurs when the current interest rate at the time it is payable is lower than the contracted Fixed Rate. The Economic Cost represents recovery of NAB's cost of breaking fixed rate funding early.

You will be liable to pay NAB any Economic Cost and you will receive from NAB any Economic Benefit. Any cost or benefit will be adjusted to recompense NAB for any transaction or other costs it incurs.

Economic Costs can be substantial and will increase the amount you owe NAB. The calculation of Economic Cost or Benefits will depend on the type of Corporate Markets Loan component you have entered into and the prevailing interest rate market conditions. You can get an estimate of applicable Economic Costs at any time by contacting your Relationship Manager or Markets Specialist.

Early Termination of Fixed Rate and Range Rate Components

The Economic Cost or Benefit is calculated by:

- Determining the difference between the rate applicable under your fixed rate component and the most applicable interest rate NAB is able to receive in the interest rate market at the time of termination for the remaining term of the component. This difference is then multiplied by the remaining amount under the component and the remaining term. Generally, the longer the term to maturity the greater the Economic Cost or Benefit, and
- This amount is then discounted using the discount rate determined by NAB, to arrive at a present value.

Examples

A customer enters into a $10 million five year Fixed Rate component at 6.20% per annum. After three years the customer informs their Relationship Banker that they wish to repay this Fixed Rate component in full. The two year interest rate is the relevant rate in this case because the Fixed Rate component has two years remaining to maturity.

Scenario 1

The two year interest rate is 5.50%. Because this rate is lower than the customer's Fixed Rate of 6.20% an Economic Cost applies. This is calculated as follows:

6.20% - 5.50% x $10,000,000 x 2 Years

= 0.70% x $10,000,000 x 2

= $70,000 x 2

= $140,000

The Bank then calculates today's value of the economic cost by discounting this sum to the net present value using the 2 year interest rate at that date. The present value of this amount is $126,120. This amount is to be paid by the customer at the point of repayment of the component.

Scenario 2

The two year interest rate is 6.70%. Because this rate is higher than the customer's Fixed Rate of 6.20% an Economic Benefit applies. This is calculated as follows:

6.70% - 6.20% x $10,000,000 x 2 Years

= 0.50% x $10,000,000 x 2

= $50,000 x 2

= $100,000

After discounting this sum by the 2 year interest rate at that date, the present value of this amount is $88,960. This will be paid to the customer at the point of repayment of the component.

PREMIUM

You can choose to early terminate Capped and Range Rate Components on any banking day, provided that you give NAB at least 1 banking day's notice. However you will be liable for all future premiums, if payable by instalments.

Payments that are still required as a result of terminating Capped Rate and Range Rate components are calculated by determining the present value of all future premiums outstanding under the facilities and netted against the market value of the Capped Rate and Range Rate Components.